

Mossberg's Investor Digest

December 2013

Issue #66

From the Editor...

Canadian securities regulation could help make it a safe place to invest in small stocks.

I was recently in Vancouver visiting with several companies. During my meetings, the issue of public company disclosure came up. I was interested to learn that the some of the reporting standards in Canada are more stringent than in the U.S.

The Investment Industry Regulatory Organization of Canada (IIROC), which is the national self-regulatory organization that oversees all investment dealers and trading activity, will actually ask companies to revise press releases if they are deemed to be unclear or "overly-promotional". While the U.S. exchanges also require notification just prior to a press release issue, Canadians take it one step further.

I also learned that investor relations personnel are required to fill out and submit a Personal information form with the Toronto Stock Exchange with background including employment history, criminal background and personal bankruptcy. This seems like a "no brainer" requirement. There is no such equivalent in the United States.

Canada is still a market dominated by resource-related companies (Oil & Gas, mining) and these types of securities are inherently risky. However, the additional disclosure requirements could help to mitigate risk

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

Dave Mossberg

December 2013 Issue

Power REIT (NYSE:PW) \$8.16, December 7, 2013, Page 3 – Power REIT is a nearly 100-year-old company based in Old Bethpage, New York. It is a real estate investment trust that specializes in long-term real estate assets for the energy transportation infrastructure. This includes more than 150 acres of land for utility scale solar farm projects in Massachusetts and California. With solid real estate value underlying the infrastructure and renewable energy leases, dependable cash flow, and little technology risk, this is an attractive stock that could deliver very rewarding returns.

Aggreko plc (OTC:ARGKF) - \$26.45, December 7, 2013, Page 4 – Aggreko provides temporary power and temperature control to customers worldwide who need assistance in a hurry, or for a short period of time. Its services are used in supporting utilities in developing countries, in emergency response to natural disasters, in military support, and for special events: Olympics, FIFA World Cup, Superbowl, Ryder Cup. Its ongoing business model looks strong with much room for growth. These factors make this an attractive long-term investment.

Osage Exploration and Development, Inc. (OTCBB:OEDV) - \$1.07, December 9, 2013, Page 5 – Osage Exploration & Development, Inc. is an independent oil and gas company that targets projects that are either overlooked or underestimated. It is currently developing more than 34,000 acres in Logan County, Oklahoma. The stock has moved from very speculative to an exciting play yet thinly covered; but that does not mean there is not considerable interest.

Capstone Turbine Corp. (NASDAQ:CPST) - \$1.22, December 26, 2013, Page 6 – Capstone Turbine Corp. produces low-emission microturbine systems, providing a dependable power source for customers in multiple industries: oil and gas, renewable energy, energy efficiency systems, mobile products (such as marine), and critical power. Recently investors reacted positively to an announcement of a new distributor for Capstone. Their stock could benefit from further indication that the second half of the fiscal year will see strong orders.

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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 October 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
Sealed Air Corporation (NYSE:SEE)	16-Dec-12	\$16.03	\$34.22	113.5%	32.2%	83.9%
Westmoreland Coal Co. (NASDAQ:WLB)	17-Dec-12	\$10.02	\$19.12	90.8%	30.7%	62.6%
Regional Management Corp. (NYSE:RM)	18-Dec-12	\$16.55	\$33.93	105.0%	29.2%	78.1%
Michael Baker Corporation (NYSE:BKR)	30-Dec-12	\$24.30	\$40.47	66.5%	33.0%	35.7%
DHX Media Ltd. (TSX:DHX.TO)	12-Jan-13	\$1.86	\$5.70	206.5%	26.5%	181.6%
Mood Media Corporation (TSX:MM.TO)	20-Jan-13	\$1.93	\$0.80	-58.5%	25.2%	-82.1%
MoneyGram International Inc. (NYSE:MGI)	30-Jan-13	\$13.93	\$20.41	46.5%	23.9%	24.6%
GenMark Diagnostics, Inc. (NASDAQ:GNMK)	30-Jan-13	\$11.11	\$13.21	18.9%	23.9%	-3.0%
MVC Capital, Inc. (NYSE:MVC)	12-Feb-13	\$12.11	\$13.41	10.7%	22.3%	-9.8%
eGain Corporation (Nasdaq:EGAN)	15-Feb-13	\$7.50	\$10.13	35.1%	22.2%	14.5%
DSP Group (NASDAQ:DSPG)	26-Feb-13	\$7.41	\$9.70	30.9%	24.2%	8.7%
Unitech Corporate Parks (LSE:UCP.L)	28-Feb-13	\$35.25	\$41.50	17.7%	22.7%	-3.0%
Palomar Medical Technologies, Inc. (NASDAQ:PMTI)	6-Mar-13	\$11.91	\$13.65	14.6%	20.6%	-4.1%
Global Power Equipment Group Inc. (NASDAQ:GLPW)	7-Mar-13	\$16.84	\$19.62	16.5%	20.3%	-1.9%
NetSol Technologies, Inc. (NASDAQ:NTWK)	16-Mar-13	\$10.84	\$5.84	-46.1%	18.9%	-63.2%
Kofax Limited (NASDAQ:KFX)	22-Mar-13	\$4.47	\$7.15	60.0%	19.3%	42.7%
Tutor Perini (NYSE: TPC)	16-Apr-13	\$16.76	\$26.19	56.3%	18.4%	40.4%
Carbonite (Nasdaq: CARB)	17-Apr-13	\$10.00	\$11.54	15.4%	20.2%	-2.0%
GenCorp Inc. (NYSE:GY)	26-Apr-13	\$13.06	\$17.96	37.5%	17.7%	21.9%
Steinway Musical Instruments (NYSE:LVB)	26-Apr-13	\$24.67	\$40.00	62.1%	17.7%	46.6%
AxessTel (Nasdaq:AXST)	12-May-13	\$1.30	\$0.12	-90.4%	13.9%	-102.5%
Keweenaw Land Association (OTC: KEWL)	21-May-13	\$76.28	\$87.00	14.1%	11.5%	4.2%
Guidance Software, Inc. (NASDAQ:GUID)	24-May-13	\$9.23	\$9.95	7.8%	13.0%	-3.2%
Micron Technology, Inc. (NASDAQ:MU)	29-May-13	\$11.83	\$21.89	85.0%	13.0%	74.0%
CafePress Inc. (NASDAQ:PRSS)	4-Jun-13	\$6.81	\$6.05	-11.2%	14.2%	-23.2%
Carrols Restaurant Group, Inc. (NASDAQ:TAST)	11-Jun-13	\$5.83	\$6.70	14.9%	14.5%	2.5%
Rackspace Hosting, Inc. (NYSE:RAX)	30-Jun-13	\$37.89	\$38.48	1.6%	15.8%	-12.3%
Ducommon Inc. (NYSE:DCO)	30-Jun-13	\$21.26	\$29.42	38.4%	15.8%	24.5%
Syneron Medical Ltd. (NASDAQ:ELOS)	17-Jul-13	\$8.60	\$12.30	43.0%	10.4%	34.0%
BGC Parnters, Inc. (NASDAQ:BGCP)	22-Jul-13	\$6.44	\$6.09	-5.4%	9.4%	-13.6%
Calamos Asset Management Inc. (NASDAQ:CLMS)	28-Jul-13	\$10.75	\$11.91	10.8%	9.6%	2.5%
Sunshine Heart, Inc. (NASDAQ:SSH)	29-Jul-13	\$7.37	\$9.75	32.3%	10.1%	23.6%
FelCor Lodging Trust (NYSE:FCH)	8-Aug-13	\$5.95	\$8.09	36.0%	9.1%	27.8%
Hydrogenics Corp. (NASDAQ:HYGS)	13-Aug-13	\$11.14	\$19.17	72.1%	9.3%	63.7%
BIO-key International, Inc. (OTCQB: BKYI)	29-Aug-13	\$0.33	\$0.16	-51.5%	12.7%	-63.8%
LRAD Corporation (NASDAQ:LRAD)	30-Aug-13	\$1.52	\$1.89	24.3%	13.3%	11.7%
Famous Dave's (NASDAQ:DAVE)	19-Sep-13	\$16.00	\$18.38	14.9%	7.2%	8.2%
Alteva, Inc. (NYSE:ALTV)	23-Sep-13	\$7.20	\$8.28	15.0%	8.4%	6.9%
Roundy's, Inc. (NYSE:RNDY)	24-Sep-13	\$9.19	\$9.92	8.0%	8.6%	-0.4%
SMTX Corporation (NASDAQ:SMTX)	26-Sep-13	\$1.97	\$2.35	19.3%	8.4%	11.0%
Blue Earth Inc. (OTCQB:BBLU)	16-Oct-13	\$3.09	\$2.93	-5.2%	7.0%	-12.4%
EveryWare Global, Inc. (NASDAQ:EVRY)	24-Oct-13	\$10.87	\$8.03	-26.1%	5.1%	-31.8%
KapStone Paper & Packaging Corp. (NYSE:KS)	25-Oct-13	\$45.83	\$56.22	22.7%	4.7%	17.4%
Qumu Corporation (NASDAQ:QUMU)	29-Oct-13	\$14.09	\$12.35	-12.3%	4.1%	-16.9%
Winmark Corporation (NASDAQ:WINA)	10-Nov-13	\$74.13	\$93.55	26.2%	4.4%	21.8%
Regional Management Corp. (NYSE:RM)	18-Nov-13	\$32.04	\$33.93	5.9%	3.3%	2.6%
USA Technologies (NASDAQ:USAT)	26-Nov-13	\$1.75	\$1.86	6.3%	2.5%	3.7%
American Electric Technologies (NASDAQ:AETI)	29-Nov-13	\$9.33	\$10.12	8.5%	2.3%	6.0%
				25.1%	15.2%	11.2%

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Best Idea Profile:

Power REIT (NYSE:PW)

DESCRIPTION:

Power REIT is a nearly 100-year-old company based in Old Bethpage, New York. It is a real estate investment trust that specializes in long-term real estate assets for the energy transportation infrastructure. This includes more than 150 acres of land for utility scale solar farm projects in Massachusetts and California. Additionally, its wholly owned subsidiary, Pittsburgh & West Virginia Railroad, owns railroad property that is in a 99-year lease to Norfolk Southern Corporation, and consists of 112 miles of main line road and 20 miles of branch lines.

KEY INVESTMENT CONSIDERATIONS:

Potential Value of Litigation Award – Management estimates that there is a potential upside benefit to earnings of \$14.60 per share from litigation related to lease disputes between the company's wholly owned subsidiary and both its lessee and sub-lessee. Management feels strongly about the merits of its case and remains confident that pursuing the litigation is in the company's and shareholders' best interests. Power REIT has expended approximately \$1.4 million on litigation costs, which it believes will also be reimbursable under the lease. It believes its worst case exposure is this litigation cost, offset by the value of a net operating loss if the indebtedness is written off. It may also have the opportunity to re-lease at higher rates.

Eventual Resumption of Dividend – Management has stated its intent to resume common dividends as litigation expenses decline. Prior to litigation, its historical annual dividend rate was \$0.40 per share. Furthermore, management is determined to minimize near-term dilution in order to maximize the benefits of litigation awards and resumption of dividends; it will be conservative in issuance of common stock, utilize non-dilutive capital to fund acquisitions, and fund litigation expenses through temporary suspension of the dividend.

Renewable Energy Opportunities – Power REIT is focused near-term on renewable energy. Solar is growing rapidly; there were 3.3GW of solar power installed in 2012 and 4.3GW installed in 2013 in the U.S., with more than \$10 billion of solar investments annually in the U.S. Wind farms are also growing rapidly with over \$100 billion of cumulative investment in the U.S. Other renewable opportunities include hydro and geothermal. Power REIT is focused on acquiring more

location-critical assets that have a long life, are complicated to develop, and most importantly, hard to replace or locate; resulting in captive tenants that generate predictable cash flows.

Accretive Acquisitions – Power REIT has high-quality assets with long-term predictable cash flow and low current leverage. It is poised to issue preferred stock in order to make accretive acquisitions that will grow cash flow and dividends. Management believes there are significant U.S. infrastructure investment opportunities and made two such acquisitions of solar land in December of 2012 and July of 2013.

VALUATION:

At the end of the third quarter, the stock was trading at a 24% discount to estimated net asset value. This does not include any potential upside from the litigation. With solid real estate value underlying the infrastructure and renewable energy leases, dependable cash flow, and little technology risk, this is an attractive stock that could deliver very rewarding returns.

Power REIT (NYSE:PW)

Investment Data (as of 12/7/13)

Recent Price	\$8.16
52-Week Range	\$7.77 - \$11.41
Fiscal Year End	Dec
Dividend	NA
Yield	NA
Shares Outstanding	1.7 M
Average Trading Volume (3 mos)	5k
Market Capitalization	\$14 M
Cash	\$314 K
Long-term Debt	\$2.5 M
Enterprise Value (EV)	\$16 M
Book Value	\$5.44
TTM Revenue	\$982 K
P/ Revenue	14x
TTM EPS	\$(0.43)
P/ EPS	NA
TTM EBITDA	NA
EV/ EBITDA	NA

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Best Idea Profile:

Aggreko plc (OTC:ARGKF)

DESCRIPTION:

Aggreko provides temporary power and temperature control to customers worldwide who need assistance in a hurry, or for a short period of time. Its services are used in supporting utilities in developing countries, in emergency response to natural disasters, in military support, and for special events: Olympics, FIFA World Cup, Superbowl, Ryder Cup. Its services are often mission critical; where availability, service and reliability are more important than price. It rents out items such as gas and diesel generators, transformers, cable, fueling systems, chillers, heaters, air conditioners, cooling towers, and compressors. It provides services in approximately 100 countries and has 5,400 employees. Aggreko is based in Glasgow, the United Kingdom, and was founded in 1962.

KEY INVESTMENT CONSIDERATIONS:

Local Business – Local business is one of two business models that share the company's resources. Local business rents power and temperature control equipment to commercial, industrial, utility and government users. Emergency response represents a quarter of its business, such as the deployment of assets for the tsunami in Japan and Hurricane Sandy. It is performing well, with the Americas growing by almost 10% in the third quarter. Other regions also did well but had tough comparables in the quarter. Although there is fierce local competition, few are able to compete for large or technically demanding work. This business is critical to customers who do not want to, or can't, invest the capital needed to provide these services.

Emerging Markets' Need For Power – The Power Projects business model sells electricity, and supplies and operates utility power plants, mainly in emerging markets, for utility and government users. The demand for power is growing very rapidly in developing countries, with a 5% compound annual growth in electricity consumption. Demand for electricity is growing faster than the supply, and yet infrastructure investment is chronically low, resulting in frequent shortages and breakdowns. The capital markets are unwilling to support long-term infrastructure projects in these countries because of the political risk involved. All of these factors contribute to a very positive environment for Aggreko power projects: the pay-as-you-go model eliminates the need to raise capital, power can go where it is most needed, political risk is minimal, there is a stabilizing effect on the grid, and no

long-term commitment is required as users can quit using the power when it is no longer needed.

Market Diversification – Aggreko has an attractive mix of emerging and mature markets with emerging markets representing 55% of 2012 revenues and two-thirds of the profits, and is growing at twice the rate of mature markets. These two businesses, Local business and Power Projects, are both large and growing fast, and although they are each subject to short-term variations, together they smooth the total group's performance. The customer base is diversified as well, by revenue type and by geography.

Flexibility of Assets – The Company's two businesses share fleet assets, expertise and infrastructure. The assets can be quickly redeployed at the end of their use. The equipment has a long life and older assets can get the same rental rate as new assets.

VALUATION:

Aggreko has a history of favorable financial results: nine-year compound annual growth rate of 19% for revenue, and 29% for earnings per share. The stock has returned 247% to shareholders from 2008 through 2012. Its ongoing business model looks strong with much room for growth. These factors make this an attractive long-term investment.

Aggreko plc (OTC:ARGKF)

Investment Data (as of 12/7/13)

Recent Price	\$26.45
52-Week Range	\$23.15 - \$35.55
Fiscal Year End	Dec
Dividend	NA
Yield	NA
Shares Outstanding	267 M
Average Trading Volume (3 mos)	3 k
Market Capitalization	\$7 B
Cash	\$51 M
Long-term Debt	\$955 M
Enterprise Value (EV)	\$8 B
Book Value	\$6.85
TTM Revenue	\$2.6 B
P/ Revenue	3 x
TTM EPS	\$1.64
P/ EPS	16 x
TTM EBITDA	\$1 B
EV/ EBITDA	7 x

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Best Idea Profile:

Osage Exploration and Development, Inc. (OTCBB:OEDV)

DESCRIPTION:

Osage Exploration & Development, Inc. is an independent oil and gas company that targets projects that are either overlooked or underestimated. It is currently developing more than 34,000 acres in the Horizontal Mississippian and Woodford projects along the east side of the Nemaha Ridge in Logan County, Oklahoma. Osage is focused on an area on the east side of the ridge where there is a significant amount of natural regional fracturing that it believes will enhance recoveries of oil. Osage is based in San Diego, California, with production offices in Oklahoma City, Oklahoma.

KEY INVESTMENT CONSIDERATIONS:

Only Pure-Play in Exciting On-shore Play – Osage is the only public exploration and production company that is a pure play in the Horizontal Mississippian. Logan County is rapidly becoming the heart of the horizontal Mississippian play in Oklahoma, and is considered the most capital efficient domestic on-shore play. Management states that there has been a learning curve on the best practices to drill, complete, and produce these wells, but that multiple operators in the area seem to have solved the puzzle as evidenced by the recent results. The trajectory of this play is steepening and will be reflected in a growing level of activity and higher production rates. Oil production across the company has doubled to over 500 barrels of oil per day since the end of the second quarter of 2013.

Record Financial Results – The recently reported third quarter was a turning point for Osage. It reported record quarterly revenues from continuing operations that grew 248% year over year. At \$1.6 million, it had its highest adjusted EBITDA in company history. This success is quite the turnaround from the risk profile that was seen just six months earlier. Osage has utilized growing understanding of the Oklahoma reservoir and outside expertise to hone completion and production methodologies: the effect on production during the third quarter was dramatic.

Strong Operating Partners – Osage is the originator of the Nemaha Ridge project, and manages project geology and land acquisition. It has two operating partners that are considered strong players. Its partner Slawson Exploration Co. is considered one of the nation's leading wildcatters throughout its 50-year history.

Potential of Woodford Shale – The Woodford is a shale formation that is less geologically complex and therefore should have a high drillability factor and consistent results than conventional formations. Woodford has been a horizontal target in Oklahoma for over a decade. This formation is present across Osage's entire 31,000 acre block, with a very favorable thickness of 90 feet, and is likely to significantly increase the recoverable reserves in Osage's acreage.

Improved Leverage Position – Osage has \$17.5 million debt outstanding, which is a fairly modest 3.6 times adjusted EBITDA. Capital expenditures are expected to be \$16.8 million in the first half of 2014, which will fund 20 gross wells. At the end of the third quarter of 2013 Osage sold its non-core Columbian assets for \$6.8 million in cash. This sale fortified the balance sheet and enables Osage to focus on the much more promising Logan County acreage.

VALUATION:

With substantial insider ownership and dramatic financial improvement, the stock has moved from very speculative to an exciting play on the Logan County development. The stock is thinly covered, but that does not mean there is not considerable interest.

Osage Exploration and Development, Inc. (OTCBB:OEDV)

Investment Data (as of 12/9/13)

Recent Price	\$1.07
52-Week Range	\$0.76 - \$1.85
Fiscal Year End	Dec
Dividend	NA
Yield	NA
Shares Outstanding	50 M
Average Trading Volume (3 mos)	66 K
Market Capitalization	\$53 M
Cash	\$546 K
Long-term Debt	\$17 M
Enterprise Value (EV)	\$78 M
Book Value	\$0.16
TTM Revenue	\$10 M
P/ Revenue	5.3x
TTM EPS	\$(0.02)
P/ EPS	NA
TTM EBITDA	\$4 M
EV/ EBITDA	18.2x

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Best Idea Profile:

Capstone Turbine Corp. (NASDAQ:CPST)

DESCRIPTION:

Capstone Turbine Corp. produces low-emission microturbine systems, providing a dependable power source for customers in multiple industries: oil and gas, renewable energy, energy efficiency systems, mobile products (such as marine), and critical power. Its microturbines operate continuously or on-demand, and run on a variety of fuels; including natural gas, biogas, diesel, propane and kerosene. Capstone is headquartered in the Los Angeles area with sales and service centers in China, Mexico, Singapore, South America, the United Kingdom and the U.S. It was founded in 1988.

KEY INVESTMENT CONSIDERATIONS:

Large Market Opportunity – Management estimates there is a \$15 billion market opportunity in microturbines, and believes its share of the market is approximately \$1.5 billion. Capstone's solutions reduce energy costs, ensure power availability, and help preserve the environment with its near-zero emissions profile. Its advantages over the competition across its solutions include lower total cost of ownership, more environmentally friendly, non-reliant on government subsidies, and higher system uptime.

Executing on Plan – Capstone is executing in the areas it had identified as key to its continuing success. It is refining its production efficiencies, and as the European market slowly returns, it is expecting larger megawatt opportunities that will drive higher production rates. Secondly it is experiencing higher average selling prices as a result of higher proportion of larger unit sales and a modest price increase across all lines. Another key to success is low direct material cost and reduced cash usage, both of which were demonstrated in the second quarter. Management is confident of its ability to end the year with more than \$30 million of cash on the balance sheet.

Backlog Growth – Capstone's compound annual growth rate since 2007 has been 35% in revenue and 76% in backlog. Historically Capstone's customers have remaining budgets to spend late in the year that has benefited Capstone. Management cautions investors not to draw conclusions based on its sequential quarter trends because the business is a "lumpy project-based business." Backlog in the September quarter improved 6% year over year, despite the weak European markets that are the largest concern for the next year, and this backlog should grow over the next six months.

Acceleration in Second Half – Revenues are likely to accelerate in the second half, as the third fiscal quarter is typically the best quarter for margins and revenues. Many customers, especially in oil and gas, rush to spend their remaining budgets by the end of the December quarter. As revenues and margins accelerate in the second half of fiscal 2014, Capstone should achieve breakeven EBITDA in the final quarter of fiscal 2014.

Strong Cash Flow – The September quarter generated \$8 million in cash, which allows Capstone to handle the acceleration of business in the second quarter without having to dilute shareholders' interests.

VALUATION:

December is frequently a good month for Capstone as customers rush to spend their capital budgets. Investors reacted positively recently to an announcement of a new distributor for Capstone. The distributor acquired for Hilcorp Alaska LLC another Capstone turbine and it is believed that Hilcorp will use Capstone microturbines on the remaining five drill rigs that have yet to be renovated. Capstone stock could benefit from further indication that the second half of the fiscal year will see strong orders.

Capstone Turbine Corp. (NASDAQ:CPST)

Investment Data (as of 12/26/13)

Recent Price	\$1.22
52-Week Range	\$0.73 - \$1.52
Fiscal Year End	Mar
Dividend	NA
Yield	NA
Shares Outstanding	310 M
Average Trading Volume (3 mos)	2.4 M
Market Capitalization	\$378 M
Cash	\$28 M
Long-term Debt	\$12 M
Enterprise Value (EV)	\$368 M
Book Value	\$0.11
TTM Revenue	\$128 M
P/ Revenue	3.0 x
TTM EPS	\$(0.06)
P/ EPS	NA
TTM EBITDA	\$(15.9) M
EV/ EBITDA	(23) x

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12 Monthly Compilation Issues

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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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