

MZ Perspectives

Four Trends We're Watching in February and Beyond

Real Estate

We continue to see a gradual rebound in residential housing, driven by record low mortgage rates and the Fed's commitment to keep rates low for an indefinite period of time. Home prices and transaction volumes have increased across most cities and states, with the coasts experiencing the highest growth. Single family home construction has rebounded from multi-year lows but remains less than half the rate we witnessed prior to 2007. Shadow inventories have also declined recently as banks have accelerated their remediation process for foreclosed properties or series delinquent loans. Despite higher taxes and stagnant wage growth, we expect the U.S. housing recovery to continue in 2013, which will positively impact a large populace of the work force which services this sector.

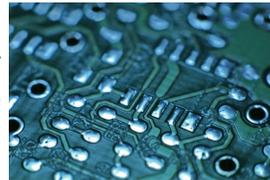


Energy

Commodity prices have generally trended higher since last summer following a stabilization in outlook for the EU and the euro currency. Higher industrial production and an improvement in job creation have driven demand for energy in the U.S., partially offset by a warmer winter. The clouded economic outlook for emerging markets and the uncertainty created by the fiscal cliff and debt ceiling debates in the U.S. will keep oil prices range bound for the first half of 2013. The wildcard is escalating geopolitical conflicts in Africa, the Middle East and Asia, which could significant affect both short term supply and sentiment. Energy stocks continue to trade at a steep discount to the market due to rising cap ex, declining reserves and one-off investments that have resulted in poor returns. The US continues to increase its oil and gas production which keeps more of our dollars in country and supports local businesses in the supply chain.

Technology

For the first time in recent history, there does not appear to be one or two major consumer electronics products or categories that everyone is looking forward to in 2013. While more companies are coming up with bigger, faster, more efficient, and cheaper smartphones, tablets and TVs, there is no must-have technology or product. The mobile ecosystem continues to evolve, from hardware to services, for businesses and consumers. Cloud-based computing has reached mainstream, with new services focused on enhanced security and functionality across multiple devices. Dozens are companies, from startups to more established players such as Square, PayPal, Google and American Express, are investing aggressively to become a leader in mobile payments. More technology standards and regulations will need to be established before we see a hockey-stick increase in user adoption of mobile payments.



Wealth Effect

Rich are getting richer – across the world, not just in the U.S. Wages for everyone else is stagnant and will remain so for an extended period of time. Low interest rates and aging population means investors will have to take more risks in order to earn an adequate return – this is unlikely to change for the foreseeable future. Individual investors as a whole have missed out on the stock market rebound since 2009, holding lots of cash and investing the rest in



February 2013

Thanks for reading the February edition of our MZ Newsletter, focusing on four trends we're currently watching, tax changes from the fiscal cliff, and sign of growth despite the pessimism. Please be sure to visit us at the upcoming annual Roth Conference in Newport Beach, March 11-14. Also please take a minute to visit us at mzgroup.us to learn more about our complete set of investor relations products and services.

-The MZ Team

MZ Client News

[Shoreline Energy Corp. Announces Operational Update and Private Placement Financing 2/13/13](#)

[Westbridge Energy Corporation Appoints New President and Chief Executive Officer and Strengthens Its Board of Directors 2/13/13](#)

[CRAiLAR Technologies announces additional commitments of up to \\$3 million of secured convertible debentures 2/13/13](#)

[International Stem Cell Demonstrates Positive Animal Efficacy Results in Metabolic Liver Disease Program 2/13/13](#)

[ENSERVCO Promotes Austin Peitz to Vice President of Field Operations 2/13/13](#)

[CRAiLAR Technologies signs development agreement with Cotswold Industries Inc. 2/13/13](#)

[CRAiLAR Technologies Expands Investor Relations With MZ Group 2/12/13](#)

[Fission Energy Corp. and Alpha Minerals Inc.: 2nd Step-Out Hole at PLS Hits 37m of Continuous Mineralization Including a Total of 4.35m Off-Scale Radioactivity 2/7/13](#)

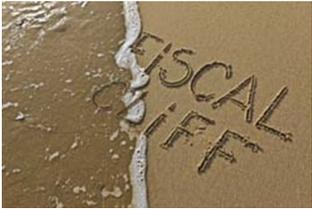
[Himax Technologies, Inc. Provides First Quarter 2013 Financial Guidance 2/7/13](#)

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Four Trends We're Watching in February and Beyond continued

lower risk investments such as Treasuries, gold and mortgage-related securities. Most U.S. baby boomers will have to work much longer than they anticipated in order to afford retirement. The Great Recession has also slowed population growth, particularly in developed countries. While the U.S. continues to enjoy above-average growth as a result of immigration, birth rates in the U.S. and Europe continue to trend down. Until real disposable personal income rebounds for a few years, the deceleration in global population growth is unlikely to reverse.

7 Major Tax Changes In The Fiscal Cliff Law



From the edge of the “fiscal cliff,” Congress took a step back and approved the American Taxpayer Relief Act (ATRA), a hodgepodge of tax extensions and modifications. But the agreement postponed decisions on spending cuts and failed to continue a 2% “payroll tax holiday” for employees. Moreover, upper-income taxpayers will have to shoulder a greater burden going forward. Here are seven noteworthy changes for individuals.

1. Individual Tax Rates. Across-the-board tax hikes are averted and the “marriage penalty” is eased. Nevertheless, ATRA creates an “extra” top tax rate of 39.6% for single-filers with income above \$400,000 and joint-filers with income above \$450,000. When you add in the new 3.8% Medicare surtax for certain upper-income investors, which begins in 2013, your effective top tax rate can reach 43.4%!

2. Capital Gains And Dividends. The “Bush tax cuts” for capital gains and dividends are generally preserved. The maximum tax rate remains 15% for net long-term capital gain and qualified dividends (0% for investors in the lowest tax bracket). Otherwise, the tax rate for capital gains would have soared to 20% (10% for investors in the lowest tax bracket). Even worse, dividends would have been taxed at ordinary income rates. But the upper crust still pays a steep price: a maximum 20% tax applies to single-filers with income above \$400,000 and joint-filers with income of more than \$450,000.

3. Alternative Minimum Tax. The onerous alternative minimum tax (AMT), which has steadily been casting a wider net each year, is overhauled. Under ATRA, exemption amounts have been increased and nonrefundable personal credits can be used to offset AMT liability in full. In addition, the exemption amounts will be indexed for inflation in the future. Because the changes are retroactive to the 2012 tax year, it’s been estimated they will save as many as 60 million taxpayers from the clutches of the AMT.



4. Itemized Deductions And Personal Exemptions. Two other “back-door” tax increases may affect taxes of wealthier individuals. Due to the revival of the “Pease rule,” most itemized deductions are reduced by 3% of the amount of adjusted gross income (AGI) above a specified threshold, beginning in 2013 (but the overall reduction can’t exceed 80%). At least ATRA establishes higher thresholds of \$250,000 for single-filers and \$300,000 for joint-filers. A comparable provision begins to phase out the tax benefits of personal exemptions at the same thresholds.

5. Education Tax Breaks. ATRA generally extends several valuable tax incentives relating to higher education. Significantly, it allows parents to claim the maximum \$2,500 American Opportunity Tax Credit (AOTC) for another five years, subject to a phaseout based on modified adjusted gross income (MAGI). It also extends the above-the-line deduction for tuition and fees, also phased out based on MAGI, through 2013. This deduction may be claimed in lieu of a higher education credit. The tuition deduction extension is retroactive to 2012. Finally, ATRA permanently extends



Visit MZ at ROTH 2013

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Date:

March 17-20, 2013

Location

The Ritz Carlton

1 Ritz Carlton Dr.

Dana Point, CA 92629

This conference is by invitation only. For more information, please contact conference@roth.com or your ROTH representative at (800) 933-6830.

[Visit the Conference Website](#)

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7 Major Tax Changes In The Fiscal Cliff Law continued

enhancements for Coverdell Education Savings Accounts (CESAs), the tax exclusion for employer-provided education assistance and the student loan interest deduction.

6. Extensions Of Other Rules. Besides those already mentioned, ATRA extends a host of other tax provisions for individuals, many of them retroactive to the beginning of 2012 (i.e., for provisions that technically expired). Most of the extended tax breaks are limited by dollar amounts. The list includes:

- Optional state sales tax deduction (in lieu of state income tax)
- Enhanced child tax credit, dependent care credit and adoption credit (and tax exclusion for adoption program assistance)
- Credit for energy-saving at home
- Monthly tax exclusion for certain commuting benefits
- Deduction for mortgage insurance premiums
- Deduction for classroom expenses of educators
- Tax exclusion for mortgage debt forgiveness
- Tax benefits for donating real estate for conservation purpose
- Tax-free distributions of IRA funds to charity by those age 70 ½ or over

7. Estate And Gift Taxes. At long last, there's greater certainty in estate planning. Beginning in 2013, the unified estate and gift tax system permanently retains a \$5 million exemption and will be indexed annually for inflation (\$5.25 million in 2013), instead of plummeting from \$5.12 million in 2012 to \$1 million. The top estate tax rate, which was scheduled to jump from 35% in 2012 to 55% in 2013, is bumped up to 40%. ATRA also retains the provision allowing "portability" of estate tax exemptions between spouses and coordinates various other aspects, including implementation of the generation-skipping tax.

Despite Much Pessimism, Slow Growth Persists

The Mideast is exploding in violence while Europe and China are in the throes of an economic slowdown. The top domestic story for months has been the U.S. fiscal cliff. Yet the fundamentals driving the economy remain fairly encouraging. Assuming political leaders can come to an agreement on averting the fiscal cliff — and they have little choice but to do that because the consequences would be devastating — the economic recovery remains slow, but good enough to propel corporate earnings higher.

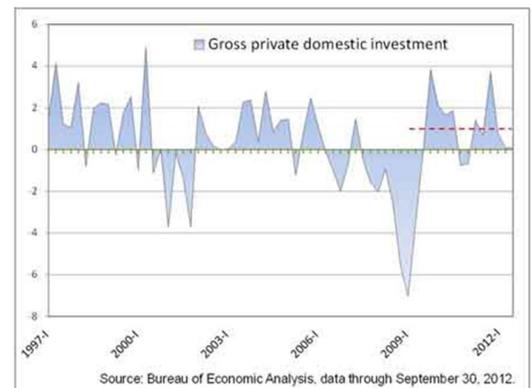
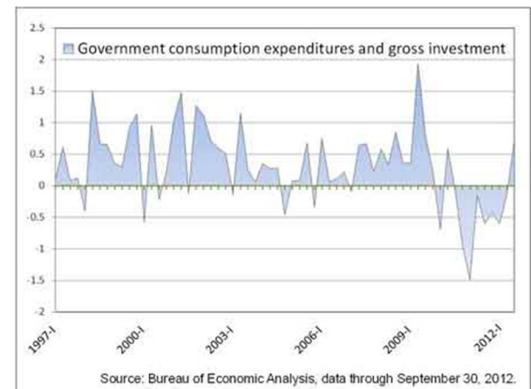
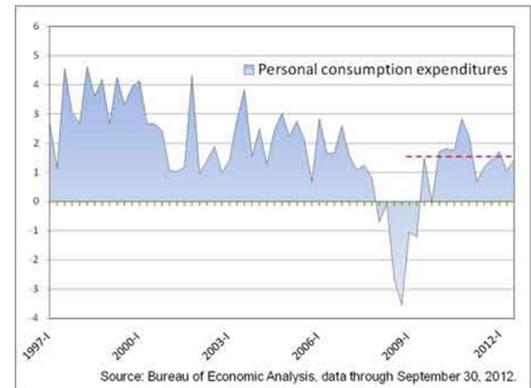
"This recovery is not fragile and it's not risking stall-speed," says Fritz Meyer, an independent economist. "We are three years into an economic recovery that has been persistent and steady. While it is subpar compared to previous recoveries, it's good enough to continue to drive higher corporate earnings, which is the key driver of stock prices."

Economic Growth Factors. Economic growth is largely attributable to four key factors: consumption, investment, government spending, and net exports. When you examine these four components, the overall trend supports continued economic growth. The charts below show the respective contributions to GDP growth that each of these four factors have made since 1997.

Consumption. The U.S. economy grew by about 2% in 3Q2012, and 1.5 percentage points of that growth came from consumption. The rate of growth in consumption in recent months was about one-half of 1% lower than the historical norm. However, consumption is holding up and is not too far off from its long-term historical rate.

Government spending. Government spending surged in 3Q2012, largely from a jump in defense spending, a historically volatile category. Longer-term it's hard to imagine that government spending won't continue to grow more or less in line with the past, although in the near-term, state and local fiscal restraints will weigh on the aggregate government spending figures.

Investment. Gross private domestic investment includes construction—both residential and commercial — plus inventories held by corporations and other corporate spending. Here again, the picture does not portend a booming economy. But it's untrue to say companies have not been investing.

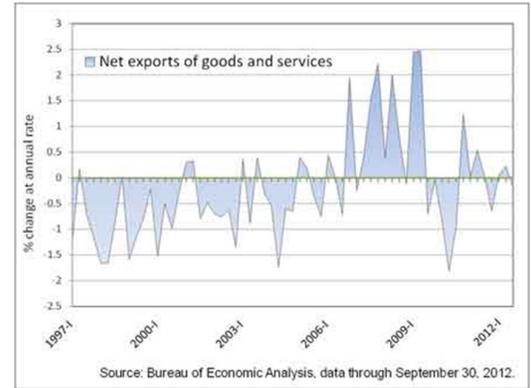


Despite Much Pessimism, Slow Growth Persists continued

Yes, private investment stumbled in 3Q2012, but it has contributed just below 1% annually to the growth in the economy since the 2008 recession. Moreover, private investment fluctuates and an occasional dip amid a recovery is not unusual or alarming.

Net Exports. This key swing-factor in economic growth contracted in 3Q2012, but the subsequent release of third quarter trade figures suggests that net exports will be revised substantially higher, taking 3Q2012 growth closer to 3%, a good deal higher than the preliminary 2% that was reported. The substitution of domestic oil production for imported oil is a favorable development for the net exports contribution to GDP.

While pessimism abounds, the economic data shows an economy growing slowly and resulting in improved corporate earnings — a key driver of stock prices.



MZ Announcements

MZ Client Roster Grows with New Client CRAiLAR Technologies Inc.

MZ is pleased to announce the addition of a new client who has chosen to utilize MZ as their premier investor relations service provider:

CRAiLAR Technologies Inc. (CL.V) (CRLRF: OTCQB) offers cost-effective and environmentally sustainable natural fiber in the form of flax, hemp and other best fibers for use in textile, industrial, energy, medical and composite material applications. Produced using a fraction of water and chemical inputs compared with other natural fibers, CRAiLAR Flax is the newest natural fiber introduction to the market in decades.

The Company supplies its CRAiLAR Flax to HanesBrands, Georgia-Pacific, Brilliant Global Knitwear, Tuscarora Yarns, and Target Corp. for commercial use, and to Levi Strauss & Co., Cintas, Carhartt, Ashland, PVH Corp. and Lenzing for evaluation and development. The Company was founded in 1998 as a provider of environmentally friendly, socially responsible clothing. For more information, visit www.crailar.com.



MZ Client Calendar

| Date | Client | Event | Location |
|-----------|---------------------------|--|--------------------------|
| 2/6-7 | BOFI | FIG Partners' 4th Annual West Coast Bank CEO Forum | San Francisco |
| 2/11-13 | BOFI | Sterne Agee 2013 Financial Institutions Investor Conference | Miami |
| 2/19 - 21 | MILL, ENSV | The Enercom Oil & Services Conference | San Francisco |
| 2/25 | HIMX | Morgan Stanley Global Technology, Media and Telecom (TMT) Conference | |
| 2/26-29 | HIMX | Non Deal Roadshow | San Francisco & New York |
| 2/27-1 | FIS, SEQ, WEB, ENSV, MILL | Small Cap/Micro Cap Investment Research Conference | Las Vegas |
| 2/28 | BOFI | Virtual Roadshow and Webcast | Online |
| 3/11-14 | FIS | ROTH Capital Partners - 25th Annual ROTH Conference | Newport Beach |



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