

Mossberg's Investor Digest

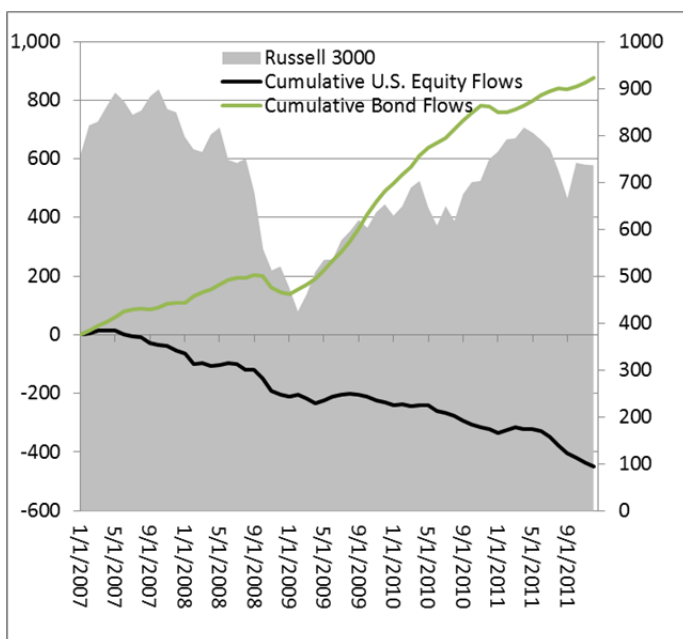
December 2011

December 2011 Issue

Issue #42

From the Editor...

While the Russell 3000 ended the year relatively flat, there was significant price volatility. At one point, the index declined 15% and there were several 5 to 10 point swings inside two week periods. All of this volatility combined with continued uncertainty over the global economy has left equity investors to head for the hills and the relative security of bonds.



(source: Investment Company Institute, Flows in \$billions)

In the chart above I compare the cumulative flow of funds since the beginning of 2007 for U.S. Equity mutual funds and bond funds, versus the Russell 3000 index over the same time period. The chart shows that there has been approximately \$450 billion withdrawn from U.S. equity mutual funds since the beginning of 2007. Approximately \$130 billion was withdrawn during 2011, all of which occurred since June. As a contrarian, I see this is a bullish indicator for the market. There is a lot of money getting minimal returns in bonds, or otherwise sitting on the side lines. At some point (hopefully soon), these funds will find their way back into equities.

Happy New Year and thank you for your interest,

Dave Mossberg

Headwaters (NYSE: HW) – \$2.74, December 9, 2011, Page 3 – Headwaters Inc. provides products, technologies and services in the light building, heavy construction materials and energy industries. Headwaters represents an excellent play on any economic recovery in the housing sector. The Company has a strategic asset sale that could yield \$25 million and accelerate debt repayment and put the company on better financial footing.

3D Systems (NYSE:DDD) - \$14.95, December 23, 2011, Page 4 - 3D Systems designs and manufactures 3-D printing, rapid manufacturing, and prototyping systems that enable complex three-dimensional objects to be produced directly from computer data without tooling. The Company's large and successful R&D efforts are currently monetizing very quickly. Higher revenue growth and earnings should drive share appreciation as this story develops.

Wilbros Group, Inc. (NYSE:WG) – \$3.71, December 23, 2011, Page 5 - Wilbros Group, Inc. provides services to global end markets serving the oil and gas, refinery, petrochemical and power industries. Wilbros is at an inflection point. Analysts are expecting a return to profitability in FY2012 with a mean estimate of \$0.45 vs. a \$0.83 loss for FY2011. A multiple of 12x next year's estimate would equal a stock price of \$5.40.

Antares Energy Limited (ASX:AZZ.AX) - \$0.43, December 30, 2011, Page 6 - Antares Energy Limited is an oil and gas exploration company working primarily in the Permian Basin area of West Texas. Antares has reiterated its guidance for gross production targets for 2012 and 2013. Current production estimates can lead to a NPV in the \$240 MM range which equates to a stock price in excess of \$0.90 per share, over 2x the company's current market valuation.

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Mossberg's Investor Digest Idea Performance

The table below shows the relative change in the value of the ideas published since August 2011 and the Russell 3000. **Performance data quoted represents past performance and does not guarantee future results.** Current performance of ideas may be lower or higher than the performance quoted.

Company	Pub. Date	Original Price	Recent Price	Change	Russell 3000 Change Since Pub. Date	Relative Perf. vs. Russell 3000
John Bean Technologies (Nasdaq: JBT)	11-Aug-11	14.85	15.37	3.5%	6.7%	-3.2%
White Mountains Insurance (NYSE: WTM)	17-Aug-11	410.00	453.46	10.6%	5.0%	5.6%
TranSwitch Corp. (Nasdaq: TXCC)	26-Aug-11	2.53	3.20	26.5%	6.6%	19.9%
Halmark Financial (Nasdaq: HALL)	26-Aug-11	6.68	6.99	4.6%	6.6%	-2.0%
Isis Pharmaceuticals (Nasdaq: ISIS)	27-Sep-11	7.31	7.21	-1.4%	7.0%	-8.4%
Chicago Bridge and Iron (NYSE: CBI)	29-Sep-11	30.38	37.80	24.4%	11.5%	12.9%
Wabash National (NYSE: WNC)	29-Sep-11	4.99	7.84	57.1%	11.5%	45.6%
LB Foster (Nasdaq: FSTR)	29-Sep-11	22.90	28.29	23.5%	11.5%	12.0%
Pizza Inn (Nasdaq: PZZI)	14-Oct-11	3.50	5.50	57.1%	2.7%	54.4%
Destiny Media Technologies (OTCBB: DSNY)	22-Oct-11	0.35	0.45	28.6%	0.1%	28.4%
Boingo Wireless (Nasdaq: WIFI)	28-Oct-11	8.00	8.60	7.5%	-2.3%	9.8%
BioSante Pharmaceuticals (Nasdaq: BPAX)	28-Oct-11	2.75	0.50	-81.8%	-2.3%	-79.5%
Firsthand Technology Value Fund (Nasdaq: SVVC)	22-Nov-11	14.30	14.33	0.2%	5.7%	-5.5%
Wilhelmina International (OTCBB: WHLM)	22-Nov-11	0.19	0.20	5.8%	5.7%	0.1%
American Axle (NYSE: AXL)	27-Nov-11	7.51	9.89	31.7%	8.6%	23.1%
GraphTech (NYSE: GTI)	27-Nov-11	12.51	13.65	9.1%	8.6%	0.5%
Headwaters, Inc. (NYSE: HW)	9-Dec-11	2.74	2.22	-19.0%	0.0%	-19.0%
3D Systems Corp. (NYSE: DDD)	23-Dec-11	14.95	14.40	-3.7%	-0.7%	-3.0%
Wilbros Group, Inc. (NYSE: WG)	23-Dec-11	3.71	3.71	0.0%	-0.7%	0.7%
Antares Energy (ASX: AZZ.AX)	31-Dec-11	0.43	0.43	0.0%	0.0%	0.0%
				9.2%	4.6%	4.6%

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Best Idea Profile:

Headwaters, Inc. (NYSE:HW)

DESCRIPTION:

Headquartered in South Jordan, Utah; Headwaters Inc. provides products, technologies and services in the light building, heavy construction materials and energy industries. The Company sells building products such as manufactured architectural stone, siding accessory products and concrete blocks. Headwaters also markets coal combustion products, which are used as an admixture in concrete and provides services to electric utilities that are related to the management of Coal combustion products. The Company is involved in energy through reclaiming waste coal, heavy oil upgrading processes and the production of ethanol. Headwaters intends to divest itself of its coal waste reclamation business and expand its light building products and heavy construction materials businesses through the growth of existing operations and commercialization of new technologies and products.

KEY INVESTMENT CONSIDERATIONS:

Established Core Franchise – Headwaters has leading positions in several light building product categories that include siding accessories, functional shutters, specialty siding products, specialty roofing products and window wells. Headwater's is also the nation's largest manager and marketer of coal combustions products, which includes fly ash as a construction material replacement for Portland cement. Headwater's has formed numerous long-term exclusive management contracts with coal-fueled electric generating utilities throughout the United States and maintains 22 stand-alone CCP distribution terminals across North America.

Repair/Remodel Sales – Headwaters siding accessory sales are primarily driven by the residential repair and remodeling construction market.

Restructuring – Headwaters recorded approximately \$4.7 million of cash restructuring costs for Q4SepFY2011, and approximately \$7.4 million of cash restructuring costs in the year ended September. Total restructuring costs were \$11.7 million and \$17.9 million for the fourth quarter and fiscal year 2011, respectively. The Company anticipates that the restructuring activities will collectively result in an annualized cash benefit of approximately \$14 million, of which approximately 65% will be realized in fiscal 2012. Headwaters is in a position to improve 2012 margins despite of 2011 cost increases.

Asset Sale – Coal business revenues have exceeded revenues in the previous two fiscal years. Headwaters recorded a non-cash asset impairment charge of \$35 million, during the quarter ended September 2011, which is included in loss from discontinued operations. The Company expects cash proceeds from the sale of the coal cleaning assets will be in the range of \$20 to \$30 million.

Reduced Financial Risk – Headwaters successfully refinanced its senior debt, extending the maturity to 2019 thereby reducing the interest rate from 11.375% to 7.625% and lowering cash interest expense and increasing free cash flow. Additionally Headwaters paid down \$24.4 million of its high coupon subordinated debt. In 2012, the Company expect to further reduce it's debt through improved cash flow and with the proceeds from it's anticipated sale of the coal business.

VALUATION:

Headwaters represents an excellent play on any economic recovery in the housing sector. The Company has a strategic asset sale that could yield \$25 million and accelerate debt repayment and put the company on better financial footing.

Headwaters, Inc (NYSE:HW) Investment Data (as of 12/09/11)

Recent Price	\$2.74
52-Week Range	\$1.05 - \$6.41
Fiscal Year End	Sep
Dividend	NA
Yield	NA
Shares Outstanding	61MM
Average Trading Volume (3 mos)	532k
Market Capitalization	\$167MM
Cash	\$51MM
Long Term Debt	\$470MM
Enterprise Value (EV)	\$642MM
Book Value	\$0.93
TTM Revenue	592MM
P/ Revenue	0.27
TTM EPS	\$(3.80)
P/ EPS	NA
TTM EBITDA	\$89MM
EV/ EBITDA	7x

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Best Idea Profile:

3D Systems Corp. (NYSE:DDD)

DESCRIPTION:

Headquartered in Rock Hill, South Carolina; 3D Systems designs and manufactures 3-D printing, rapid manufacturing, and prototyping systems that enable complex three-dimensional objects to be produced directly from computer data without tooling. The Company also operates 3Dproparts™, a comprehensive service that offers its customers rapid prototyping and direct rapid manufacturing services for the production of precision parts. Customers who use 3D proprietary systems are able to produce physical objects from digital data using commonly available computer-aided design software. 3D systems' ability to produce functional parts from digital art enables customers to create detailed prototypes, or production-quality parts quickly and effectively without a significant investment in expensive tooling, greatly reducing the time and cost required to produce prototypes or to customize production parts.

KEY INVESTMENT CONSIDERATIONS:

Large Market – 3D operates in 5 key vertical markets; Medical, Dental, Parts, Printers and Aerospace. The Company estimates the combined addressable market for these areas to be nearly \$3 Billion (source; company). With the market opportunity growing to \$5.05 Billion by FY2020 (Source: Wohlers Associates).

Efficiency Trend Play – Rapid Prototype plans and manufacturing bring efficiency to an increasingly competitive global environment. The Company's processes and services displace or augment the traditional manufacturing process by cutting costs and compressing lead times. 3D services have been adopted by many top manufacturers such as GE, 3M and BMW.

Fragmented Market: Competition in the parts printing service business is highly fragmented, with most of the services suppliers operating on a local level. 3D has created a strong franchise within the sector. The Company has had some success with acquisitions and may emerge as a significant industry consolidator.

Complete Service – Many of the Company's competitors try to fit an existing service or machine to many types of jobs. 3D has 6 print engines and uses 90 materials which it utilizes in a customized approach for a competitive edge.

Intellectual Property – 3D has 900 patents issued or pending.

Diversified and Recurring Revenue – 70% of the Company's resources come from recurring revenue. Nearly 50% of 3D's revenues are generated from outside the United States.

Growth – For the first 9 months of FY2011 3D has reported double digit growth on a year-over-year basis for all 4 reported categories, which includes; Printers (31%), Print Materials (21%), Services (102%) and Healthcare (38%).

New Products Driving Growth – 3D has commercialized 13 new products so far in FY2011 which have generated \$50.5 million in revenues.

Strong Financial Results – For Q3SepFY2011 3D reported 57.5MM in revenues vs. \$41.5 MM and Gross Margins of 48% (a 3% improvement) on a year-over-year basis. The Company has \$73mm in cash.

VALUATION:

Analysts currently have revenue estimates in the \$224MM range for FY2012 and \$268MM for FY2012 (which equates to a 20% increase). The Company's large and successful R&D efforts are currently monetizing very quickly. Higher revenue growth and earnings should drive share appreciation as this story develops.

3D Systems, Corp. (NYSE:DDD)

Investment Data (as of 12/23/11)

Recent Price	\$14.95
52-Week Range	\$12.78 - \$27.28
Fiscal Year End	Dec
Dividend	NA
Yield	NA
Shares Outstanding	51MM
Average Trading Volume (3 mos)	485k
Market Capitalization	\$755MM
Cash	\$73MM
Long Term Debt	\$4MM
Enterprise Value (EV)	\$690MM
Book Value	\$4.54
TTM Revenue	\$212MM
P/ Revenue	3.6x
TTM EPS	\$0.73
P/ EPS	20x
TTM EBITDA	\$43MM
EV/ EBITDA	16x

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Best Idea Profile:

Wilbros Group, Inc. (NYSE:WG)

DESCRIPTION:

Headquartered in Houston, Texas; Wilbros Group, Inc. provides services to global end markets serving the oil and gas, refinery, petrochemical and power industries. These services include engineering, procurement and construction, turnaround, maintenance and other specialty services which are critical to the expansion and operation of energy infrastructure. The Company designs, constructs and upgrades midstream infrastructure such as pipelines and compressor stations and also does work for downstream facilities, such as refineries. The Wilbros Services business provides maintenance and small capital projects for transmission and distribution facilities for electric and natural gas utilities and large capital projects for renewable power generation and electric transmission projects. Wilbros and its predecessor company have constructed approximately 124,000 miles (200,000 kilometers) of pipeline and have done work in over 60 countries.

KEY INVESTMENT CONSIDERATIONS:

Strong Energy Sector Franchise – Wilbros has a strong and diversified franchise in the energy infrastructure. The Company and its predecessor have been around since 1908 and actively serve the Energy sector with Upstream/Downstream, Midstream, Utility Transmission/Distribution and Downstream construction and service operations.

Recurring Revenue – Many of Wilbros contracts are Master Service Agreements with 1 to 3 year terms. These contracts are based on established rates for materials and include names such as NiSource, Oncor and Syncrude.

High Growth Markets – Wilbros has exposure to expanding markets in electric transmission, hydrocarbon infrastructure and the Canadian oil sands activities. These markets are poised for further growth which is driven by a number of factors such as renewable energy sources, oil shale development, pipeline integrity and ongoing maintenance needs.

Improving Financials – Q3FY2011 adjusted Ebitda was \$31.6mm vs. \$21mm for Q2FY2011. During the same period debt declined to \$297mm from \$318MM. The Company has over \$68 million in cash on the balance sheet.

Utility transmission and Distribution – A build-out in the US in this area has created an opportunity for Wilbros. According to the Edison Electric Institute the Electricity transmission infrastructure market is expected to grow from \$11.2 Billion in 2011 to \$12.3 Billion in 2013. Also, over \$880 billion in new T&D infrastructure is expected from 2010 to 2030 including \$298 billion for transmission infrastructure and \$582 billion to be spent on distribution. (source: Transforming America's Power Industry: The Investment Challenge 2010-2030, Edison Electric Institute) Wilbros now has service offerings to participate in the utility T&D market.

Shale Plays – U.S. production growth is concentrated in Shale Plays which are changing the pipeline landscape. New supply areas lack infrastructure. With Natural Gas, NGL and Oil Midstream sectors being projected to require capital expenditures of \$10 billion per year (source: INGAA, North American Midstream Natural Gas Infrastructure Through 2035: A Secure Energy Future, June 28, 2011.) Wilbros is strategically positioning offices in the North American shale plays.

VALUATION:

Wilbros is at an inflection point. Analysts are expecting a return to profitability in FY2012 with a mean estimate of \$0.45 vs. a \$0.83 loss for FY2011. A multiple of 12x next year's estimate would equal a stock price of \$5.40

Wilbros Group, Inc. (NYSE:WG)

Investment Data (as of 12/23/11)

Recent Price	\$3.71
52-Week Range	\$3.13 - \$12.55
Fiscal Year End	Dec
Dividend	NA
Yield	NA
Shares Outstanding	49MM
Average Trading Volume (3 mos)	430k
Market Capitalization	\$180MM
Cash	\$68MM
Long Term Debt	\$299MM
Enterprise Value (EV)	\$410MM
Book Value	\$7.45
TTM Revenue	\$1.7B
P/ Revenue	0.1x
TTM EPS	\$(4.85)
P/ EPS	NA
TTM EBITDA	\$32MM
EV/ EBITDA	13x

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Best Idea Profile:

Antares Energy Ltd (ASX: AZZ.AX)

DESCRIPTION:

Headquartered in West Perth, Australia; Antares Energy Limited is an oil and gas exploration company working primarily in the Permian Basin area of West Texas. The Company has about 30,000 net acres with its main properties including the Northern Star project which covers an area of 12,400 net acres and the Big Star project covering an area of approximately 13,125 net acres. The low cost Permian basin has properties with an unusually thick sequence of oil rich shale deposits and conventional reservoirs which are stacked on top of each other. This growth profile of the Company's Shale production is less risky than conventional oil & gas plays due to the predictability and repeat production possibilities of shale properties.

KEY INVESTMENT CONSIDERATIONS:

Attractive Shale Play – Antares is focused on the Permian basin in West Texas. This area is currently experiencing a new boom due to shale production. The Permian basin currently has production of about 900,000 BOE per day. Antares has acquired three promising projects with combined potential greater than 100mm BOE of reserves.

New Technology Drives Success Rates – Extraction techniques such as fracking and horizontal drilling have jump started new growth in shale oil. Exploration risks are extremely low for shale plays, as opposed to conventional oil & gas industry, where chances of success are typically in the 10-20% range.

Wolfberry Trend – Antares properties are located in the Wolfberry trend. Due to the thick oil strata in this area, vertical wells can be drilled and completed for a cost of \$1.5MM to \$2.5MM, vs. Bakken or the Eagle Ford wells which have to be drilled horizontally at costs of \$6MM to \$10MM.

Economic Drivers – Due to high oil prices and an over-supply of natural gas in the US market, the ratio of West Texas Intermediate crude oil to US gas prices has moved up strongly. The US petroleum industry has changed focus and now has more drilling for oil than for gas.

Stock Buyback Program – Antares repurchased 600,000 shares of its stock in December at prices ranging from \$0.37 to \$0.38 cents. The Company has 10.5 million shares left on its repurchase authorization

Drilling Advantage – Antares small size allows it to drill wells with large equity participations for modest cash outlays (\$28MM). As shale plays are typically statistically driven, more wells equate to a standard success curve thereby reducing risk for the Company and Investors.

New Debt Facility Increases Production – The Company has reaffirmed its 2012 gross production targets of 2,500 BOE per day and 4,000 BOE per day for 2013. Funding is not an issue due to the Company's recently announced \$200 MM debt facility.

Future Funding – Macquarie's Bank agreement to a US\$200MM debt facility is a vote of confidence on Antares and leaves the Company fully funded for all current drilling plans.

VALUATION:

Antares has reiterated its guidance for gross production targets for 2012 and 2013. Current production estimates can lead to a NPV in the \$240 MM range which equates to a stock price in excess of \$0.90 per share, over 2x the company's current market valuation.

Antares Energy, Ltd. (ASX: AZZ.AX)

All prices in Australian Dollars

Investment Data (as of 12/30/11)

Recent Price	\$0.43
52-Week Range	\$0.34 - \$0.56
Fiscal Year End	Dec
Dividend	NA
Yield	NA
Shares Outstanding	281MM
Average Trading Volume (3 mos)	395,000
Market Capitalization	\$121MM
Cash	\$77MM
Long Term Debt	\$15MM
Enterprise Value (EV)	\$53MM
Book Value	\$.36
TTM Revenue	\$4MM
P/ Revenue	Nmf
TTM EPS	NA
P/ EPS	NA
TTM EBITDA	\$63,000
EV/ EBITDA	Nmf

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About Mossberg's Investor Digest

The value proposition of the digest is essentially an "Idea Generator". During the course of my 15-year career in capital markets, I've had the chance to meet and work closely with some very smart professional investors who have consistent track records of outperforming the market indexes. Some of these investors, which include mutual fund managers, hedge fund managers, and other professional investors, are kind enough to share their best ideas with me. I conduct my own analysis of their ideas and publish summaries of those ideas I think represent timely investment opportunities. Over time, I trust the majority of these ideas will pan out and help subscribers generate index-beating returns.

The goal of the Best Idea Profiles in this newsletter is to describe all of relevant investment merits and risks of a company in one page. It is not intended to be an exhaustive report including every detail of a company. With limited space available, I am forced to include only those data points that I feel are most important for subscribers to know before they begin their own due diligence. Thank you for your interest in Mossberg's Investor Digest.

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