

Mossberg's Investor Digest

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From the Editor...

June 2012 Issue

Coals Stocks could be an interesting contrarian play. With rising production costs and a lull in demand, seems like most investors hate coal stocks these days. This is evident in their stock prices. Four names that I've just started to track include: Alpha Natural Resources (NYSE:ANR), Consol Energy (NYSE:CNX), James River Coal (Nasdaq: JRCC), and Patriot Coal (NYSE:PCX) on average are off more than 70% from their 52 week highs.

Long term fundamentals are attractive – While short term demand is slowing, long term demand for coal in developing markets like China and India should continue. The US Energy Information Administration (EIA) projects US coal exports to grow by 30% by 2030.

Near term weakness in demand has led to higher inventory levels and weak prices. – Coal prices have hit a two year low recently, dropping from \$130/ tonne to approximately \$85 per tonne. Nothing cures over supply like weak prices. Some Coal companies have already begun to shut mines and close regional offices.

It may be a good time to take a closer look at some of these coal stocks. The key is to assess which have the strongest balance sheets and invest in those that can sustain an extended downturn should one occur.

Thank you for your interest,

Dave Mossberg

Spectrum Pharmaceuticals, Inc. (NASDAQ:SPPI) - \$11.01, June 3, 2012, Page 3 - Spectrum Pharmaceuticals, Inc. acquires, develops and commercializes a pipeline of late-stage clinical and commercial drugs that are focused on cancer and blood related illnesses. Spectrum is showing double-digit revenue growth and is very profitable. The stock is currently trading at just 9x trailing earnings, which appears to be a bargain for a profitable company with a solid track record for growth.

Matrix Service Company (NASDAQ:MTRX) – \$10.46, June 8, 2012, Page 4 – Matrix Service Company recently reduced its full-year EPS guidance to a range of \$0.77 to \$0.85 and revenue guidance to \$725 million to \$750 million. The earnings adjustment was primarily related to investment in infrastructure which is critical to the company's strategic plan for growth. The market's negative reaction to this reduction provides a buying opportunity. The stock trades at less than 5x EV/EBITDA.

Orbital Sciences Corporation (NYSE: ORB) - \$12.02, June 13, 2012, Page 5 – Orbital is a rare pure play on aerospace as 100% of its revenues are from this industry. Management predicts compound annual revenue growth of 7-9% over the next three years, with EPS growth of 10-15% annually. Orbital has a relatively conservative balance sheet with strong liquidity.

Landec Corporation (NASDAQ:LNDC) – \$7.71, June 18, 2012, Page 6 – Landec is an underfollowed stock with an impressive history, successful acquisitions and excellent prospects for growth and profitability. The company states they expect revenues will be up 10% for fiscal 2012 over 2011, with net income increasing 40%. The company is generating gross margins of 50% with EBITDA margin approximately 30%.

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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 Pharmaceuticals (Nasdaq: ISIS)	27-Sep-11	7.31	9.79	33.9%	12.5%	21.4%
Chicago Bridge and Iron (NYSE: CBI)	29-Sep-11	30.38	37.12	22.2%	17.3%	4.9%
Wabash National (NYSE: WNC)	29-Sep-11	4.99	7.15	43.3%	17.3%	26.0%
LB Foster (Nasdaq: FSTR)	29-Sep-11	22.90	27.66	20.8%	17.3%	3.5%
Pizza Inn (Nasdaq: PZZI)	14-Oct-11	3.50	2.47	-29.4%	8.1%	-37.5%
Destiny Media Technologies (OTCBB: DSNY)	22-Oct-11	0.35	0.91	161.1%	5.3%	155.8%
Boingo Wireless (Nasdaq: WIFI)	28-Oct-11	8.00	9.64	20.5%	2.7%	17.8%
BioSante Pharmaceuticals (Nasdaq: BPAX)	28-Oct-11	2.75	0.52	-81.2%	2.7%	-83.9%
Firsthand Technology Value Fund (Nasdaq: SVVC)	22-Nov-11	14.30	20.06	40.3%	11.2%	29.1%
Wilhelmina International (OTCBB: WHLM)	22-Nov-11	0.19	0.12	-39.2%	11.2%	-50.3%
American Axel (NYSE: AXL)	27-Nov-11	7.51	9.32	24.1%	14.2%	9.9%
GraphTech (NYSE: GTI)	27-Nov-11	12.51	10.65	-14.9%	14.2%	-29.1%
Headwaters, Inc. (NYSE: HW)	9-Dec-11	2.74	4.19	52.9%	5.2%	47.7%
3D Systems Corp. (NYSE: DDD)	23-Dec-11	14.95	30.63	104.9%	4.4%	100.4%
Wilbros Group, Inc. (NYSE: WG)	23-Dec-11	3.71	5.60	50.9%	4.4%	46.5%
Antares Energy (ASX: AZZ.AX)	31-Dec-11	0.43	0.41	-4.7%	5.2%	-9.8%
Rentech Nitrogen Partners L.P. (NYSE: RNF)	12-Jan-12	20.37	23.63	16.0%	1.9%	14.2%
Points International, Ltd. (NASDAQ: PCOM)	23-Jan-12	8.00	11.09	38.6%	0.2%	38.4%
Conn's Inc. (NASDAQ: CONN)	24-Jan-12	11.95	17.71	48.2%	0.2%	48.0%
Trinity Industries, Inc. (NYSE: TRN)	26-Jan-12	31.30	25.21	-19.5%	-0.1%	-19.3%
Top Image Systems (Nasdaq: TISA)	18-Feb-12	2.92	3.87	32.5%	-3.6%	36.1%
DGSE Companies (Nasdaq: DGSE)	27-Feb-12	7.66	7.43	-3.0%	-3.8%	0.8%
Doral Financial (NYSE: DRL)	27-Feb-12	1.49	1.45	-2.7%	-3.8%	1.2%
Essex Rental Corporation (Nasdaq: ESSX)	27-Feb-12	3.60	3.42	-5.0%	-3.8%	-1.2%
Pluq Power, Inc. (NASDAQ: PLUG)	19-Mar-12	1.77	1.19	-32.8%	-6.6%	-26.2%
Salem Communications (NASDAQ: SALM)	28-Mar-12	4.55	4.76	4.6%	-6.2%	10.8%
21st Century Holding (NASDAQ: TCHC)	29-Mar-12	4.15	4.19	1.0%	-6.1%	7.0%
HFF, Inc. (NYSE: HF)	30-Mar-12	16.47	13.16	-20.1%	-6.4%	-13.7%
Hecla Mining, Inc. (NYSE: HL)	26-Apr-12	4.15	4.50	8.4%	-5.8%	14.2%
The Cash Store Financial Services, Inc. (NYSE: CSF)	26-Apr-12	5.42	5.50	1.5%	-5.8%	7.3%
Silicon Image, Inc. (NASDAQ: SIMG)	29-Apr-12	5.95	4.45	-25.2%	-6.1%	-19.1%
GSE Systems Inc. (Amex: GVP)	29-Apr-12	2.87	2.36	-17.8%	-6.1%	-11.7%
GSI Group (Nasdaq: GSIG)	13-May-12	12.36	11.85	-4.1%	-2.5%	-1.6%
Standard Parking Corp. (NASDAQ: STAN)	25-May-12	18.42	18.42	0.0%	0.2%	-0.2%
Ionnodata Isoqen (Nasdaq: INOD)	28-May-12	5.41	5.41	0.0%	0.2%	-0.2%
Acme United (Amex: ACU)	30-May-12	10.66	10.66	0.0%	0.6%	-0.6%
Spectrum Pharmaceuticals, Inc. (Nasdaq: SPPI)	3-Jun-12	11.01	13.49	22.5%	3.5%	19.0%
Matrix Service Co. (Nasdaq: MTRX)	8-Jun-12	10.46	10.34	-1.1%	-0.2%	-0.9%
Orbital Sciences Corp. (NYSE: ORB)	13-Jun-12	12.02	12.12	0.8%	0.9%	0.0%
Landec Corp. (Nasdaq: LNDC)	18-Jun-12	7.55	7.27	-3.7%	-1.4%	-2.3%
				11.1%	2.6%	8.8%

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Best Idea Profile:

DESCRIPTION:

Headquartered in Henderson, Nevada, Spectrum Pharmaceuticals, Inc. acquires, develops and commercializes a pipeline of late-stage clinical and commercial drugs that are focused on cancer and blood related illnesses. The Company has assembled an integrated team of professionals with Pharma related experience and capability in clinical development, medical affairs, regulatory affairs, biostatistics and data management. Spectrum has a platform for commercializing drugs that have successfully passed all FDA requirements and have been licensed. The Company is currently focused on expanding the commercial markets for a non-Hodgkin's lymphoma drug called Zevelin and a Colorectal Cancer drug called Fusilev. Spectrum has a development pipeline portfolio that includes 12 other drugs, four of which are undergoing pivotal trials.

KEY INVESTMENT CONSIDERATIONS:

Focused/Boutique Approach – The entire Company--research, development and marketing--is focused on cancer drugs. Therefore, Spectrum has developed domain expertise in a very focused niche.

Zevelin – Spectrum acquired the worldwide rights for Zevelin in January 2012. Zevelin is an antibody approved for non-Hodgkin's lymphoma. There are 450,000 people living with non-Hodgkin's lymphomas (National Cancer Institute) and more than 180 new cases a day in the U.S. alone (NCI). Zevelin has superior attributes in a number of categories including the patient response. The Company estimates this product to be a multi-billion market worldwide.

Fusilev – Colorectal cancer is the third most commonly diagnosed cancer in the US (NCI). Fusilev was approved in 2011 and is in the early stages of marketing and channel distribution.

Strong Pipeline – Spectrum has four other drugs that are in, or have certain uses that are in, either Phase 2 or Phase 3 of development and are undergoing pivotal trials. This group includes Apaziquone, the most expensive cancer treatment available on a per patient basis. The Company has eight additional drugs in its pipeline. One is in Phase 2, five are in Phase 1 and one is in preclinical trials.

Strong Financial Position – The Company has \$186 million in cash and no debt.

Spectrum Pharmaceuticals, Inc. (NASDAQ:SPPI)

Out-Licensing Opportunities – Spectrum has seven drugs available for co-development outside the U.S..

Partnerships Reduce Risk – The Company has developed strategic developmental relationships with strong companies such as Bristol Myers Squibb, Allergan and Handok. This helps to mitigate pipeline and developmental risk.

Acquisitions – On April 5, 2012, Spectrum announced an agreement to acquire all of the outstanding shares of Allos Therapeutics (NASDAQ:ALTH) for \$1.82 per share along with other considerations for a deal in which the upfront portion of the transaction was valued at up to \$206 million on a fully-diluted basis. The acquisition is expected to be accretive to Spectrum on a cash basis in the fourth quarter of 2012.

Growth and Profitability – The Company reported Q1FY2012 revenues of \$60 million vs. \$44 million and earnings per share of \$0.71 vs. \$0.73 on a year-over-year basis.

Valuation:

Spectrum is showing double-digit revenue growth and is very profitable. The stock is currently trading at just 9x trailing earnings, which appears to be a bargain for a profitable company with a solid track record for growth.

Spectrum Pharmaceuticals (NASDAQ:SPPI)

Investment Data (as of 6/3/12)

Recent Price	\$11.01
52-Week Range	\$6.94 - \$16.00
Fiscal Year End	Dec
Dividend	NA
Yield	NA
Shares Outstanding	59MM
Average Trading Volume (3 mos)	2.2MM
Market Capitalization	\$650MM
Cash	\$186MM
Long Term Debt	NA
Enterprise Value (EV)	\$464MM
Book Value	\$4.05
TTM Revenue	\$209MM
P/ Revenue	3.3x
TTM EPS	\$1.36
P/ EPS	8.1x
TTM EBITDA	\$67MM
EV/ EBITDA	6.9x

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Best Idea Profile:

DESCRIPTION:

Matrix Service Company provides design, engineering and construction services primarily to the energy and energy related industries in the United States and Canada. For instance it constructs and maintains above-ground storage tanks and power plants and performs industrial cleaning. With a 28-year operating history, this Tulsa-based company recently changed its operating segments to more closely align with its diversified businesses: Electrical Infrastructure (20% of revenues), Storage Solutions (48%), Oil, Gas and Chemical (30%), and Industrial (2%).

KEY INVESTMENT CONSIDERATIONS:

Strong Growth – Matrix forecasts average annual revenue growth of 12-15% annually over the next five years. It expects this growth to be 60% organic and 40% from acquisitions. A strong and reputable market presence is ripe opportunity to leverage Matrix's diverse businesses.

Organic and Acquisition Growth – Improvement in core markets and strategic initiatives are contributing to backlog growth. Backlog has increased in five consecutive quarters and is at its highest level since the third quarter of fiscal 2009. Matrix is targeting acquisitions with strategic, cultural and geographic fits, thereby leveraging its current successes. Although acquisitions are important to speed and movement into geographic areas, the company has stated that if it can't get the right price, organic growth and leadership acquisition will take precedence.

Diversification Protection – Significantly diverse types of business and clients provides a degree of protection from the cyclical nature of energy related businesses. The Matrix client base spans much of North America, from east coast power suppliers to oil and gas projects in the Southwest and Canada. This results in greater predictability of revenue growth, while still allowing for the upside potential of increased business following disasters such as Hurricane Katrina.

Strong Client List – Each of the company's segments boasts strong clients, including: Lockheed Martin, Enbridge, BP, Shell, Chevron, PPL Electric, and PSEG. Backlog continues to grow in all segments and was up more than 12% in the quarter ended March from FY11.

Matrix Service Company (NASDAQ:MTRX)

Financial Strength - Matrix has liquidity of \$157.0 million and virtually no debt. Revenues for the nine months ended March 31, 2012, increased 19.6% from the same period a year earlier, while net income increased 15.8% for the same period.

VALUATION:

Matrix Service Company recently reduced its full-year EPS guidance to a range of \$0.77 to \$0.85 and revenue guidance to \$725 million to \$750 million. The earnings adjustment was primarily related to investment in infrastructure which is critical to the company's strategic plan for growth. The market's negative reaction to this reduction provides a buying opportunity. The stock trades at less than 5x EV/EBITDA.

Matrix Service Company (NASDAQ:MTRX) Investment Data (as of 6/8/12)

Recent Price	\$10.46
52-Week Range	\$15.06 - \$7.34
Fiscal Year End	June
Dividend	NA
Yield	NA
Shares Outstanding	25.7M
Average Trading Volume (3 mos)	140K
Market Capitalization	\$270 M
Cash	\$43 M
Long Term Debt	\$1.7 M
Enterprise Value (EV)	\$227 M
Book Value/share	\$8.11
TTM Revenue	\$718 M
P/ Revenue	0.35x
TTM EPS	\$0.79
P/ EPS	12x
TTM EBITDA	\$46.5 M
EV/ EBITDA	4.5x

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Best Idea Profile:

DESCRIPTION:

Orbital Sciences is a leading developer and manufacturer of small and medium space systems for the commercial, national security and civil government markets. The more than 1,000 satellites and launch vehicles it has already delivered gives customers various capabilities including communications and broadcasting, scientific research, national security and deep space exploration. It is also participating in the emerging market for human space flight. Orbital's impressive customer list includes NASA, Department of Defense, and commercial and academic space programs.

Orbital employs 3,800 people, approximately half of whom are engineers and scientists. With headquarters in Dulles, Virginia, the company has been operating for three decades and has major operations in Virginia, Arizona, Maryland, and California, with additional operations internationally.

KEY INVESTMENT CONSIDERATIONS:

Space is Profitable – Space is becoming the playground for an increasing number of commercial and private customers. Although Orbital is an established business in many of its markets, there is much upside growth in the future of commercial space transportation and resupply. Margins in the industry are tight but impressive considering the amount of research and capital required. Orbital's operating margin improved to 5.9% in 2011 and the company's goal is to improve margins by 50-75 basis points per year.

Size and Quality of Backlog – Orbital's backlog of \$5.2 billion (more than 3.5x the current revenue run rate) provides excellent visibility to near-term revenue growth. Orbital estimates its backlog covers approximately 65% of the total revenue it forecasts through 2014.

Premier Customer Base – Orbital's customers are the who's who in aerospace. One-third of revenue comes from Department of Defense and Intelligence Agencies, a third from NASA and other civilian agencies and universities and a little less from commercial and international satellite operators. Just this week Orbital's rocket successfully launched a company-built satellite for NASA to "advance understanding of the origins and destinies of stars and galaxies."

Orbital Sciences Corporation(NYSE: ORB)

Logical Growth – Each of the company's business segments—launch vehicles, satellite and space systems, and advanced space programs—represent about a third of projected 2012 revenues. Orbital expects each of its complementary business segments to grow and benefit from expansion into closely adjacent areas. It will focus on growing niches not well served by larger aerospace companies and that can benefit from execution of fast schedules at affordable prices.

VALUATION:

Orbital is a rare pure play on aerospace as 100% of its revenues are from this industry. Management predicts compound annual revenue growth of 7-9% over the next three years, with EPS growth of 10-15% annually. Orbital has a relatively conservative balance sheet with strong liquidity.

Orbital Sciences Corporation (NYSE: ORB) Investment Data (as of 6/14/12)

Recent Price	\$12.22
52-Week Range	\$18.48 - \$10.59
Fiscal Year End	December
Dividend	NA
Yield	NA
Shares Outstanding	59 M
Average Trading Volume (3 mos)	358 K
Market Capitalization	\$721 M
Cash	\$227 M
Long Term Debt	\$133 M
Enterprise Value (EV)	\$614 M
Book Value/share	\$11.17
TTM Revenue	\$1.4 B
P/ Sales	0.5x
TTM EPS	\$1.14
P/ EPS	10.5x
TTM EBITDA	\$127 M
EV/ EBITDA	4.8x

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Best Idea Profile:

Landec Corporation (NASDAQ:LNDC)

DESCRIPTION:

Landec develops polymer-based products for biomedical (approx. 15% of revenue), food products (approx. 70% of revenue) and industrial markets (approx. 15% of revenue) to meet specific applications as diverse as food technology packaging, crop treatments, seed coatings, personal care products, medical devices and specialty adhesives. With \$10 million (3.5% of sales) in annual spending on R&D, the Company has a successful track record in the development of new commercial products. Landec is headquartered in Menlo Park, California, and has fewer than 300 employees.

LNDC's vertically integrated food subsidiary, Apio, is also based in California, includes a fruit and vegetable trading business, equity ownership in a hydroponic growing farm, BreatheWay packaging technology, and branded produce businesses. Apio is a leader in fresh-cut specialty vegetables and packaged fruit. It's packaging extends the freshness of fruits and vegetables up to 50%.

Based in MN, LNDC's Lifecore Biomedical subsidiary has exceeded expectations since its acquisition in April 2011. Lifecore supplies sodium hyaluronate (NaHy) for medical applications and benefits as a leading supplier of materials for ophthalmology (70% of Lifecore revenues) and orthopedic (20%) purposes.

KEY INVESTMENT CONSIDERATIONS:

Accretive GreenLine acquisition – GreenLine is a leader in specialty-packaged beans that arrive to consumers ready to cook. The acquisition is synergistic with Apio, as its eastern coast focus provides geographic diversification in terms of customers, and processing and distribution facilities. Apio now has products in 80% of North American retail grocery sites. The acquisition, completed in April 2012, was immediately accretive and provides the critical mass necessary to best serve the growing demand for fresh-cut vegetables.

Resistant to vagaries of economy – Landec has been consistently profitable since 2003 based on its outstanding management and diversity of business. Sourcing of produce can impact margins but is not impactful to biomedical materials.

Cash flow generation – Landec's core businesses are net cash generators. The company expects \$35-40 million in EBITDA in the next 12 months.

Growth – The Company's businesses are all poised to grow. There are more than 6 million cataract surgeries per year. The aging population will expand that as well as the number of joint surgeries, both of which benefit Landec. There is also strong demand from grocery stores, food clubs and consumers for fresh-cut produce that has a longer shelf life. Apio is well positioned to satisfy that need as the market leader in fresh-cut vegetables and beans, as well as its investment in hydroponic greenhouse technology where the company will be doubling its capacity in the next 24 months.

VALUATION:

Landec is an underfollowed stock with an impressive history, successful acquisitions and excellent prospects for growth and profitability. The company states they expect revenues will be up 10% for fiscal 2012 over 2011, with net income increasing 40%. The company is generating gross margins of 50% with EBITDA margin approximately 30%.

Landec Corporation (NASDAQ: LNDC) Investment Data (as of 6/18/2012)

Recent Price	\$7.71
52-Week Range	\$8.19 - \$4.85
Fiscal Year End	May
Dividend	NA
Yield	NA
Shares Outstanding	25.6 M
Average Trading Volume (3 mos)	80 K
Market Capitalization	\$200 M
Cash	\$38 M
Total Debt	\$16 M
Enterprise Value (EV)	\$178 M
Book Value/share	\$5.79
TTM Revenue	\$303 M
P/ Sales	0.6x
TTM EPS (diluted)	\$0.28
P/ EPS	29x
TTM EBITDA	\$18 M
EV/ EBITDA	9.4x

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