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KEY TAKEAWAYS

- ⇒ *Do your homework and treat stocks like an NFL GM approaches a draft prospect*
- ⇒ *Some stocks you trade, some you own because they are going to move substantially higher when they fell off the radar*
- ⇒ *This listed stock is just starting to move big time as sentiment has changed*
- ⇒ *The other stock has yet to move because it is forgotten, but not for long*

KEY STATISTICS

<u>Index</u>	<u>Close</u>	<u>2013</u>
DJIA	14713	12.3%
S&P 500	1582	10.9%
NASDAQ	3279	8.6%
Russell 2K	935	10.1%

(figures are rounded)

The NFL Approach to Stocks

From Thursday through Saturday the NFL held its annual draft. It is amazing how fans spend so much time reading about prospects that their team may select. It has been transformed from a relatively ho-hum one-day event to a three-day fan fest.

I am a huge NFL fan and a fairly active college football fan as well but I did not really know a whole bunch about most of the players. There are many fans that pore over data, statistics, and information about many of the football players.

Frankly, it is shocking to me to see the average fan tout stats about a guy that may have played at Arkansas—Pine Bluff but not really know a whole helluva lot about the stocks in their portfolio.

Perhaps if retail investors took the time to contact the companies on their prospect list or subscribe to services that provide stock ideas or information (hint-hint) losses could be minimized. If you were not moved by a conversation with a management team member and the stock dropped, you saved yourself money. Conversely, gaining confidence from said member or 3rd parties can have a material impact on how you make or lose money in small cap, micro cap, and penny stocks.

By the same token, it is not uncommon that a prospect rises up the charts or there are suspicious whispers about him which prompts a red flag or even convinces a GM to move too early in one way or another which ends up being a costly mistake. He moved based on emotion instead of studying emotion and moving on logic. The same thing happens every day with stocks. This does not mean you should not follow trends. But if you do, ensure that the trends are consistent, have legs and are based on something concrete rather than just hype. Be smart, be patient, do your homework, speak to others, and follow the right trends.



The Goldman Guide

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Two Stocks to Own, Not Trade

There are thousands of stocks in the small stock world from which to choose. I hate to admit it, but most of them are crap. I might use their certificates to hang up in my bathroom. The number of really good stocks is relatively small. Some of them happen to include the crap that have turned the corner or appear ready to do so.

Given the helter-skelter way the market is trading, we strongly urge you to buy these stocks and hold onto them for a few months, rather than use them for a trade. We believe that they will be substantially higher for different reasons but most importantly, they should trade at significantly higher levels. Let's not kid ourselves here. You view the picks with a grain of salt. That is why we put them in 2 candid and future categories:

Current Category #1: Prove To Me That This Will Happen

FAB Universal Corp. (NYSE MKT—FU—\$4.50)

FAB is one of those stories that smacks of "I believe it when I see it." Or, I'm from Missouri for you old folk like me. The Company generated over \$5M in cash for 4Q12 and we are projecting around \$4M in net income for 1Q13. Seems as if no one believes us or management's guidance because the stock trades at roughly a 5x EPS multiple. Outrageous. Moreover, if you divide the company in half (the FAB biz in China and the podcasting) you could argue that the value of the stock is even greater than our \$9 price target. In our latest update released last week we made the correlation between the value of Netflix (NASDAQ—NFLX) subscribers and the future value of FAB's Libsyn subscribers when its business model inevitably changes. We derived a value of around \$7.50 per share just for that segment!

Future Category #1: Maybe this Goldman Guy is Right

FAB Universal Corp. (NYSE MKT—FU—\$4.50)

Any way you slice it, the stock is just cheap. It is really under accumulation right now as the world is beginning to see the light. You should too. It could break through its 52-week high of \$5.70 pretty soon. There is nothing like a stock moving up big time on a huge increase in average daily volume and heavy upward action in after hours trading to make people think twice and believe it without seeing it. Who wants to be prudent and then miss the boat, right?



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Two Stocks to Own, Not Trade (cont'd)

Current Category #2: No One Cares About This Stock

ForceField Energies, Inc. (OTCQB—FNRG—\$5.35)

FNRG used to be SSIE and its primary business was in solar. That has changed as the Firm has spread its wings into the larger renewable energy sector. Specifically, it has added a waste heat energy conversion platform and FNRG is now an exclusive distributor of a major China-based LED lighting products firm that has major deployments in Asia.

Look, the stock has rarely traded over 20,000 a day so it never really set the world on fire. As a result, not too many people know about it and you follow the herd. I get it. But here's what you are missing. Somehow, perhaps with the name change, FNRG fell off the radar screen. No one realizes what is happening here. The Company has made huge steps in the hot LED lighting space and has tens of millions of dollars in active bids. Not to mention it made a nice acquisition and has a model that enables up to 100% of the financing of commercial or governmental projects in the U.S. and abroad through Top 10 U.S. banks. It's like telling customers in the bidding process that there is no money down, just let us share in the cost savings. How can they say no? Where is their risk? (Check out today's report.)

The bottom line is that the space is hot, and the proxy for the industry, which is basically the same size as FNRG has nearly doubled since April 1. Revolution Lighting Technologies (NASDAQ—RVLT) seems to reach a new high every day and its current market cap is almost 5x that of FNRG. We believe that based on the LED piece alone it should trade near our \$9 target and that doesn't even include the other business.

Future Category #2: It Actually Makes Sense

ForceField Energies, Inc. (OTCQB—FNRG—\$5.35)

Once FNRG gets awarded just 1 meaningful bid, the stock will move substantially higher. Since it is at such a discount to the other stocks, especially RVLT, it will move quickly and sharply. Especially since there really is not a lot of stock out there. Buying ahead of potential news and when the valuation is incredibly low because the Street forgot what they do makes a great deal of sense. So, we recommend you have at least some exposure to the stock. Makes sense to buy before things happen not after, right?

Until next week...



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