Mossberg's Investor Digest

May 2012
Issue #47

From the Editor...

Reducing capital gains from sale of microcap stocks – I was in Chicago this month and a friend introduced me to Section 1202 of the tax code. To encourage investment in small business, section 1202 grants tax relief to investors who will take a chance on small companies

Here are the qualifications...

- 50% to 100% reduction in capital gains
- Non-corporate tax payer
- Investment in a C corp.
- Banks, insurance companies, investment funds, farming and hospitality are not included.
- Must have less than $50 million in assets at time stock is issued
- Investment must be held for 5 years
- Must be originally issued stock
- Gains can be rolled over into new small business investments. (original investment must be held for more than 6 months)

For those investors who participate in secondary, or private placements of microcap stocks, holding on to your position, or rolling it over into another small business looks like a great way to significantly reduce the tax bill.

Thank you for your interest,

Dave Mossberg

May 2012 Issue

GSI Group, Inc. (NASDAQ:GSIG) - *$12.36, May 13, 2012, Page 3* - GSI is making clear progress in a turnaround that is a little more than a year old. New management is cleaning up the balance sheet, simplifying operations, and improving efficiencies, while at the same time delivering high single digit top line growth. While shares have appreciated from their October lows, there appears to be more upside potential based on a 9x multiple of next year's earnings estimates. Assuming management can achieve its goals, its vision for $500 million in revenue with $100 million in EBITDA is only 3 to 4 years out. At current multiples, shares would be worth nearly twice as much over that time period

Standard Parking Corp. (NASDAQ:STAN) – *$18.42, May 25, 2012, Page 4* – Post its pending merger with equally-sized Central Parking, STAN is expected to produce $95 million+ in adjusted EBITDA. Appling a historic multiple of 8 to 10x EV/ EBITDA, yields a $30+ valuation in three years. Also, the fact that the PE firms are willing to take 60% of the purchase price in stock in consideration for selling their ownership of Central Parking should give investors some increased confidence in the merger.

Innodata Isogen, Inc. (Nadaq:INOD) - $5.41, May 28, 2012, Page 5 – Innodata Isogen, Inc. is a leading producer of eBooks and currently serves leading publishers, as well as top manufacturers of eBook reading devices. Given the company's growth prospects, and double digit return on capital, a mid-20's multiple of earnings should easily be attainable, which would yield a share price more than twice its current level.

Acme United (AMEX:ACU)– *$10.49, May* 29, 2012, Page 6 – Founded in 1867, Acme is most recognized for producing scissors. The Company has increased its dividend for five consecutive years with a five-year annual dividend growth rate of 16.7% and has a stock buyback program in place. ACU flies under most investors' radar. It trades at TTM EPS multiple of 11, which is very reasonable within its Household Product sector.

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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 September 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
Isis Pharmacueticals (Nasdaq: ISIS)	27-Sep-11	7.31	9.79	33.9%	11.6%	22.3%
Chicago Bridge and Iron (NYSE:CBI)	29-Sep-11	30.38	37.12	22.2%	16.3%	5.9%
Wabash National (NYSE:WNC)	29-Sep-11	4.99	7.15	43.3%	16.3%	27.0%
LB Foster (Nasdaq: FSTR)	29-Sep-11	22.90	27.66	20.8%	16.3%	4.5%
Pizza Inn (Nasdaq: PZZI)	14-Oct-11	3.50	2.47	-29.4%	7.2%	-36.6%
Destiny Media Technologies (OTCBB: DSNY)	22-Oct-11	0.35	0.91	161.1%	4.5%	156.7%
Boingo Wireless (Nasdaq: WIFI)	28-Oct-11	8.00	9.64	20.5%	1.9%	18.6%
BioSante Pharmacueticals (Nasdaq: BPAX)	28-Oct-11	2.75	0.52	-81.2%	1.9%	-83.0%
Firsthand Technology Value Fund (Nasdaq: SVVC)	22-Nov-11	14.30	20.06	40.3%	10.3%	30.0%
Wilhelmina International (OTCBB: WHLM)	22-Nov-11	0.19	0.12	-39.2%	10.3%	-49.4%
American Axel (NYSE:AXL)	27-Nov-11	7.51	9.32	24.1%	13.3%	10.8%
GraphTech (NYSE: GTI)	27-Nov-11	12.51	10.65	-14.9%	13.3%	-28.1%
Headwaters, Inc. (NYSE: HW)	9-Dec-11	2.74	4.19	52.9%	4.4%	48.6%
3D Systems Corp. (NYSE: DDD)	23-Dec-11	14.95	30.63	104.9%	3.6%	101.3%
Wilbros Group, Inc. (NYSE: WG)	23-Dec-11	3.71	5.60	50.9%	3.6%	47.4%
Antares Energy (ASX: AZZ.AX)	31-Dec-11	0.43	0.51	18.6%	4.3%	14.3%
Rentech Nitrogen Partners L.P. (NYSE:RNF)	12-Jan-12	20.37	23.63	16.0%	1.0%	15.0%
Points International, Ltd. (NASDAQ:PCOM)	23-Jan-12	8.00	11.09	38.6%	-0.6%	39.2%
Conn's Inc. (NASDAQ:CONN)	24-Jan-12	11.95	17.71	48.2%	-0.6%	48.8%
Trinity Industries, Inc. (NYSE:TRN)	26-Jan-12	31.30	25.21	-19.5%	-1.0%	-18.5%
Top Image Systems (Nasdaq: TISA)	18-Feb-12	2.92	3.87	32.5%	-4.4%	36.9%
DGSE Companies (Nasdaq: DGSE)	27-Feb-12	7.66	7.43	-3.0%	-4.6%	1.6%
Doral Financial (NYSE: DRL)	27-Feb-27	1.49	1.45	-2.7%	-4.6%	1.9%
Essex Rental Corporation (Nasdaq: ESSX)	27-Feb-12	3.60	3.42	-5.0%	-4.6%	-0.4%
Plug Power, Inc. (NASDAQ:PLUG)	19-Mar-12	1.77	1.19	-32.8%	-7.3%	-25.4%
Salem Communications (NASDAQ:SALM)	28-Mar-12	4.55	4.76	4.6%	-7.0%	11.6%
21st Century Holding (NASDAQ:TCHC)	29-Mar-12	4.15	4.19	1.0%	-6.8%	7.8%
HFF, Inc. (NYSE: HF)	30-Mar-12	16.47	13.16	-20.1%	-7.1%	-13.0%
Hecla Mining, Inc. (NYSE:HL)	26-Apr-12	4.15	4.50	8.4%	-6.6%	15.0%
The Cash Store Financial Services, Inc. (NYSE:CSF	26-Apr-12	5.42	5.50	1.5%	-6.6%	8.0%
Silicon Image, Inc. (NASDAQ:SIMG)	29-Apr-12	5.95	4.45	-25.2%	-6.9%	-18.4%
GSE Systems Inc. (Amex: GVP)	29-Apr-12	2.87	2.36	-17.8%	-6.9%	-10.9%
GSI Group (Nasdaq: GSIG)	13-May-12	12.36	11.85	-4.1%	-3.3%	-0.8%
Standard Parking Corp. (NASDAQ:STAN)	25-May-12	18.42	18.42	0.0%	-0.6%	0.6%
Ionnodata Isogen (Nasdaq: INOD)	28-May-12	5.41	5.41	0.0%	0.0%	0.0%
Acme United (Amex: ACU)	30-May-12	10.66	10.66	0.0%	0.0%	0.0%
				12.5%	**2.2%**	**10.8%**

We attempt to provide subscribers with reasoned opinions based on our analysis of publicly available information from sources believed to be reliable, but make no representations as to its accuracy or completeness. Best Idea profiles are not based upon individual needs of subscribers nor are they an offer to buy or sell securities. Additional disclosures can be found under the Disclosures portion of the Mossberg's Investor Digest website.

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Best Idea Profile: **GSI Group, Inc. (NASDAQ:GSIG)**

DESCRIPTION:

Headquartered in Bedford, Massachusetts; GSI Group Inc. manufactures and sells laser-based manufacturing solutions, laser scanning devices, and precision motion control technologies. These technologies help companies meet the demands of extremely precise manufacturing standards of production. GSI technologies are used for a variety of applications in a number of manufacturing sectors, including the electronics, industrial, scientific and medical markets. The Company has three operating segments; laser products, semiconductor systems and manufacturing. GSI products are sold by both a company sales force and distributors in North America, Europe and Asia.

KEY INVESTMENT CONSIDERATIONS:

New Management – Since emerging from bankruptcy in FY2010 the Company has assembled an entirely new team of senior executives. GSI appointed John Roush as Chief Executive Officer in December 2010. Also, during FY2011 the Company announced a new CFO and several other lead management positions. The new team has a significant experience from leading technology and consulting firms including: GE, Honeywell, Honeywell, PerkinElmer, IBM, Millipore, Analog Devices, Boston Scientific, McKinsey, and Bain.

Strategic Restructuring - The Company announced a new reporting structure in 2Q11 and during 4Q11 GSI started a new cost restructuring program. The Company's goal is to reduce annualized costs by $5.0 million by closing up to 12 facilities. The Company expects to incur cash charges of $4.0 million to $5.0 million related to this program, of which $2.5 million has been recorded through 1Q12.

Major Issues Resolved – GSI concluded a number of issues during FY2011 including an SEC Investigation concerning historical accounting practices and a class action lawsuit related to company contributions to the directors and officers insurance policies.

Debt Refinancing – During 4Q11 GSI announced the refinancing of all of its outstanding 12.25% Senior Secured PIK Election Notes due 2014 with the proceeds from a new $80 million senior agreement. This refinancing is expected to initially reduce the Company's interest expense by approximately $6.7 million.

Growth Initiatives – In 4Q11 the Company announced a new 1 Kilowatt Laser product offering. This Laser product is much more efficient from an energy and set up perspective. The Company reported that in 1Q12 demand for the product was very strong with overall revenues from that product line doubled on a Year-Over Year basis.

Positive Outlook - For 1Q12 GSI reported adjusted EBITDA of $11 million along with the fact that Net Debt was reduced to $5.1 million. The Company outlined plans for organic growth in the high single digits and EBITDA margin of 20%.

Valuation:

GSI is making clear progress in a turnaround that is a little more than a year old. New management is cleaning up the balance sheet, simplifying operations, and improving efficiencies, while at the same time delivering high single digit top line growth. While shares have appreciated from their October lows, there appears to be more upside potential based on a 9x multiple of next year's earnings estimates. Assuming management can achieve its goals, its vision for $500 million in revenue with $100 million in EBITDA is only 3 to 4 years out. At current multiples, shares would be worth nearly twice as much over that time period

GSI Group, Inc. (NASDAQ:GSIG)
Investment Data (as of 5/13/12)

Recent Price	**$12.36**
52-Week Range	$7.03 - $12.80
Fiscal Year End	Dec
Dividend	NA
Yield	NA
Shares Outstanding	33.6MM
Average Trading Volume (3 months)	124K
Market Capitalization	$415MM
Cash	$50MM
Long Term Debt	$56MM
Enterprise Value (EV)	$419MM
Book Value	$6.34
TTM Revenue	$353MM
P/ Revenue	1.2x
TTM EPS	$0.71
P/ EPS	17.4x
TTM EBITDA	$56MM
EV/ EBITDA	7.5x

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Best Idea Profile: **Standard Parking Corp. (NASDAQ:STAN)**

DESCRIPTION:

Headquartered in Chicago, Illinois; Standard Parking Corporation is a leading provider of parking management and ground transportation services to commercial, institutional and municipal clients in the North America. The Company trains and schedules a staff of over 12,000 people and offers a complete outsourcing solution. Services provided by Standard include operations and training, scheduling and the supervising of all customer service personnel. Standard also provides for all maintenance and accounting functions for its clients. Other related services offered by the Company include airport shuttle operations, taxi dispatch services and municipal meter revenue collection. Standard derives over 90% if its revenues from management contracts with the remainder of revenues coming from leases.

KEY INVESTMENT CONSIDERATIONS:

Established Operator – Standard Parking is an established franchise. The Company has been operating for over 80 years, manages over 1.2 million parking spaces and has strong brand recognition.

Market Leader – Standard endeavors to be a top tier operator (number one or two) in each market. This enables the company to leverage its expense base and fosters strong long-term relationships.

Diversified Client Base – Standard is geographically diversified with 2,200 locations located in 345 cities, 41 US states and five provinces in Canada.

Strong Value Proposition – Parking and Transport Management is a non-core function for most companies. Standard brings national scale, superior customer service and improved cash flow to its customers.

Key Acquisition Will Double Size – In February 2012, Standard announced a merger with Central Parking Company. The terms included 6.161 million Standard Parking shares, $27 million cash paid in 3 years along with Standard assuming $210 million of Central Parking debt (net of cash acquired). The merger, when completed, will add 2,200 locations and nearly 1 million parking spaces to Standard. The management of Standard expects that they can generate run rate synergies of at least $20 million within 24 months of the close of the acquisition. The transaction is expected to close during 3Q12 and become accretive within 3 years.

Predictable and recurring revenue – The Company has a 90% location retention rate over the past three years. High retention rates along with the profit/loss pass through of management contracts (to clients) gives Standard a business model with low capital expenditures and steady long-term cash flow.

Recent Performance – For Q1FY2012 Standard reported earnings-per- share of $0.14. Yet these results included $0.12 per share in costs related to the Central Parking acquisition. Adding these additional costs back in would have resulted in earnings-per-share of $0.26, a year-over-year increase of 13%

VALUATION:

Post-merger and assuming $20 million in acquisition synergies, STAN is expected to produce $95 million+ in adjusted EBITDA. Further assuming $40 to $50 million in annual free cash flow generation form the combined companies, yields an enterprise value of approximately $550 to $600 million in three years. If we apply a historic multiple of 8 to 10x EV/ EBITDA, it yields a $30+ valuation for the stock in three years. Also, the fact that the PE firms are willing to take 60% of the purchase price in stock in consideration for selling their ownership of Central Parking should give investors some increased confidence in the merger.

Standard Parking Corp. (NASDAQ:STAN)
Investment Data (as of 5/25/12)

Recent Price	**$18.42**
52-Week Range	$14.48 - $21.48
Fiscal Year End	Dec
Dividend	NA
Yield	NA
Shares Outstanding	15.7MM
Average Trading Volume (3 mos)	45k
Market Capitalization	$288MM
Cash	$9MM
Long Term Debt	$89MM
Enterprise Value (EV)	$368MM
Book Value	$3.38
TTM Revenue	$326MM
P/ Revenue	0.9x
TTM EPS	$1.03
P/ EPS	18x
TTM EBITDA	$44mm
EV/ EBITDA	8.4x

Best Idea Profile: **Innodata Isogen, Inc. (Nadaq:INOD)**

DESCRIPTION:

Headquartered in Hackensack, New Jersey; Innodata Isogen, Inc. is a leading producer of eBooks and currently serves leading publishers, as well as top manufacturers of eBook reading devices. Innodata has two reporting segments. 1) The Content Solutions Segment provides support services for the creation, enhancement, and re-purposing of digital content. These services include highly accurate conversions to digital text and the enhancement of legal, financial, medical and technical information. 2) The Innodata Advanced Data Solutions segment offers a range of document and data analysis services that are tailored to a variety of industries including the financial, healthcare, medical and insurance industries. Innodata distributes eBooks to more than 20 top distributors across North America, the United Kingdom, Australia and 24 countries in the European Union.

KEY INVESTMENT CONSIDERATIONS:

Digitizing the World – According to Aptara survey, one out of five eBook publishers generates more than 10% of their sales from eBooks. The eBook market is already sizable, projected to grow to $12.7 billion in 2013 (source: Outsell Inc.) and with less than 10% penetration, has a lot of room for growth. Innodata is the largest producer of eBooks for the world's leading eBookstores and specialized publishers such as Bloomberg, Amazon, Apple and Thompson Reuters.

Mobile Driver – The demand for digital content such as e-books, e-textbooks, e-journals and other content by users of smart mobile devices is increasing. These changes are driving an additional demand for Innodata's specialized services for creating, managing and distributing content.

Well-known Customer list provides Competitive advantage – Innodata currently serves seven of the top 10 publishing and information providers including Apple, Amazon and Sony. The Company has produced over 1.2 million eBooks

Turnkey Digital Provider – Innodata provides turnkey digital data creation, enhancement and distribution. They can source, create, enhance and help distribute digital data which collectively creates a strong value proposition. The Company has over 7,000 employees and uses global delivery model with offices in US, Philippines, India, Sri Lanka, Europe and Israel.

New Products – The Company launched the new Innodata Advanced Solutions division in 2Q11 to provide high quality advanced analytics to the financial services (including Derivatives) and medical industries. Sales efforts have started and Innodata received $600k in revenues from a new test engagement for 1Q12.

Reaching Critical mass – The Company just reported $25.1 million in revenue and 4.6 million in EBITDA for 1Q12, reaching an annual run rate in excess of $100mm. In addition, the stock has appreciated and the current market cap of $134 million will likely qualify the Company for inclusion in the Russell 2000 index for the first time, making it investible for a larger audience of investors.

VALUATION:

Innodata is solidly profitable and has a strong balance sheet despite spending $2.1mm on new infrastructure in 1Q12. Innodata has $23mm in cash and no debt. The Company currently trades at 16.4x this year's estimate of $0.33, yet first quarter revenues grew by 71% on a year-over-year basis. Given the company's growth prospects, and double digit return on capital, a mid-20's multiple of earnings should easily be attainable, which would yield a share price more than twice its current level.

Innodata Isogen, Inc. (Nasda:INOD)
Investment Data (as of 5/28/12)

Recent Price	**$5.41**
52-Week Range	$2.40 - $6.24
Fiscal Year End	Dec
Dividend	NA
Yield	NA
Shares Outstanding	24.8MM
Average Trading Volume (3 mos)	47k
Market Capitalization	$134MM
Cash	$23MM
Long Term Debt	NA
Enterprise Value (EV)	$111MM
Book Value	$1.85
TTM Revenue	$84MM
P/ Revenue	1.61x
TTM EPS	$0.31
P/ EPS	17x
TTM EBITDA	$12.3mm
EV/ EBITDA	9x

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Best Idea Profile: Acme United (AMEX:ACU)

DESCRIPTION:

Acme United uses patented technologies to generate new products across three major product lines: cutting, measuring and safety. The cutting spectrum includes garden shears, scissors, paper trimmers, pencil sharpeners, industrial cutters, and survival knives marketed under the brand names of Westcott and Camillus. Acme's products are used for the school, office, craft, industrial, hardware, gardening and sporting goods markets. Measuring products include protractors, rulers and other math tools. The safety products include first aid kits, personal protection products and medication refills. This Connecticut-based company was founded in 1867 and employs approximately 157 non-union people.

KEY INVESTMENT CONSIDERATIONS:

History of Innovation – 30% of sales are from products introduced in the last three years. Technological innovation is critical in a relatively mature industry and Acme continues to excel with its patented technologies. It leverages its performance-enhancing coating technology to bring products to broader markets.

New Products are Gaining Distribution – The Camillus knife line was totally refreshed last year. It has seen meaningful placement successes and will be in many more outdoor sporting goods stores and Wal-Mart this year. The company claims its knives and survivor tools are the "who's who" of the outdoor world. It recently signed Les Stroud of the popular network TV series "Survivor Man" to endorse its products.

Strong Value Proposition – Prospects for growth come from the development of new products, expansion into new geographic markets and new market channels. Once selling solely to office supply stores, the company has proven its ability to enter multiple new market channels with innovative new products.

Selective Acquisitions will Garner Efficiencies of Scale and Scope – Acme successfully integrated the SafetyPak acquisition in 2011 and is looking for more strategic opportunities to expand product and market channels. The company paid $3.4 million in cash for SafetyPak, which is approximately 0.6x revenue. Small tuck-in acquisitions like this one, if bought at the right price, can add significant operating contribution.

Growing Global Distribution – Acme is actively building its footprint to service multinational customers, with teams in Hong Kong and China providing global sourcing and efficient delivery to an expanding global customer base.

Strong First Quarter – For Q1FY2012 Acme reported earnings per share of $0.08, double the past year's comparable quarter. And management announced more new products in the pipeline.

VALUATION:

Stock Support – Acme has increased its dividend for five consecutive years with a five-year annual dividend growth rate of 16.7% and has a stock buyback program in place. ACU flies under most investors' radar. It trades at TTM EPS multiple of 11, which is very reasonable within its Household Product sector. Revenues should be strong and are more predictable than margins given the vagaries of the product mix each quarter. However, margins are expected to be higher in the upcoming quarter on strong sales. Management expects revenues will be $80-$85 million in fiscal 2012 which would reflect almost 10% increase on the more modest sales expectation.

Acme United (AMEX:ACU)
Investment Data (as of 5/29/12)

Recent Price	**$10.49**
52-Week Range	$11.54 - $8.52
Fiscal Year End	Dec
Dividend	$0.28
Yield	2.60%
Shares Outstanding	3.1 M
Average Trading Volume (3 mos)	3,635
Market Capitalization	$33 M
Cash	$4 M
Long Term Debt	$16 M
Enterprise Value (EV)	$45 M
Book Value	$8.95
TTM Revenue	$75.8 M
P/ Revenue	0.4x
TTM EPS	$0.95
P/ EPS	11x
TTM EBITDA	$5.7 M
EV/ EBITDA	7.9x

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12 Monthly Compilation Issues

Access to Past Compilation Issues

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The value proposition of the digest is essentially an "Idea Generator". During the course of my 17-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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