Mossberg's Investor Digest

January 2013

Issue #55

From the Editor…

Microcap Popcorn – Over the past several years, small illiquid stocks have been avoided by many fund managers and investors. During the downturn, with the flow of funds out of equities, many fund managers were forced to sell illiquid stocks at fire sale prices to meet redemptions or margin calls. Many of the small stocks were trading at, or near, cash balances (many still are).

While illiquidity hurt these stocks during the down turn, illiquidity should have a similarly positive affect if the market continues to rally. This effect could be exaggerated by the fact that there are far fewer companies in existence than there were 5 years ago.

According to Lipper, money flows into equity funds for the past few weeks was the greatest since the market top of April 2000. If the positive flows continue, funds will eventually find their way into microcap stocks. When that happens, it can have a "popcorn-like" effect on some of these smaller companies. So if you believe the flows will continue, then now may be a good time to review some microcap names.

Thank you for your interest in Mossberg's Investor Digest. I welcome your feedback.

Dave Mossberg

January 2013 Issue

DHX Media Ltd. (TSX:DHX.TO) *$1.86, January 12, 2013, Page 3* – DHX Media is a leading international family entertainment rights creation and management company, with 300 TV series on the air in more than 150 territories. Recent Industry acquisitions of content media companies by major players were made at 9 to 10 times EBITDA. With EBITDA potential of approximately $30 million or more, DHX Media shares could be worth 2x to 3x their current value based on a takeout valuation.

Mood Media Corporation (TSX:MM.TO) *$1.20, January 20, 2013, Page 4* – Mood Media Corporation designs in-store consumer experiences, including audio, visual, interactive, scent, voice and advertising solutions for over 560,000 subscriber locations that reach over 150 million consumers. Based on the current adjusted EBITDA run rate of $125 million, the valuation is 6.5x EV/EBITDA. This seems like an attractive valuation for a growing business that produces approximately 60% gross margin and has 92% recurring revenue.

MoneyGram International (NYSE:MGI) *- $13.99, January 30, 2013, Page 5* – MoneyGram International is a leading global payments company offering convenient money transfer and bill payment services to people around the world. Its customers often do not have access to traditional banks, and are frequently people that are migrating for work and need to send money home, or that have an emergency need. MGI trades at less than 12 times forward earnings, which considering its growth, is an attractive valuation. American investors may be overlooking the importance of a business that is more highly visible to immigrant workers.

GenMark Diagnostics Inc. (Nasdaq:GNMK) *$11.11, January 30, 2013, Page 6* – GNMK is a molecular diagnostics company focused on developing and marketing its biomarker detection technology. The valuation appears to be based on the Company's ability to become a market leader in the diagnostic testing field and for its products to help smaller labs take market share. The Company clearly is well positioned to execute against this, with over $50 million in the bank and what appears to be rapid market acceptance.

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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 January 2012 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
Rentech Nitrogen Partners L.P. (NYSE:RNF)	12-Jan-12	18.51	47.44	156.3%	16.5%	141.8%
Points International, Ltd. (NASDAQ:PCOM)	23-Jan-12	7.96	11.72	47.2%	14.7%	34.6%
Conn's Inc. (NASDAQ:CONN)	24-Jan-12	11.95	27.90	133.5%	14.7%	120.7%
Trinity Industries, Inc. (NYSE:TRN)	26-Jan-12	31.30	39.05	24.8%	14.2%	9.3%
Top Image Systems (Nasdaq: TISA)	18-Feb-12	2.92	3.45	18.2%	10.3%	8.9%
DGSE Companies (Nasdaq: DGSE)	27-Feb-12	7.72	5.31	-31.2%	10.0%	-40.1%
Doral Financial (NYSE: DRL)	27-Feb-27	1.49	0.69	-53.7%	10.0%	-62.6%
Essex Rental Corporation (Nasdaq: ESSX)	27-Feb-12	3.60	4.00	11.1%	10.0%	2.2%
Plug Power, Inc. (NASDAQ:PLUG)	19-Mar-12	1.77	0.45	-74.5%	6.9%	-80.6%
Salem Communications (NASDAQ:SALM	28-Mar-12	4.52	5.90	30.5%	7.3%	23.9%
Federated National Holding Company (NASDAQ:FNH(	29-Mar-12	4.43	5.55	25.3%	7.4%	18.6%
HFF, Inc. (NYSE: HF)	30-Mar-12	16.47	17.79	8.0%	7.1%	1.8%
Hecla Mining, Inc. (NYSE:HL)	26-Apr-12	4.25	5.27	24.0%	7.8%	17.3%
The Cash Store Financial Services, Inc. (NYSE:CSF$	26-Apr-12	5.37	3.90	-27.4%	7.8%	-34.1%
Silicon Image, Inc. (NASDAQ:SIMG)	29-Apr-12	5.95	4.87	-18.2%	7.4%	-24.7%
GSE Systems Inc. (Amex: GVP)	29-Apr-12	2.87	2.17	-24.4%	7.4%	-30.8%
GSI Group (Nasdaq: GSIG)	13-May-12	12.36	9.45	-23.5%	11.5%	-33.7%
Standard Parking Corp. (NASDAQ:STAN)	25-May-12	18.42	20.39	10.7%	14.6%	-2.6%
Ionnodata Isogen (Nasdaq: INOD)	28-May-12	5.41	3.67	-32.2%	14.6%	-45.5%
Acme United (Amex: ACU)	30-May-12	10.17	12.02	18.2%	15.1%	4.5%
Spectrum Pharmaceuticals, Inc. (Nasdaq: SPPI)	3-Jun-12	11.01	11.63	5.6%	18.4%	-11.1%
Matrix Service Co. (Nasdaq: MTRX)	8-Jun-12	10.46	14.54	39.0%	14.2%	26.4%
Orbital Sciences Corp.(NYSE: ORB)	13-Jun-12	12.02	14.69	22.2%	15.4%	8.7%
Landec Corp.(Nasdaq: LNDC)	18-Jun-12	7.55	12.09	60.1%	12.8%	49.0%
Compass Diversified Holdings (NYSE: CODI)	7-Jul-12	14.24	15.83	11.2%	11.5%	0.8%
Codexis (NASDAQ:CDXS)	29-Jul-12	3.23	2.30	-28.8%	9.6%	-36.8%
Silicon Motion Technology Corp. (NASDAQ:SIMO)	29-Jul-12	15.33	15.62	1.9%	9.6%	-6.1%
Franklin Covey Co. (NYSE:FC)	29-Jul-12	10.27	13.49	31.4%	9.6%	23.4%
Deere and Company (NYSE: DE)	13-Aug-12	79.31	94.76	19.5%	7.0%	13.7%
Power Solutions International (OTC BB:PSIX)	16-Aug-12	16.99	20.45	20.4%	7.0%	14.6%
U.S. Concrete, Inc. (NASDAQ: USCR)	26-Aug-12	6.24	11.65	86.7%	7.6%	79.9%
Ikanos Communications, Inc. (NASDAQ:IKAN)	30-Aug-12	0.92	1.92	108.7%	8.3%	101.7%
Zale Corporation (ZLC)	17-Sep-12	5.87	4.90	-16.5%	3.5%	-19.4%
Air Transport Services Group, Inc. (ATSG)	24-Sep-12	4.67	4.67	0.0%	4.0%	-3.1%
Northern Technologies International Corp. (NTIC)	27-Sep-12	10.95	13.24	20.9%	4.7%	17.1%
KEMET Corp. (KEM)	28-Sep-12	4.40	5.17	17.5%	5.2%	13.3%
GameStop Corp. (NYSE: GME)	4-Oct-12	22.16	23.74	7.1%	3.8%	4.2%
Sycamore Networks, Inc. (NASDAQ:SCMR)	11-Oct-12	3.01	2.25	-25.2%	5.8%	-30.1%
RPX Corp. (NASDAQ:RPXC)	25-Oct-12	9.69	10.69	10.3%	7.2%	3.9%
Prospect Global Resources, Inc. (NASDAQ:PGRX)	31-Oct-12	2.76	1.48	-46.4%	7.2%	-52.8%
Gaiam Inc. (GAIA)	7-Nov-12	2.94	3.03	3.1%	8.4%	-4.7%
Green Dot Corporation (NASDAQ:GDOT)	26-Nov-12	11.71	13.45	14.9%	7.5%	7.8%
JTH Holdings, Inc. (NASDAQ:TAX)	27-Nov-12	13.92	15.08	8.3%	8.0%	0.6%
Elephant Talk Communications, Corp. (NASDAQ:ETA	28-Nov-12	1.06	1.30	23.1%	7.2%	16.2%
Sealed Air Corporation (NYSE:SEE)	16-Dec-12	16.13	18.54	14.9%	6.8%	8.8%
Westmoreland Coal Co. (NASDAQ:WLB)	17-Dec-12	10.02	10.06	0.4%	5.5%	-4.7%
Regional Management Corp. (NYSE:RM)	18-Dec-12	16.55	16.71	1.0%	4.3%	-3.0%
Michael Baker Corporation (NYSE:BKR)	30-Dec-12	24.45	25.43	4.0%	7.4%	-3.2%
				13.3%	**9.2%**	**5.1%**

Mossberg's Investor Digest

Best Idea Profile: **DHX Media Ltd. (TSX:DHX.TO)**

DESCRIPTION:

DHX Media is a leading international family entertainment rights creation and management company, with 300 TV series on the air in more than 150 territories. DHX's primary focus is on children's, youth, and family productions because of the international sales potential and long-term and multiple revenue streams that this genre of programming provides. DHX owns the largest independent library of children's content in the world with more than 8,500 half-hours of programming and is the number one supplier of children's content to Netflix. DHX has created children's television shows including well-known brands, such as Yo Gabba Gabba!, Kid vs. Kat, Rastamouse, and Super WHY!. It is increasingly involved in the development, production, and distribution of interactive content in various digital platforms, including websites, online video interfaces, and online games. DHX was incorporated in 2004 and is based in Halifax, Canada.

KEY INVESTMENT CONSIDERATIONS:

Transformational Acquisition – In October 2012, DHX Media acquired Cookie Jar Entertainment creating the largest independent library of children's entertainment content in the world. It was a marriage of complementary strengths giving the Company greater diversification, enhanced merchandising opportunities, enhanced global distribution capabilities, and a complementary content portfolio. It also expanded digital capabilities, added to the Company's negotiating leverage with broadcasters and enabled the ability to leverage the licensing platform in Europe. The cost synergies are expected to add C$8 million in EBITDA in 2013.

Expanding Digital Distribution – With increased scale and capability, DHX is better equipped to benefit from the exploding delivery of digital content. Video-on-demand traffic for the industry is expected to triple by 2016. DHX's digital dominance unlocks increased value of the Company's content library because of global appeal, infinite shelf space and the fact that digital content does not become stale. The acquisition broadened relationships with distributors including Amazon, Comcast, DISH, Hulu, Netflix, Samsung, Telmex and Vivendi.

Stock Likely to Achieve Greater Exposure – The Company is likely to pursue a listing in the U.S., which would increase awareness and visibility to the stock and possibly increase investment coverage.

Solid Financial Strength – Post-acquisition, DHX has improved revenue balance that results in a greater proportion of revenues coming from higher margin segments. The Company also improved its capital markets profile, and increased cash flow visibility and consistency. Trailing 12-month revenue is up 70% since fiscal 2010 and EBITDA has more than doubled in that period and is approximately C$30 million proforma for the trailing twelve months.

Well-Established and Emerging Brands – DHX Media's content library includes some of the world's most recognizable series: Caillou, Inspector Gadget, Richard Scarry's Busytown Mysteries, Yo Gabba Gabba! and Johnny Test. The Canadian government gives tax breaks to companies that create shows in Canada, giving DHX an advantage over competitors. The Company has a lot of content that can be repurposed and resold at very low incremental costs and significant contribution margin.

VALUATION:

Recent Industry acquisitions of content media companies by major players were made at 9 to 10 times EBITDA. For example, HIT Entertainment was recently acquired by Mattel for 9.5x TTM EBITDA. With a post Cookie Jar EBITDA potential of approximately $30 million or more, DHX Media shares could be worth 2x to 3x their current value based on a take out valuation

DHX Media Ltd. (TSX:DHX.TO)
Investment Data (as of 1/12/13)

Recent Price	**$1.86**
52-Week Range	$0.71 - $1.98
Fiscal Year End	June
Dividend	NA
Yield	NA
Shares Outstanding	53.1 M
Average Trading Volume (3 mos)	146k
Market Capitalization	$99 M
Cash	$20 M
Long-term Debt	$31 M
Enterprise Value (EV)	$111 M
Book Value	$1.49
TTM Revenue	$69 M
P/ Revenue	1.5
TTM EPS	$0.04
P/ EPS	46.8
TTM EBITDA	$7.7 M
EV/ EBITDA	14.5

Best Idea Profile: **Mood Media Corporation (TSX:MM.TO)**

DESCRIPTION:

Mood Media Corporation designs in-store consumer experiences, including audio, visual, interactive, scent, voice and advertising solutions for over 560,000 subscriber locations that reach over 150 million consumers each day. Mood Media uses this mix of music, visual and scent media to help its clients communicate with consumers in order to drive incremental sales at the point-of-purchase. The Company delivers tailored content at a specific time in order to target a specific audience for its customers. It also eliminates repetitive and meaningless background media that is otherwise common at the point of sale. The media is broadcast through customizable technology and integrated into the clients' own technology systems. Mood Media Corporation's client base includes more than 850 brands in more than 40 countries throughout North America, Europe, Asia and Australia. Its solutions are in diverse market sectors that include: retail, from fashion to financial services; hospitality, from hotels to health spas; and food retail, including restaurants, bars, quick-serve and fast casual dining. Mood Media is based in Concord, Canada.

KEY INVESTMENT CONSIDERATIONS:

Growth Through Acquisitions – Started in 2007 as a private-label music aggregation and distribution company, Mood Media has grown through deliberately planned acquisitions that provide a huge collection of media catalogs, professional talent, and a global retail footprint. In the last year and a half the Company acquired six companies.

Technomedia Solutions is Big Win – Mood Media's latest acquisition is of Technomedia Solutions and its sister company, GoConvergence. The acquisition will be immediately accretive and provide accelerated growth and competitive positioning through its complementary businesses. It serves multiple industries, including retail, hospitality, theme parks, performing arts, museums, special venue, and education. Its customers include Abercrombie & Fitch, Hard Rock Café International, Cirque du Soleil, Wanda Group as well as leading entertainment and education clients globally. In 2012, Technomedia is expected to generate annual revenues of $43 million and EBITDA of $5.7 million.

Improving Financial Performance – 3Q revenue rose by 38%, compared with the prior year's third quarter, and adjusted EBITDA rose by 16% over the same period. Importantly, average revenue per unit rose 3%.

Creative and Entrepreneurial Management – Mood Media's CEO is a proven entrepreneur with a strong track record in creating shareholder value. He co-founded one of the fastest growing companies in the history of the Toronto stock exchange that was subsequently sold for half a billion dollars. Interestingly, he was featured this month in the popular CBS series "Undercover Boss."

Leadership Position – Mood Media continues to expand its leadership position geographically. Its recent announcements include the agreement with Esprit (retail store) to provide all its stores in China with custom media programs. Besides its broad geographic reach, Mood Media's platforms include 77% of the top 100 retailers in the United States and 100% of the top 50 quick-serve and fast-casual restaurant companies.

VALUATION:

Mood Media has substantial debt as a result of its acquisition strategy, but fundamentals continue to accelerate as a result of its well-executed expansion. Based on the current adjusted EBITDA run rate $120 million, plus the $5 million+ in acquired EBITDA from the recent Technomedia acquisition, the valuation is 6.5x EV/EBITDA. This seems like an attractive valuation for a growing business that produces approximately 60% gross margin and has 92% recurring revenue.

Mood Media Corporation (TSX:MM.TO)
Investment Data (as of 1/20/13)

Recent Price	**$1.93**
52-Week Range	$1.59 - $4.36
Fiscal Year End	Dec
Dividend	NA
Yield	NA
Shares Outstanding	172 M
Average Trading Volume (3 mos)	288k
Market Capitalization	$335 M
Cash	$11 M
Long-term Debt	$481 M
Enterprise Value (EV)	$807 M
Book Value	$1.04
TTM Revenue	$455 M
P/ Revenue	0.7x
TTM EPS	$(0.12)
P/ EPS	NA
TTM EBITDA	$118 M
EV/ EBITDA	6.9

Best Idea Profile: **MoneyGram International Inc. (NYSE:MGI)**

DESCRIPTION:

MoneyGram International is a leading global payments company offering convenient money transfer and bill payment services to people around the world. Its customers often do not have access to traditional banks, and are frequently people that are migrating for work and need to send money home, or that have an emergency need. MoneyGram services are offered in more than 197 countries through a network of 293,000 agent locations, as well as financial institutions. The company, founded in 1926, is headquartered in Dallas and employs 2,350 people.

KEY INVESTMENT CONSIDERATIONS:

Outgrowing a Growth Market – The World Bank estimates that more than $500 billion moves every year across borders. Despite the global recession, the payment market continues to grow. The number of people in the world who don't use traditional banks is rapidly increasing and MoneyGram is outpacing the market.

New Markets – MoneyGram has invested substantially to increase its brand awareness. But it has also entered new markets and delivery channels. It signed a new agreement with PayPal that enables consumers to easily access money in their digital wallets, which is a technology they did not previously have. Additionally, in its last reported quarter, MoneyGram announced an agreement with Gemalto to use technology to send and receive money using mobile phones. MoneyGram is expanding geographically as well: it entered the emerging Russian market through an agreement with the Payment Center.

Solid Second Place with Barriers to Entry – Of this sizable market, MoneyGram has about 5% of the market share and Western Union has about 17%. MoneyGram has shrunk the difference in global brand awareness between it and Western Union through new products and more aggressive advertising. These two competitors account for less than a quarter of a market that is growing about 7% a year. MoneyGram's number of agent locations, which is a tell-tale predictor of growth, was up 15% over last year. Transaction volume was up 13%. And tightened security from governments concerned about money laundering and fraud has created a natural barrier to entry for players without sophisticated fraud protection technologies.

Legacy Issues Resolved – The Company has divorced itself from its legacy issues. It recently settled a fraud and scam claim that was based on activities prior to the arrival of current management. The $100 million forfeiture will be paid in the first calendar quarter, and has been fully accrued.

Improved Capital/Financial Structure – Cash flow trend has been consistently positive throughout the recession as MoneyGram has redefined and rebuilt the franchise. Following a near-death experience in 2008, the Company was recapitalized in order to rid itself of significant portfolios of its high-risk investments. Operating results and EBITDA were negatively impacted in ensuing years because the Company "de-risked" the investment portfolio, subsequently reducing its investment income. EBITDA now exceeds the levels reached in 2008 without the recognition of investment income. Growth now comes from transaction volume and the continual expansion of its agent network and is not dependent on investment income.

VALUATION:

MGI trades at less than 12 times forward earnings, which considering its growth, is an attractive valuation. American investors may be overlooking the importance of a business that is more highly visible to immigrant workers.

MoneyGram International Inc. (NYSE:MGI)
Investment Data (as of 1/30/13)

Recent Price	**$13.99**
52-Week Range	$11.00 - $19.50
Fiscal Year End	Dec
Dividend	NA
Yield	NA
Shares Outstanding	57.9 M
Average Trading Volume (3 mos)	80k
Market Capitalization	$810 M
Cash (substantially restricted)	N/A
Long-term Debt	$810 M
Enterprise Value (EV)	$1.6 B
Book Value	$(7.70)
TTM Revenue	$1.3 B
P/ Revenue	0.6x
TTM EPS	$(0.93)
P/ EPS	NA
TTM EBITDA	$272 M
EV/ EBITDA	6.9

Best Idea Profile: **GenMark Diagnostics, Inc. (NASDAQ:GNMK)**

DESCRIPTION:

GenMark Diagnostics Inc. is a molecular diagnostics company focused on developing and marketing its biomarker detection technology. The Company's XT-8 system can simultaneously perform an array of molecular diagnostic tests at a single workstation using efficient and disposable test cartridges. This enables reference laboratories and hospitals to conduct multiple molecular diagnostic tests from a single patient sample. GenMark offers diagnostic tests including a Cystic Fibrosis Genotyping Test, a Warfarin Sensitivity Test, a Hepatitis C Genotyping test and a Thrombophilia Risk Test. It also has a Respiratory Viral Panel Test that covers approximately 20 viruses, including influenza A, influenza B, and various other upper respiratory viruses. GenMark's headquarters are in Carlsbad, California.

KEY INVESTMENT CONSIDERATIONS:

Fast Growing Market – The global molecular diagnostic market is $4.5 billion and growing at 15% per year. There are solid factors driving this growth: 1) clinical needs increasingly require concurrent detection of multiple targets within a single patient sample in order to better guide therapy, 2) molecular testing is rapidly decentralizing (becoming more available at smaller labs), and 3) reimbursement for molecular testing is very strong. Within this market, GenMark's multiplex molecular opportunity is about $2.3 billion and growing at a 20% annual rate. With the launch of its next-generation system, GenMark will be able to access its full market opportunity.

Technology Differentiation – None of its competitors can achieve GenMark's level of multiplexing in testing because of its use of electronic versus optical or other technologies. GenMark can detect up to 72 targets at once, versus optical's limitations of 5 targets before encountering interference. It also does not involve the complexities of optical testing, which helps its customers drive down costs and achieve efficient work flow. Additionally, the Company is well armed with over 100 patents issued and more pending in the U.S.

Management Known for Creating Value – GenMark has assembled an impressive management team that has created value in other big and small diagnostic companies. Formerly, the CEO led Ventana Medical Systems for 10 years prior to its sale to Roche for $3.4 Billion. GNMK also has board members with backgrounds in global, public companies in the diagnostic field.

Key Financials Improving Rapidly – In the third quarter, the Company generated more revenue than the entire year of 2011, and is on track to achieve $18 million in sales in 2012, compared with $5 million in 2011. Going from negative gross margin in 2011, the company recorded gross margin of 42% in the third quarter with a long-term goal of 75%. As it adds systems at an exponential rate, its revenue per installed system has more than doubled.

Expect Further Penetration with New System – GenMark's next generation system will open up the number of labs the company can target from its current 1,200 to over 5,000. GenMark is decentralizing testing by helping smaller labs who would like to do these complex tests but are unable because of the difficulty of sample preparation. GenMark's next-generation system will address this issue and bring testing closer to the patients.

VALUATION:

The valuation appears to be based on the Company's ability to become a market leader in the diagnostic testing field and for its products to help smaller labs take market share. The Company clearly is well positioned to execute against this, with over $50 million in the bank and what appears to be rapid market acceptance.

GenMark Diagnostics, Inc. (NASDAQ:GNMK)
Investment Data (as of 1/30/13)

Recent Price	**$11.11**
52-Week Range	$3.63 - $11.56
Fiscal Year End	Dec
Dividend	NA
Yield	NA
Shares Outstanding	32.7 M
Average Trading Volume (3 mos)	187 K
Market Capitalization	$363 M
Cash	$54 M
Long-term Debt	$919 K
Enterprise Value (EV)	$309 M
Book Value	$1.84
TTM Revenue	$13.1 M
P/ Revenue	28x
TTM EPS	$(0.98)
P/ EPS	NA
TTM EBITDA	$(21.4)M
EV/ EBITDA	(14.8)

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12 Monthly Compilation Issues

Access to Past Compilation Issues

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