

Earnings season analysis; Part 2

The second wave brings more good, bad and exceptional

We got a great response to last month's front page article, which was part one of our earnings season analysis. As a follow-up, we will once again discuss the good, the bad and the exceptional. With 28 companies reporting their earnings this month, we could dedicate the whole newsletter to our analysis of these reports. However, the limited space requires us to be brief. As a result, we picked the top two in each category (the better of the good, the worst of the bad and the best of the exceptional).

THE GOOD

We had a number of good reports this month, with ten companies posting increases in both sales and earnings. However, two companies stood out in the good category: **FitLife Brands (FTLF)** and **SPAR Group (SGRP)**.

FITLIFE BRANDS

FTLF, a nutritional supplement company, was our Company of the Month in July 2014. For the quarter ended June 30, 2014, the company's revenue increased a considerable 18% from \$5,055,035 for the same period last year to \$5,986,686.

FitLife's operating margin grew from 10.2% to 13.6% year-over-year. This margin growth allowed for a higher bottom line. Earnings increased 54%, from \$470,211 during the three months ended June 30, 2013, to \$725,215 during the three months ended June 30, 2014.

The company's balance sheet also improved. FTLF has added \$619,295 in cash since December 31, 2013. This increase, along with increases in accounts receivable and inventory, led to a 28% jump in current assets. Long-term debt dropped 13%, to \$1.7 million. And, shareholders' equity rose 38%.

FitLife also has a great growth opportunity in the near future, as the company should release its newest product line. This line will be sold exclusively in GNC corporate stores, with a domestic footprint of over 3,000 stores.

SPAR GROUP

SGRP, a merchandising and marketing company, was our Company of the Month in April 2013. The company has been up and down since then, but most recently, the company released a good earnings report for the quarter ended June 30, 2014. In that report, SGRP showed year-

over-year revenue growth of 13%. Revenue in both the company's domestic and international segments was higher. The company grew these figures organically.

Also higher was SPAR Group's operating income, which was \$1,010,000 (3.3% of revenues) compared to \$206,000 (0.8% of revenues) for the same period last year. Higher margins contributed to the increase in earnings, which jumped from a loss of \$130,000 last year to a gain of \$577,000 this year.

Cash grew 70% from December 31, 2013 to June 30, 2014, now at \$4.7 million. Accounts receivable also grew considerably, which led to a 17% increase in current assets. SGRP's total current assets-to-liabilities ratio is still holding solid at 2.3-to-1.

THE BAD

Like last month, there were a few bad results reported. Similar to companies posting higher sales and earnings, nine companies posted decreases in each category. The two companies with the worst results are **American Shared Hospital Services (AMS)** and **ENSERVCO Corp (ENSV)**.

AMERICAN SHARED HOSPITAL

We recommended AMS, a radiosurgical and radiation therapy service solutions company, in December 2011. For the quarter ended June 30, 2014, the company posted a 26% decrease in sales. These were down due to a perfect storm of lower procedure volume (down 25% year-over-year) and a site shutdown.

To go along with the decreased revenues, American Shared also reported a drastically lower gross margin of 25%, compared to 41% for the same period one year ago. The lower margin led to a much higher loss of \$1,056,000, compared to just a \$103,000 loss for the same quarter last year.

The company's cash also fell and liabilities rose considerably. At this point, we are keeping a very close eye on AMS, as it may be one to sell if its results don't improve significantly in the near future.

ENSERVCO

ENSV, a well-site services provider and our May 2013 recommendation, reported poor results for the second quarter 2014. However, these results are not in line with the company's long-term growth.

ENSERVCO's results fell primarily because of a well-site accident in the DJ Basin that halted frac-water heating for three weeks. Because this stoppage occurred for one of the company's major customers, revenues took a hit despite year-over-year increases in hot oiling and acidizing of 52% and 11%, respectively. Revenues altogether fell 8%.

The lower revenue and higher labor, maintenance and insurance costs led to a loss of \$851,019, compared to a profit of \$190,907 in the same period last year. These results should not be indicative of future results due to the number of developments we have reported on over the past few months.

THE EXCEPTIONAL

Some of the good results stood well above the rest. Two companies in particular reported triple-digit increases in both sales and earnings: **LRAD Corp (LRAD)** and **Vertex Energy (VTNR)**.

LRAD CORP

LRAD was our October 2009 selection. The company, a sound acoustic technology firm, has been on a tear over past month, since previously reporting tremendous increases in both revenues and net income. LRAD's revenues grew by 271% when compared to last year's second quarter. The increase is due to strong demand from international markets. Revenues for the quarter totaled more than 2013's fiscal revenues.

Gross margins jumped from 42% in the same quarter last year to 63% this year. This led to positive operating income of \$1,939,000, and a net income of \$1,943,000. Last year, for the same period, the company posted a \$1,108,000 loss.

This far-improved income statement fueled balance sheet growth, as the company grew its cash by 34%, to \$21,200,000. LRAD's total current assets-to-liabilities ratio remains very solid at 8.3-to-1.

VERTEX ENERGY

VTNR, a company that recycles industrial waste and chemicals, was our Company of the Month for June 2011. This Bowser success story more than doubled revenues, which grew from \$35,111,402 in the second quarter of 2013 to \$72,079,622 in this year's second quarter, a 105% increase.

Market Overview

This month there were no changes to the Bowser Index, after last month we replaced Food Technology Services (VIFL) and NTS, Inc (NTS) with **Where Food Comes From (WFCF)** and **Creative Learning Corp (CLCN)**, respectively. On September 5, the Index closed at **593.42**, up 2.21 points, or 0.4%, from August 8's close of 591.21.

While the Bowser Index was up, it did trail the four major indexes by a considerable margin. The NASDAQ Composite led the way, up almost 5%. Meanwhile, the three other major indexes posted gains well above 3%. Despite lagging behind, the Bowser Index leveled off nicely after its 10.4% loss from July 3 to August 8.

•NASDAQ Composite:	UP 4.9%
•S&P 500:	UP 3.9%
•Dow Jones Industrial Average:	UP 3.5%
•Russell 2000:	UP 3.4%

For more frequent index updates, visit thebowserreport.com/blog

The company increased its overall volumes of product sold by 84%, as both the Thermal Chemical Extraction Process and vacuum gas oil production grew. And, the Omega Base Oil facility, which the company acquired, is not included yet in the results because the deal has not yet closed.

Vertex coupled its higher revenues with higher gross margins. This figure increased from 7% to 12%. Along with higher margins, VTNR's earnings more than tripled, growing from \$1,903,518 in 2013's second quarter to \$6,656,702 in this year's second quarter, an increase of 250%.

On the balance sheet, cash jumped, rising 634% to \$19,651,831. Accounts receivable, inventory and prepaid expenses all grew as well, and the company introduced \$9,335,321 in accounts receivable to a related party. While current liabilities did increase as well, Vertex's working capital jumped 318% to \$33.7 million.

As we said before, there were quite a few earnings reports this month, far too many to feature in this article. However, as is the case each month, we post all recent earnings reports on the Earnings page.

The Bowser Game Plan

1. DO NOT PAY more than \$3/share for a stock.
2. CREATE A PORTFOLIO of 12 to 18 stocks. **Diversification is important.**
3. DO NOT SELL when a stock goes above \$3/share and is moved to Page 5.
4. DO NOT SELL when a stock moves to a lower category.
5. SELLING PLAN: Sell half of your holdings when the stock doubles from your purchase price. Sell the remainder after the stock drops 25% from its most recent high. If the stock drops 50% without doubling, sell all shares.
6. RECORD proceeds from sales.
7. PORTFOLIO EVALUATION = current value of portfolio + proceeds from sales

COMPANY OF THE MONTH

BUSINESS

In a world where cell phones are becoming increasingly more popular, **InfoSonics Corp (IFON)** provides wireless handsets, tablets and accessories. In 2013, 1.8 billion devices were shipped (a 4.8% increase over 2012). And, DigiTimes Research expects this upward trend to continue, especially in the smartphone segment, which is expected to grow 24% in 2014.

InfoSonics has a small niche in the mobile phone universe, but has continued to grow despite the vast competition. In 2006, the company introduced *verykool*®, a brand of entry-level, mid-tier and high-end feature phones and Android-based smartphones. Since shutting down the distribution of third party products, including Samsung sales in Argentina, IFON has focused entirely on growing its verykool line.

InfoSonics announced an in-house design center in China in 2010 to compliment the design work done by independent design houses and original design manufacturers.

Currently, the company focuses on the development of feature phones, providing basic mobile features, and smartphones, running on mobile operating systems and offering many features. While smartphone growth is racing upward, accounting for 55% of the mobile shipments in 2013, feature phones are still in demand because of the higher costs associated with smartphones.

Operating for the most part in Latin America, InfoSonics' largest customer base is quite price sensitive. As a result, the company is expanding its portfolio of affordable smartphones, replacing some of its high-priced feature phones with low-priced smartphones.

Beyond Latin America, the company is growing its market share elsewhere in the world. Over the past few years, the company has shipped products to Western Europe, Russia, Singapore and other Southeast Asian countries and Africa. Through a December 2013 distribution agreement with Ingram Micro Mobility, IFON hopes to grow its U.S. sales.

According to InfoSonics' second quarter financial report, efforts to expand geographically are succeeding from a revenue standpoint. For the six months ended June 30, 2014, revenues from South America were up 112%, Mexico, 249%, Europe, Middle East and Africa,

7,441% and Asia Pacific, 367%. In fact, over the six month period, only revenues from Central America were down, falling just 9%.

As IFON continues designing new products, replacing higher end feature phones, and expanding geographically, the company's market share should continue to grow, especially in areas where price sensitivity is high.

FINANCIALS

Financially, InfoSonics is in good standing. After shutting down third party distribution, InfoSonics' revenue dropped considerably. However, with the focus on growing its own brand, the company's revenues have grown 9% from fiscal 2011 to fiscal 2013. And, for the first six months of 2014, sales were up 37% year-over-year.

In addition to sales growth, IFON's second quarter 2014 marked its fourth consecutive quarter of profitability. For the three month period ended June 30, 2014, the company posted a \$109,000 profit, compared to a \$47,000 loss in the same period of 2013.

On its balance sheet, InfoSonics has a high total current assets-to-liabilities ratio of 4.6-to-1, and \$16.5 million in working capital. Plus, the company operates with no long-term debt.

MANAGEMENT

Joseph Ram founded InfoSonics in 1994 and currently sits as the company's president and chief executive officer. He owns a substantial 30% (4,348,750) of the company's common stock.

Altogether, officers and directors of the company own 31.5% (4,672,850) of the company's shares. Vernon A. LoForti is the second largest insider shareholder, with 1.3% (192,500) of IFON's shares.

BOTTOM LINE

In a competitive mobile phone landscape, InfoSonics has found a way to increase sales and market share by offering both quality feature and smartphones, ranging in price from \$18.99 to \$249.91 (according to the company's website). By continuing to evolve its product offering and expand its geographical presence, InfoSonics can bolster its share price. IFON shares are currently trading at less than half of the company's 52-week high.

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INFOSONICS®

NASDAQ CM: IFON
BOWSER RATING: 11
Last 12 Months:
\$0.48-4.69

	2012	2013	2014 (A)
REVENUES	\$34,294,000	\$37,895,000	\$22,069,000
INCOME(LOSS)	(\$2,500,000)	(\$597,000)	\$164,000
WORKING CAPITAL	\$16,225,000	\$15,949,000	\$16,447,000
BOOK VALUE	\$1.19	\$1.15	\$1.17
TOTAL SHARES	14,184,000	14,184,000	14,288,000
FLOAT	N/A	N/A	10,150,000
(A) SIX MONTHS ENDED 06/30/14			

MINIPRICED STOCKS IN BUYING RANGE

SYMBOLS: (N) NEW YORK STOCK EXCHANGE; (A) NYSE AMEX; (GM) NASDAQ GLOBAL MARKET, WAS NATIONAL MARKET; (CM) NASDAQ CAPITAL MARKET, WAS THE SMALL CAP MARKET; (GS) GLOBAL SELECT MARKET; (OB) BULLETIN BOARD; (QB) OTC QB MARKET; (NR) NOT RATED; #-PREVIOUSLY APPEARED ON LIST, BUT WAS REMOVED BECAUSE IT HAD RISEN ABOVE \$3.00/SHARE; FIGURES IN PARENTHESIS ARE LOSSES; C-CANADIAN DOLLARS.

Date of Recommend & Market	Issue/Trading Symbol	Principle Business	Price 09/05/14	Long-term Debt (Millions)	Sales Updated Quarterly (Millions)	Income/Loss Updated Quarterly (Millions)	Shares Outstanding (Millions)	Bowser Rating
CATEGORY ONE: OUR BEST PICKS								
11/13(A)	ALPHA PRO TECH (APT)	BUILDING/MEDICAL SUPPLIES	2.55	\$0.000	\$45.5	\$2.754	18.3	11
03/14(A)	COMMAND SECURITY (MOC)	SECURITY PERSONNEL/SERVICES	2.33	\$0.000	\$156.7	\$1.110	9.5	11
09/13(QB)	CREATIVE LEARNING (CLCN)	EDUCATIONAL PROGRAMS FOR KIDS	2.19	\$0.005	\$7.3	\$1.260	11.8	9
01/14(CM)	DLH HOLDINGS (DLHC)	GOVERNMENT SERVICES SOLUTIONS	1.95	\$0.000	\$59.0	\$0.591	9.6	9
06/14(A)	DYNASIL CORP (DYSL)	OPTICAL COMPONENTS	1.51	\$4.196	\$42.2	\$1.064	16.3	8
07/14(QB)	FITLIFE BRANDS (FTLF)	NUTRITIONAL SUPPLEMENTS	2.64	\$1.695	\$20.9	\$1.853	8.2	9
09/14(CM)	INFOSONICS CORP (IFON)	MOBILE DEVICES PROVIDER	2.10	\$0.000	\$43.9	\$0.323	14.4	11
10/13(QB)	INNOVATIVE FOOD (IVFH)	SPECIALTY FOOD PROVIDER	1.53	\$0.877	\$25.0	(\$0.808)	8.3	9
12/12(CM)	JOE'S JEANS INC (JOEZ)	WOMEN'S/MEN'S APPAREL	1.04	\$82.393	\$175.4	(\$1.938)	68.2	8
# 04/11(A)	LIBERATOR MEDICAL (LBMH)	NOW ABOVE \$3/SHARE; SEE PAGE 5						
# 10/09(CM)	LRAD CORP (LRAD)	NOW ABOVE \$3/SHARE; SEE PAGE 5						
# 02/10(CM)	MANHATTAN BRIDGE (LOAN)	SHORT-TERM COMMERCIAL LOANS	2.71	\$0.000	\$1.9	\$0.881	6.1	9
# 08/12(CM)	NEWTEK BUSINESS (NEWT)	SMALL/MEDIUM BUSINESS SOLUTIONS	2.73	\$98.572	\$145.3	\$7.019	37.8	9
08/14(QB)	SONO-TEK CORP (SOTK)	ULTRASONIC NOZZLES	1.21	\$1.428	\$10.3	\$0.477	14.7	8
# 02/13(A)	WIRELESS TELECOM (WTT)	WIRELESS TELECOM SOLUTIONS	2.39	\$0.070	\$38.0	\$3.594	19.4	9
CATEGORY TWO: WORTHY OF CONSIDERATION								
04/14(QB)	CPS TECHNOLOGIES (CPSH)	ADVANCED MATERIAL SOLUTIONS	2.75	\$0.000	\$22.2	\$0.919	13.1	8
# 06/08(A)	FLEXIBLE SOLUTIONS (FSI)	SPECIALTY CHEMICALS	1.55	\$0.159	\$14.5	\$1.930	13.2	8
# 06/12(A)	GOLDFIELD CORP (GV)	ELECTRICAL CONSTRUCTION	2.29	\$17.993	\$93.4	\$2.791	25.5	8
# 12/06(A)	ITERIS (ITI)	OUTDOOR MACH VISION SYS/SENSORS	1.85	\$0.000	\$68.2	\$1.409	32.7	9
07/13(CM)	LIGHTPATH TECH (LPTH)	OPTICAL COMPONENTS	1.23	\$0.110	\$11.8	(\$0.313)	14.3	8
04/13(CM)	SPAR GROUP (SGRP)	MERCHANDISING AND MARKETING	1.40	\$5.889	\$118.5	\$3.645	20.6	8
CATEGORY THREE: VERY SPECULATIVE								
# 03/13(GM)	ADDVANTAGE TECH (AEY)	CABLE TV EQUIPMENT	2.36	\$5.437	\$36.1	(\$0.286)	10.0	8
# 12/11(A)	AMERICAN SHARED HSPT (AMS)	TURNKEY TECHNOLOGY SOLUTIONS	2.17	\$19.109	\$3.93	(\$1.238)	5.3	NR
08/13(QB)	DIRECT INSITE CORP (DIRI)	E-INVOICING SOLUTIONS	0.55	\$0.023	\$8.6	\$8.2	12.8	NR
08/11(A)	GSE SYSTEMS (GVP)	SERVICES NUCLEAR & PETRO IND	1.69	\$0.000	\$41.2	(\$5.167)	17.9	NR
# 03/11(A)	INTELLIGENT SYSTEMS (INS)	VENTURE CAPITAL FIRM	1.36	\$0.000	\$15.4	\$0.073	9.0	NR
07/10(QB)	REPRO-MED SYSTEMS (REPR)	DESIGN/PRODUCTION OF MED PROD	0.32	\$0.000	\$9.4	\$0.789	37.1	8
# 04/14(CM)	SMARTPROS INC (SPRO)	PROFESSIONAL LEARNING SERVICES	2.03	\$0.000	\$16.1	(\$0.187)	4.7	NR
# 10/12(QB)	WHERE FOOD CMS FRM (WFCF)	FOOD VERIFICATION SERVICES	2.03	\$0.151	\$6.6	(\$0.114)	22.7	8

We recommend only purchasing companies rated 8 or higher. If a company's rating drops do not sell. For when to sell, refer to the Game Plan on page 2.

CATEGORY CHANGES

This month we again have some category changes as a result of the earnings reports. There is one company moving down this month: **American Shared Hospital (AMS)**, which is sliding from Cat. 2 to Cat. 3. *For more on AMS's quarter, please see the front page.*

There are three companies climbing the ranks:

- **Innovative Food (IVFH)** from Cat. 2 to Cat. 1. IVFH posted a 21% sales increase and a 562% earnings increase;
- **Flexible Solutions (FSI)** from Cat. 3 to Cat. 2. FSI posted a 470% increase in net income, despite a 12% decrease in sales; and
- **Goldfield (GV)** from Cat. 3 to Cat. 2. GV posted sales and earnings increases of 14% and 66%, respectively.

SPAR Group announces partnership

SPAR Group (SGRP) announced a two-year partnership with Ergotron through its SPAR National Assembly

Services subsidiary.

Under the partnership, the two companies will provide professional installation of SGRP's WorkFit™ sit-stand workstations in businesses and homes. Ergotron is the subsidiary's 75th assembly manufacturer.

Versar wins multiple contracts

Versar (VSR) was awarded a \$98.3 million firm-fixed-price task order for the repair of a runway at Dover Air Force Base in Delaware. Versar is the general contractor under the order, managing all work with subcontractors.

Versar was also awarded a new prime contract from the U.S. Army Corps of Engineers. Under this contract, VSR will provide comprehensive environmental services at two air force bases in New Mexico. The contract consists of one base year, worth \$824,000, and four option years.

FOLLOW-THROUGH AND STOCKS TO SELL

WE ENCOURAGE SUBSCRIBERS TO BUY OUR STOCKS WHEN THEY ARE \$3 OR LESS. HOWEVER, WHEN THEY GO ABOVE \$3, WE FOLLOW THEM IN THE FIRST GROUP BELOW. IN BOTH OF THE FOLLOWING LISTS, COLUMN 1 GIVES THE SHARE PRICE AS OF 09/05/14 PLUS THE CURRENT BOWSER RATING. COLUMN 2 IN THE FIRST LIST BELOW INCLUDES THE MONTH/YEAR WE ORIGINALLY RECOMMENDED THE ISSUE, THE PRICE PER SHARE THEN AND THE BOWSER RATING. (NR=not rated)

ISSUE/EXCHANGE SYMBOL	1	2	ISSUE/EXCHANGE SYMBOL	1	2
AROTECH CORP (GM:ARTX)	\$4.14(11)	02/14 \$2.66(11)	KEY TRONIC CORPORATION (GM:KTCC)	\$10.65(7)	11/08 \$1.57(10)
ATLANTIC AMERICAN (GM:AAME)	\$4.07(9)	02/12 \$2.05(8)	LIBERATOR MEDICAL HLDGS (N:LBMH)	\$3.07(8)	04/11 \$1.41(9)
AVALON HOLDINGS (A:AWX)	\$4.34(8)	05/11 \$2.90(9)	LRAD CORP (CM:LRAD)	\$3.34(10)	10/09 \$1.77(8)
CIMATRON LIMITED (CM:CIMT)	\$6.30(10)	02/08 \$2.75(8)	RIVERVIEW BANCORP (GS:RVSB)	\$3.84(7)	06/13 \$2.30(9)
ENSERVCO CORP (A:ENSV)	\$3.12(NR)	05/13 \$1.28(8)	SIMULATIONS PLUS (CM:SLP)	\$6.68(8)	05/10 \$2.46(9)
EVOLVING SYSTEMS (CM:EVOL)	\$9.59(8)	05/09 \$3.68(8)	TUCOWS INC (CM:TCX)	\$15.91(8)	01/13 \$6.00(8)
*Price adjusted: 1-for-3 reverse split 07/09			*Price adjusted: 1-for-4 reverse split 12/13		
FIELDPOINT PETROLEUM (A:FPP)	\$4.35(8)	10/08 \$2.24(8)	VERSAR INC (A:VSR)	\$3.29(7)	10/11 \$2.76(10)
GOLDEN ENTERPRISES (GM:GLDC)	\$4.55(10)	02/09 \$2.35(9)	VERTEX ENERGY (CM:VTNR)	\$8.86(10)	06/11 \$1.95(9)
IEC ELECTRONICS (A:IEC)	\$4.47(NR)	07/08 \$1.99(8)	XRS CORP (CM:XRSC)	\$5.60(NR)	12/13 \$2.50(10)
INVENTURE FOODS (CM:SNAK)	\$11.36(11)	09/00 \$2.56(8)			

THE FOLLOWING WE SAID SHOULD BE SOLD

(COLUMN 2 SHOWS THE DATE, PRICE AND BOWSER RATING WHEN WE RECOMMENDED THE STOCK BE SOLD)

SPINE PAIN MGMT (QB:SPIN)	\$0.63(NR)	\$0.24(04/14)	TENGASCO INC (A:TGC)	\$0.47(NR)	09/13 \$0.42(NR)
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BRIEFS

American Shared Hospital (AMS) will supply a Gamma Knife® Perfexion™ System to PeaceHealth Sacred Heart Medical Center at RiverBend in Springfield, OR. . . . **Arotech's (ARTX)** Battery and Power Systems Division subsidiary received a \$2.5 million production contract, with a potential value of \$5 million. . . . **Creative Learning's (CLCN)** Brick 4 Kidz® concept is now in Ireland, Brunei and Honduras. . . . **Direct Insite (DIRI)** is ranked among the top 500 software and solutions providers in the world by *Software Magazine*. . . . **DLH Holdings (DLHC)** appointed Denise Ciotti as vice president of business development. . . . **ENSERVCO's (ENSV)** price target was raised by Zacks Small Cap Research to \$3.45. . . . **FitLife Brands (FTLF)** is now covered by SeeThruEquity with a price target of \$4.42. . . . **IEC Electronics (IEC)** received notification from an existing medical customer to commence procurement of

materials to support orders currently anticipated to be at least \$20 million. The orders should ship during IEC's 2015 fiscal year. . . . **Iteris Inc (ITI)** was awarded a \$1.2 million task order from the National Highway Institute. Under the contract, ITI will train agencies across the country with the deployment of performance-based programs that enhance infrastructure investment decisions. Iteris also announced that the NYSE accepted the company's plan to regain compliance, granting the company an extension until October 15, 2014. . . . **Liberator Medical Holdings (LBMH)** approved a cash dividend of \$0.0325, an increase of 8.3% compared to its last payment in July. The company will pay the dividend on October 10, 2014 to shareholders of record as of September 26, 2014. . . . **LRAD Corp (LRAD)** received two orders totaling about \$1.7 million from two separate customers in Asia. The orders are for LRAD® 500 and 1000X systems and

OPEN MARKET INSIDER TRANSACTIONS IN JULY

COMPANY	SHARES TRADED	# OF TRADES	PRICE RANGE
Alpha Pro Tech	OE-35,000	1	\$1.15-1.60
	S-35,000	1	\$2.58-2.64
Arotech Corp	AS-11,500	2	\$3.22
Atlantic American	S-5,000	1	\$4.24
FieldPoint Petroleum	B-1,000	1	\$4.29
Goldfield Corp	B-50,000	1	\$1.71
Inventure Foods	S-6,000	1	\$12.55
Iteris Inc	OE-38,750	4	N/A
Liberator Medical	OE-91,250	2	\$0.97-1.00
LRAD Corp	B-11,660	1	\$3.04
	OE-25,000	1	\$1.24
	S-25,000	1	\$3.30
Manhattan Bridge	B-10,000	1	\$2.64
Newtek Business	B-39,450	9	\$2.49-2.88
Sono-Tek Corp	S-28,508	3	\$1.08-1.25
Tucows Inc	OE-20,000	2	\$2.24-2.32
Where Food Cms Frm	S-1,000	1	\$2.37

AS-Automatic Sale, B-Bought, OE-Option Exercise, S-Sold, x-indirect holdings. Information obtained from Yahoo! Finance.

accessories. . . . **Newtek Business Services (NEWT)** received approval from Capital One to increase its \$27 million revolving credit facility to \$50 million. . . . **Repro-Med Systems (REPR)** secured commitments from Horton Capital Partners to purchase 1 million shares at \$0.288 per share and warrants to purchase an additional 1 million shares if the price appreciates above \$0.45. . . . **Simulations Plus (SLP)** and Cognigen Corp closed their merger. We previously discussed this deal in the August 2014 newsletter on page 5. . . . **Where Food Comes From (WFCF)** announced the expansion of Labatt Food Service's Native American Beef® line to include beef raised by Jicarilla Apache ranchers. The beef line is a Where Food Comes From® source verified brand.

BOWSER BUCKAROOS SPEAK

MODEL PORTFOLIO

I am looking for an easy-to-follow portfolio. Do you have such a thing? How many stocks are in it? What is the minimum investment?

--Prospective Subscriber, Belgium

We get asked this question quite a bit. With an investment strategy like the Bowser Game Plan, prospective subscribers, and even some current subscribers, want to know if it's working. And, for that, they need some evidence.

That is why the Beginner's Portfolio was created in September 2001. We built the portfolio using the Game Plan, with an initial investment of \$4,766 (of hypothetical money). Then, we continued to manage the portfolio using the Game Plan.

Now, the portfolio is self-financing (we didn't contribute any extra funds after the initial \$4,766). We have over \$11,000 in cash, and current holdings are worth just shy of \$4,000. Overall, the portfolio has appreciated 213%, for an average annualized gain of 16.4% per year.

This is a model portfolio intended to give readers a feel for how their portfolios should be set up and look. There is no minimum investment. Rather, make sure to invest equally (by dollar or share amount) across all of your holdings. This will ensure you are evenly diversified.

WIRELESS TELECOM WITH GOOD EARNINGS

*I noticed **Wireless Telecom's (WTT)** earnings came out on August 14th. No doubt they will be included in the September newsletter. I believe the report will appear in the latter part of good, bad and ????. WTT has over \$20 million in net operating loss (NOL) carryforwards for its domestic business, which is on fire.*

--John Wagner, Torrance, CA

As we said on the front page, we could not fit an analysis of each company in that article. However, Wireless Telecom did have a decent quarter. The company reported a 20% increase in quarterly sales year-over-year.

A 32% decrease in net income looks rather poor. However, a \$544,974 provision for income taxes was reported, compared to a \$140,160 benefit last year. This, along with \$7,490 in other expenses compared to \$200,550 in other income, completely offset the company's 77% increase in operating income.

As John stated, the company has over \$20 million in net operating loss carryforwards (which applies the loss of previous years to future profits to lessen tax liabilities). So, while tax provisions increased year-over-year, the company still stands to benefit from its NOL carryforwards in the future.

Another important factor in WTT's report is the decrease in shares outstanding. The company

is committed to returning shareholder value by repurchasing shares, which we have seen in the number of press releases concerning the buybacks. Year-over-year, shares outstanding (including diluted shares) have decreased 14.7%, substantially increasing shareholder value.

MANHATTAN BRIDGE UNRATED?

*I was curious if there was any reason why **Manhattan Bridge Capital (LOAN)** was not given a rating number in the August issue of the newsletter.*

--Frank Champagne, Saginaw, MI

Frank is keeping us honest. The reason there was no rating was because of an error on our part. The Bowser Rating column for Manhattan Bridge should have read 9. But, in its move from page 5 back to page 4, that piece of data got left behind. Rest assured we have made the fix!

ED CHECKING IN

*All together this year I am still up over 14%. My new portfolio, in which I purchase \$1,000 of each new pick, is up over 16%, even with the hit from **DLH Holdings Corp (DLHC)**. My portfolio with \$600 in each Company of the Month is well over 16%.*

As a seasoned Buckaroo, I keep following the Game Plan. It really works. A marathon cannot be run as fast as you would a 100-yard dash. I pace myself, make adjustments along the way, and I am confident I'll cross the finish line as a winner.

*In the past year, I have had a number of doubles, including **Manhattan Bridge Capital (LOAN)**, **Vertex Energy (VTNR)**, **Arotech Corp (ARTX)** and most recently, **XRS Corp (XRSC)**, all Bowser picks.*

--Ed Kaulbars, Naples, FL

Ed is the truest testament to the success of the Bowser Game Plan. He checks in regularly, and thus, we are kept up-to-date on how his portfolios are doing.

Ed runs his portfolios by the book (Bowser book that is), and it is effective. Starting relatively small in January 2012, he purchased \$400 of each new Company of the Month. Just six months later, he upped his initial investment to \$600 of each new pick. Then, Ed built a portfolio of 18 Bowser companies, which as he said above, is doing quite well.

Once Ed built a portfolio of 18 stocks at \$600 each, he upped his investment again, this time to \$1,000 into each new Company of the Month. And, he's not stopping there! By December 2015, Ed hopes to have a portfolio of 18 Bowser companies each with an initial investment of \$3,000. The best part: his portfolios fund themselves.

Ed follows the Game Plan inside and out, and it sure has yielded him some great profits!

Beginner's Portfolio Up 213%

BOUGHT: None this month

SOLD: LRAD (50 Shares) @ \$2.12 less \$10 commissions = \$96

BOUGHT		SOLD		BOUGHT		SOLD		Proceeds	
Cost	09/05/14	Cost	09/05/14	Cost	09/05/14	Cost	09/05/14	From Sales	
GVP	210/Sep '11	169	WFCF	159/Nov '12	203	IVFH	134/Jan '14	153	11,120
AAME	280/Mar '12	407	*LRAD	106/Dec '12	167	APT	232/Mar '14	255	
AMS	308/June '12	217	JOEZ	117/Jan '13	104	MOC	209/May '14	233	96
INS	179/June '12	136	WTT	189/Apr '13	239	DLHC	210/May '14	195	11,216
ITI	162/Aug '12	185	SGRP	178/Apr '13	140	CLCN	224/Aug '14	219	
NEWT	187/Sep/ '12	273	AEY	248/May '13	236	DYSL	185/Aug '14	151	
								3,682	
Original cost for all stocks: \$4,766		*50 Shares				Proceeds from Sales:		11,216	
						Current Value of Portfolio:		14,898	

Gain: 14,898 minus 4,766 = 10,132

Percentage of gain: 10,132 divided by 4,766 x 100 = 212.6

Comments: This is a simulated portfolio for those who would like to actively participate in the stock market... **They want an approach that will serve as a learning situation...** An investment of up to \$300 a month is required... **With each new Company of the Month, 100 shares were purchased until we had 18...** We use an internet broker... **We follow the Bowser Game Plan. Portfolio started Sep. '01.**

BEGINNER'S PORTFOLIO EXPLANATION

The doubling of **LRAD Corp (LRAD)**, and subsequent sale of 50 shares, highlighted the Beginner's Portfolio this month. Otherwise, this month was up and down for our current holdings. Ten of our 18 holdings are down since last month, with four down more than 10%--AMS and WFCF down 17%, INS down 16% and DYSL down 14%.

Omnitracs agrees to acquire XRS Corporation

XRS Corp's (XRSC) board of directors unanimously approved a merger agreement proposed by Omnitracs, LLC, a fellow pioneer in developing fleet management and compliance technology. The acquisition is still subject to customary closing conditions, including the approval of XRSC's shareholders.

The acquisition, which is expected to close during the fourth quarter of 2014, will pay XRS Corp's shareholders \$5.60 a share, representing an 85% premium of the stock's closing price on August 29. The total price of the buyout is \$178 million.

"The acquisition delivers an attractive premium for XRSC's shareholders," commented XRSC CEO Jay Coughlan. "With complementary solutions designed to meet the varying needs of fleets across the transportation and logistics industry spectrum, the combined organizations can continue to innovate and deliver end-to-end solutions for customers."

The Bowser Report originally recommended XRS Corp in December 2013, when the company was trading for \$2.50 a share. Less than a year later, the buyout deal offers a 124% premium over that price.

Innovative Food acquires The Fresh Diet

Innovative Food Holdings (IVFH) acquired 100% of The Fresh Diet, Inc, the nationwide leader in freshly prepared gourmet specialty meals delivered daily to consumers using the Fresh Diet® platform. This platform involves a preparation and logistics infrastructure, which includes a network of same day and next day last mile food delivery capabilities. Over the last twelve months, The Fresh Diet generated \$24 million in revenues.

Innovative Food purchased the company for 10 million shares of IVFH stock plus the assumption of debt. There was no placement agent or warrant coverage.

CEO Sam Klepfish: "The Fresh Diet is uniquely positioned to complement IVFH's existing platform, enabling the company to leverage the rapidly changing specialty food market and provide unique source-to-table capabilities."

The acquisition should be accretive in FY2015.

Key Tronic completes acquisition

Key Tronic Corp (KTCC) signed a definitive agreement and completed the acquisition of CDR Manufacturing, which provides printed circuit board assembly and other EMS services to a diversified customer base. CDR has annual revenue of around \$120 million, and operates facilities in Minnesota, Arkansas, Mississippi, Kentucky and Mexico. The total purchase price was \$46.9 million in cash.

"We expect the combination will create more than a sum of the parts," remarked Craig Gates, Key Tronic's CEO. "By combining CDR's great manufacturing operations and customer relationships with KTCC's capabilities, we will provide an exceptionally strong array of services for both current and prospective customers."

CDR's chief operating officer, Brian Porter: "The strengths of the two companies are very complementary. Together, they can offer valuable new capabilities to their respective customers."

NOTES BY THE EDITOR

A number of subscribers let us know how much they liked last month's front page article. We got a handful of emails like Christopher Rouser's:

Dear Bowser Report,

Running that Earnings Season Analysis was one of the best ideas you've had. It seems like I'm always looking for my next pick, and having this kind of information makes it a lot easier to choose.

Emails like Chris's are exactly what we strive for. We encourage you to let us know what we are doing that you like, and what we could do to make our service better.

After all, Max Bowser ran this newsletter in the spirit of his subscribers. And, that is what I fully intend to do. If you're not happy, neither am I!

We will continue to think of ways to improve the newsletter. In the meantime, we encourage you to give us a call, or send us an email. We'll keep the earnings analyses coming!

Over the past month or so, we have had increased activity in our social media outlets. That's awesome!

For those who don't already, like us on Facebook and/or follow us on Twitter, we post regular updates on important news concerning our picks, as well as updates on blog posts, newsletter publications, etc. We are on Facebook as The Bowser Report and on twitter as @theBowserReport.

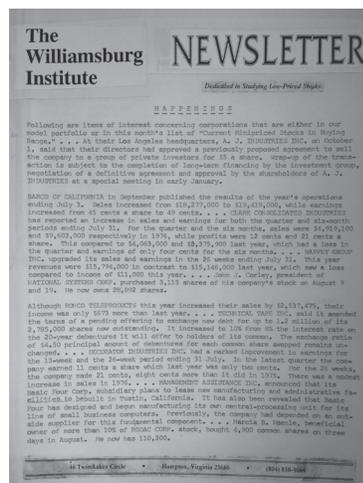
Speaking of online activity, we have been keeping up with our blog much more recently. To help us run the blog, we have enlisted the help of Faris Sleem, a good friend of mine and current finance student at my alma mater, Christopher Newport University.

Faris has years of trading experience, and certainly knows his stuff. We are glad to have him writing online articles for us from time-to-time. We certainly encourage you to check out all of our online articles. The articles published over the last month include:

- "The Benefits of Market Overreaction" by Faris Sleem, published on August 22, 2014;
- "A Positive Perception of Small Stocks" by Thomas Rice, published on August 26, 2014; and
- "Penny Stocks: Ideal for a Growth Portfolio" by Faris Sleem, published on August 30, 2014.

To read these, and all of our posts, go to www.thebowserreport.com/blog/.

Digging through some files here at Bowser Report World Headquarters, we found an old relic:



The above is one of the first issues of *The Bowser Report* ever published, dating October 1976. You'll notice that the name of the newsletter was not *The Bowser Report*, but *The Williamsburg Institute*. For a more detailed view, check the digital version online.

In November 1976, the issue after the one pictured above, Max decided to change the newsletter's name to the current *The Bowser Report*.

This newsletter has a tremendous amount of history to it and a tradition of yielding subscribers profits, which we are striving to continue.

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FIVE BOWSER STOCKS UP AND DOWN

XRS CORP	UP	85%	AMERICAN SHRD	DOWN	17%
LRAD CORP	UP	49%	WHERE FOOD	DOWN	17%
GOLDFIELD CORP	UP	47%	INTELLIGENT SYS	DOWN	16%
FLEXIBLE SOL	UP	25%	DYNASIL CORP	DOWN	14%
AROTECH CORP	UP	23%	CPS TECH	DOWN	4%



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WARRANT REGISTER

THIS MONTH'S
BIGGEST GAINER
DYNEGY, INC
UP 54%

Dynegy purchasing assets

Dynegy Inc (DYN-WT) struck up two separate deals to acquire various coal and gas power generation plants from Duke Energy Corp and Energy Capital Partners. These transactions, worth a combined \$6.25 million, will enhance Dynegy's foothold in two less regulated eastern U.S. markets.

The first deal involves Dynegy paying \$2.8 billion in cash for 11 power plants in the Midwest and a retail business. These assets are currently owned by Duke Energy. The second deal is one in which Dynegy will pay \$3.45 billion as well as stock to Energy Capital Partners. In return, DYN will receive ownership interests in New England, Pennsylvania and the Midwest. To fund these purchases, Dynegy plans to issue \$5 billion in new unsecured bonds and \$1.25 billion in equity and equity-linked securities.

Once the acquisitions are complete, by the end of the first quarter of 2015, Dynegy's total output will double to 26,000 MW. As a result, DYN will have a significant hold in Pennsylvania, New Jersey, Maryland and New England markets. The Northeast and New England will comprise 60% of DYN's total megawatts versus just 18% now.

There are a number of financial benefits that

these deals will yield. The company expects to triple earnings before interest, taxes, depreciation and amortization and up its free cash flow to \$4 a share in 2015. Dynegy also expects to save \$500 million in taxes, \$200 million in efficiencies and \$40 million in costs per year.

Citigroup to purchase notes

Citigroup Inc (C-WTA) announced the commencement of its offer to purchase for cash up to \$700 million of its outstanding 6.125% notes due 2017. As of August 21, 2014, these notes had an aggregate principal amount outstanding of around \$3.9 billion.

Since 2013, Citigroup has redeemed or retired around \$19.6 billion of securities, approximately \$7.3 billion of which has been retired in 2014. These efforts have reduced Citigroup's funding costs.

The company will continue to seek opportunities to redeem or repurchase securities based on certain factors.

Make sure to note that there are a couple of warrants due to expire over the next two months: Resolute Energy (REN-WT) and Retail Opportunity Investments (ROICW). Warrants expire worthless. So, be sure that if you are holding those particular warrants, you sell them long before they expire.

Company	Market/Symbol	Principle Business	Warrant				Exer. Price	Expire Date	No. Wts	Bowser Rating
			Stock Price 09/05/14	Price 09/05/14	Conv. Ratio					
Associated Banc-Corp 1200 Hansen Road., Green Bay, WI 54304, Tel: (920) 491-700, www.associatedbank.com	GS:ASBCV	Bank holding company	18.33	2.36	1.00	19.77	11/21/18	4.0M	8	
Bank of America Bank of Amer. Corp. Center, 100 N Tryon St., Charlotte, NC 28255, Tel: 704/386-5681, www.bankofamerica.com	N:BAC-WTB	Banking and financial services	16.02	0.84	1.00	30.79	10/28/18	121.8M	10	
BioAmber Inc 1250 Rene Levesque West, Ste. 4110, Montreal, QC H3B 4W8, Canada, Tel: 514/844-8000, www.bio-amber.com	N:BIOA-WT	Produces and sells bio-succinic acid	12.00	2.75	1.00	11.00	05/09/17	8.0M	7	
Citigroup 399 Park Ave., New York, NY 10043, Tel: 212/559-1000, www.citigroup.com	N:C-WTA	Investment banking	52.30	0.90	0.10	106.10	01/04/19	2.6M	8	
Dynegy, Inc 601 Travis St., Ste. 1400, Houston, TX 77002, Tel: 713/507-6400, www.dynegy.com	N:DYN-WT	Electric energy/related services	31.03	4.50	1.00	40.00	10/02/17	15.6M	9	
FairPoint Communications 521 E. Morehead St., Ste. 250, Charlotte, NC 28202, Tel: 704/344-8180, www.fairpoint.com	OTC:FRPZW	Communications in New England	16.29	0.03	1.00	48.81	01/24/18	3.6M	8	
FieldPoint Petroleum 1703 Edelweiss Dr., Cedar Park, TX 78613, Tel: 512/250-8692, www.fppcorp.com	N:FPP-WT	Oil/gas operations in the US	4.35	0.68	1.00	4.00	03/26/18	8.0M	7	
Hennessy Capital Acquisition 10 South Wacker Dr., Ste. 3175, Chicago, IL 60606, Tel: 713/300-8242, No website	CM:HCACW	Acquisition company	9.77	0.38	0.50	5.75	01/23/19	11.5M	NR	
Iridium Communications 1750 Tysons Blvd., Ste. 1400, McLean, VA 22102, Tel: 703/287-7400, www.iridium.com	GS:IRDZM	Mobile voice/data communications	9.16	0.52	1.00	11.50	02/05/15	14.0M	8	
Resolute Energy 1000 Crescent Ct., Ste. 1200, Dallas, TX 75201, Tel: 214/615-2300, no website	N:REN-WT	Petroleum/natural gas	7.66	0.01	1.00	13.00	09/25/14	1.7M	NR	
Retail Opportunity Invest 3 Manhattanville Rd., 2nd Fl., Purchase, NY 10577, Tel: 914/272-8080, www.roireit.net	GS:ROICW	Commercial real estate investment	16.17	4.13	1.00	12.00	10/23/14	44.0M	NR	
SMG Indium Resources 100 Park Ave., 16th Fl., New York, NY 10017, Tel: 212/984-0635, www.smg-indium.com	QB:SMGIW	Indium stockpiler/seller	2.00	0.03	1.00	5.75	05/04/16	6.8M	10	
TCF Financial 200 Lake Street East, Wayzata, MN 55391, Tel: 952/745-2760, www.tcfbank.com	N:TCB-WT	Bank holding company	16.09	2.67	1.00	16.93	11/14/18	3.2M	8	
Valley National Bancorp 1455 Valley Rd., Wayne, NJ 07470, Tel: 973/305-8800, www.valleynationalbank.com	N:VLY-WT	Bank holding company	10.05	0.35	1.2155	15.64	06/30/15	0.9M	8	
xG Technology 240 South Pineapple Ave., Cte. 701, Sarasota, FL 34236, Tel: 941/953-9035, www.xgtechnology.com	CM:XGTIW	Wireless network communications	2.21	0.78	1.00	6.87	07/22/18	0.7M	8	

	<u>Quarter Ended</u>	<u>Current Sales</u>	<u>Same Period Last Year</u>	<u>Current Earnings</u>	<u>Same Period Last Year</u>	<u>Comments</u>
ADDvantage Technologies (AEY)	06/30/14	\$9,323,158	\$6,372,108	\$102,198	\$235,520	
American Shared Hospital (AMS)	06/30/14	\$3,379,000	\$4,583,000	(\$1,056,000)	(\$103,000)	
Arotech Corp (ARTX)	06/30/14	\$50,211,986	\$44,449,973	\$2,796,777	\$1,881,184	
Atlantic American (AAME)	06/30/14	\$41,586,000	\$44,648,000	\$877,000	\$5,960,000	(A)
Avalon Holdings (AWX)	06/30/14	\$13,016,000	\$15,733,000	(\$138,000)	\$459,000	(B)
Cimatron Limited (CIMT)	06/30/14	\$11,754,000	\$11,039,000	\$1,293,000	\$999,000	
Creative Learning (CLCN)	06/30/14	\$2,113,782	\$1,586,053	\$318,073	\$565,063	
Direct Insite (DIRI)	06/30/14	\$2,146,000	\$2,518,000	\$31,000	\$197,000	(C)
Dynasil Corp (DYSL)	06/30/14	\$10,640,527	\$11,322,342	\$58,108	(\$366,360)	
ENSERVCO Corp (ENSV)	06/30/14	\$7,294,856	\$7,947,635	(\$851,019)	\$190,907	
FieldPoint Petroleum (FPP)	06/30/14	\$2,367,540	\$2,166,331	\$227,007	\$376,537	
FitLife Brands (FTLF)	06/30/14	\$5,986,686	\$5,055,035	\$725,215	\$470,211	
Flexible Solutions (FSI)	06/30/14	\$4,286,731	\$4,884,629	\$399,753	\$70,169	
Goldfield Corp (GV)	06/30/14	\$22,890,318	\$20,122,325	(\$238,295)	(\$706,247)	
GSE Systems (GVP)	06/30/14	\$8,276,000	\$11,034,000	(\$1,986,000)	(\$8,199,000)	(D)
Innovative Food (IVFH)	06/30/14	\$6,449,027	\$5,318,301	\$427,141	(\$92,482)	
Intelligent Systems (INS)	06/30/14	\$3,695,000	\$4,166,000	(\$122,000)	\$312,000	(E)
Iteris Inc (ITI)	03/31/14	\$17,623,000	\$15,883,000	\$50,000	\$56,000	
Key Tronic Corp (KTCC)	06/28/14	\$72,127,000	\$84,615,000	\$1,380,000	\$2,397,000	(F)
Liberator Medical (LBMH)	06/30/14	\$18,578,000	\$17,491,000	\$1,983,000	\$2,014,000	
LightPath Technologies (LPTH)	06/30/14	\$3,110,943	\$3,128,986	\$102,451	(\$243,765)	
LRAD Corp (LRAD)	06/30/14	\$8,004,000	\$2,158,000	\$1,943,000	(\$1,108,000)	
Manhattan Bridge Capital (LOAN)	06/30/14	\$630,082	\$553,795	\$420,976	\$157,931	
Newtek Business Services (NEWT)	06/30/14	\$38,128,000	\$37,011,000	\$1,378,000	\$1,701,000	
SmartPros Limited (SPRO)	06/30/14	\$3,988,360	\$4,531,688	(\$233,594)	\$68,308	(G)
SPAR Group (SGRP)	06/30/14	\$30,924,000	\$27,410,000	\$577,000	(\$130,000)	
Tucows Inc (TCX)	06/30/14	\$35,588,000	\$31,173,000	\$1,347,000	\$588,000	
Vertex Energy (VTNR)	06/30/14	\$72,079,622	\$35,111,402	\$6,656,702	\$1,903,518	
Wireless Telecom (WTT)	06/30/14	\$10,439,000	\$8,705,000	\$716,000	\$1,058,000	(H)
XRS Corp (XRSC)	06/30/14	\$12,813,000	\$13,404,000	\$80,000	\$229,000	

(A) Atlantic American's drop in revenues was almost entirely due to a \$4,969,000, or 91%, decrease in net realized investment gains. This drop, combined with higher total benefits and expenses, led to the 85% earnings slide for AAME.

(B) AWX's \$138,000 loss is attributable to the company's lower revenues. Costs and expenses fell \$2.1 million, offsetting a large portion of the lost revenue.

(C) The year-over-year decrease in DIRI's revenues, which caused the decrease in net income, is attributable to the loss of a large customer in June 2013. Excluding this customer, recurring revenue was up 4.6% in 2Q 2014 when compared to 2Q 2013.

(D) "GSE Systems' second quarter results reflect the ongoing challenges of the company's nuclear and fossil end markets," explained CEO Jim Eberle. "We estimate that potential orders totaling \$18.3 million are being delayed by our clients as they continue to

address a dynamic industry landscape."

(E) J. Leland Strange, INS's president and CEO: "Intelligent Systems' goal is to build long-term value in both the processing business as well as the company's historical licensed software solutions, while recognizing that this is a frustratingly slow process and has a negative effect on current financial results."

(F) "Throughout the year, revenue was affected by slowdowns and delays from certain longstanding customers," noted KTCC's CEO, Craig Gates.

(G) Allen Greene, CEO, stated, "SPRO's 'Back-to-Basics' program focuses the company's attention on the areas of business with the best return on investment, and includes reducing, discontinuing or selling certain under-achieving businesses or assets."

(H) WTT's lower net income was entirely due to a \$544,974 income tax provision. Last year, the company reported a \$140,160 benefit.