



Business development companies *Newtek elects to become a BDC; what does that mean?*

Last month, we discussed **Manhattan Bridge Capital's (LOAN)** conversion to a real estate investment trust (REIT). In late October, **Newtek Business Services (NEWT)** announced that shareholders approved the company's conversion to a business development company (BDC).

"We are extremely pleased that shareholders recognized the value of the strategy to pursue the conversion from NEWT's historic structure as an operating company to a BDC," remarked CEO Barry Sloane on the operating change.

In much the same way that we discussed what becoming an REIT means for Manhattan Bridge, we would like to discuss what becoming a BDC means for Newtek.

BUSINESS DEVELOPMENT COMPANIES

By definition a business development company invests in small to medium-sized businesses, much like a REIT invests in real estate. The Investment Company Act of 1940 defines certain parameters that dictate what a business development company can invest in. These rules include:

- At least 70% of the BDC's investments must be invested in eligible assets, as defined by Section 55(a) of the Investment Company Act of 1940;
- A BDC's total debt outstanding cannot exceed its total equity;
- No one investment can account for more than 25% of the BDC's holdings;
- At least 90% of the BDC's taxable income must be distributed as a cash dividend; and
- Dividends must be paid at a stable level.*

ELIGIBLE ASSETS

Above we noted that at least 70% of a business development company's portfolio must consist of eligible assets. These assets include:

- Privately-issued securities from "eligible portfolio companies";
- Securities of eligible portfolio companies controlled by a BDC of which an affiliated person of the BDC is a director;
- Privately-issued securities of companies unable to meet their obligations without material assistance (for example, bankruptcy);

- Cash, government securities or high quality debt securities maturing in a year or less; and
- Property necessary to run the company, including real estate and office equipment.*

REQUIREMENTS FOR THE BOARD

The Investment Act of 1940 sets forth requirements for a business development company's board of directors. These requirements ensure that the board is unbiased in handling business matters. With that in mind, a majority of the individuals on the board of directors must **not** be interested persons. Interested persons include:

- Officers, directors or employees of the BDC;
- A 5% or more voting shareholder of the BDC;
- An immediate family member of an affiliate of the BDC;
- Legal counsel to the BDC; or
- Any person that the SEC defines as having had a business relationship with the BDC or the BDC's CEO in the past two fiscal years.*

BENEFITS OF INVESTING IN A BDC

Like real estate investment trusts, there are advantages to investing in a business development company. One benefit is the dividend. By qualifying as a regulated investment company (RIC), a BDC can avoid taxation at the corporate level by distributing at least 90% of its taxable earnings to shareholders. According to Ze'-ev Eliger, partner at Morrison & Foerster LLP, a San Francisco law firm, "in practice, most [BDCs] pay out 98% of their taxable income and all short-term capital gains." This, like with REITs, results in considerable dividends for profitable companies, especially for a company like Newtek generating \$0.90/share in earnings (post-reverse split).

A second advantage to investing in business development companies stems from the debt requirement put in place by the Investment Company Act of 1940. This requirement guarantees that BDCs have relatively manageable debt, ensuring a financially stable balance sheet.

A third advantage is liquidity. With BDCs, the investor is essentially investing in a small-business fund.

*Information obtained from "Frequently Asked Questions About Business Development Companies" by Ze'-ev Eiger

However, unlike a mutual fund or an open-end investment company,* BDCs trade on the open market like common stock. So, investors can buy and sell publicly-traded business development companies, owning their portfolio of small to medium-sized businesses.

TAX IMPLICATIONS FOR THE INVESTOR

According to Jordan Wathen of *The Motley Fool*, business development companies' distributions are taxed a few different ways: income, non-qualified dividends, qualified dividends and return of capital. Income and non-qualified dividends are taxed at the ordinary income rates, while qualified dividends are taxed as dividends. Return of capital is not taxed.

The type of distributions vary from year to year, with many BDCs qualifying for multiple tax considerations in the same year. Tax information, like with REITs, is distributed after the fiscal year ends.

WHAT ABOUT NEWTEK'S REVERSE SPLIT

Along with Newtek's conversion to a business development company, the firm also announced a 1-for-5 reverse stock split. We have previously discussed reverse splits in depth (reference the April 2012 issue). In that article, we recognized that reverse splits are a zero sum transaction, meaning there is no change in the company's value. However, splits do affect the way the investing public perceives a company, and the way a company handles its shares.

Newtek didn't issue its split as a desperate attempt to regain exchange compliance, nor was the company's share structure in shambles. Instead, NEWT announced the intention of the split as putting its shares in front of more institutional investors.

Whether or not this remains the only reason is yet to be seen. Fewer shares equal larger earnings per share, and larger dividends per share. Fewer shares also free up more space for offerings, an opportunity Newtek took, commencing a 2 million share offering on November 4. Too many newly issued shares result in dilution, so this is something to watch.

CLOSING THOUGHTS ON NEWTEK

Newtek's changes in business structure would appear to benefit the investor: dividend on the way, enhanced share structure, no taxes at the corporate level. The

Market Overview

This month there were no changes to the **Bowser Microcap Index**. After the Index fell 45.87 points, or 7.7%, last month, it posted a gain this month. The Index grew from October 3's close of 547.55 to November 7's close of **558.25**. That's a gain of 10.7 points, or 2%. October was a very volatile month for our stocks. We had a few that soared, including **Versar Inc. (VSR)** and **Alpha Pro Tech (APT)**, while others did not perform as well.

In comparison to the major indexes, the Bowser Microcap Index came in with the lowest gain. The other small stock index, the Russell 2000, posted the largest gain (6.2%). The NASDAQ Composite, the Dow Jones Industrial Average and the S&P 500 all posted similar gains of 3.5%, 3.3% and 3.3%, respectively.

•Russell 2000:	UP 6.2%
•NASDAQ Composite:	UP 3.5%
•Dow Jones Industrial Average:	UP 3.3%
•S&P 500:	UP 3.3%

reverse split would also help investors, *ideally* enhancing the company's coverage amongst institutions. However, there are still a few questions surrounding the changes that time will tell, including whether or not the company will continue to issue more shares, which would be an extreme negative.

For now, we maintain the same position on the company as before. Above three dollars a share, we wouldn't recommend buying additional shares, but those with NEWT in their portfolio (myself included) should wait to see what the future holds.

ENSERVCO purchases asset package

ENSERVCO Corp. (ENSV) acquired a package of oilfield service assets, including equipment and real estate, near Tioga, ND. The company paid \$3.7 million for the assets, which are expected to add more than \$6 million in annual revenues.

The equipment purchased includes 12 hot oil trucks, a frac water heating unit and other miscellaneous equipment, tools and supplies. The real estate consisted of a six-acre operating yard, as well as a maintenance shop and office facility.

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

Noble Roman's (NROM) is a stock that we have been tracking in the *Bowser Database* for some time now. As you can see in the table below, the company hit a financial rough patch during fiscal 2013. However, with three quarters down in fiscal 2014, things are looking up for NROM.

BUSINESS

This company sells and services franchises and licenses for food service operations. The company operates under three tradenames: Noble Roman's Pizza, Noble Roman's Take-N-Bake and Tuscano's Italian Style Subs.

NOBLE ROMAN'S PIZZA

Noble Roman's Pizza is a pizza shop that offers fresh sauce, 100% real cheese, 100% real meat toppings and fresh vegetable and mushroom toppings to go along with its extended product line. The company's products go beyond pizza to include breadsticks, cheesy stix, pasta, baked sandwiches, salads, wings and breakfast items.

NOBLE ROMAN'S TAKE-N-BAKE

The company's take-and-bake product allows consumers to cook up their own Noble Roman's pizza. The Take-N-Bake products are available in convenience stores, grocery stores (through a licensing agreement) and through a stand-alone franchise concept.

TUSCANO'S ITALIAN STYLE SUBS

Tuscano's is a separate franchise that focuses its Italian-style menu on sub sandwiches.

FRANCHISING

Noble Roman's offers a few franchising options, from just Noble Roman's Pizza to Tuscano's Subs, to both and even a Stand-Alone Take-N-Bake franchise. The initial fees range from \$6,000 to \$18,000 depending on the option. The company then collects an ongoing royalty from these locations.

LICENSING

Noble Roman's Take-N-Bake pizzas are licensed to grocery stores, which sign a supply agreement. This agreement covers who the grocery store can purchase ingredients from, how to assemble the products and how to market the products once assembled. The company receives money from the distributors of the ingredients in lieu of a royalty.

As of December 31, 2013, the company had 2,029 franchised or licensed outlets, up 182 locations from

December 31, 2012.

FINANCIALS

As previously stated, NROM's financials have been on the right track so far in fiscal 2014. The company has reported steadily growing year-over-year sales increases of 1.1%, 5.1% and 9% for the first, second and third quarters, respectively. At the same time, earnings have grown year-over-year by 4.9%, 10.5% and 16.8% for the first, second and third quarters, respectively. After posting an 85% earnings decrease in fiscal 2013, this steady growth is a good sign for NROM.

For the most recent quarter, ending September 30, 2014, royalties and fees accounted for 94.3% of NROM's revenues, while admin and other fees accounted for just 0.7%, and restaurant revenues, 5%.

While the company's income statement has been progressively improving, so too has the company's balance sheet. Since December 31, 2013, current assets have grown just shy of \$1 million. This has led to an increased current ratio of 2.1-to-1. And, the company's long-term debt is now just \$1.7 million, a decrease of over \$900,000 since December 31, 2013.

INSIDERS

Noble Roman's insiders own a very considerable 59.3% of the company's common stock. As of NROM's last proxy statement (May 8, 2014), Chairman and CEO Paul W. Mobley was the company's largest shareholder, with 3,506,035 shares.

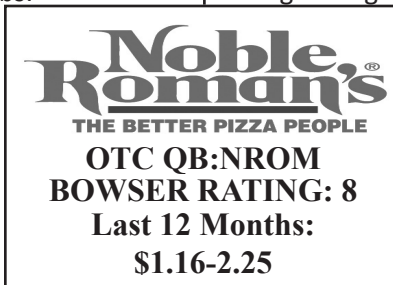
Other notable insider shareholders include: Robert P. Stiller (3,289,240 shares), James W. Lewis (1,909,580 shares) and President and COO A. Scott Mobley (1,577,477 shares).

BOTTOM LINE

Noble Roman's appears to be a company that mended its shortcomings in fiscal 2013 and is on track for continued growth through the rest of 2014 and beyond. The company's franchise model ensures relatively little overhead costs on recurring revenues.

Another notable mention is that, according to the company, Noble Roman's will not pay income tax on its next \$24 million in net income. This should contribute to the company's growing bottom line.

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	2012	2013	2014 (A)
REVENUES	\$7,300,132	\$7,527,439	\$6,107,893
INCOME(LOSS)	\$624,143	\$91,097	\$1,441,126
WORKING CAPITAL	\$1,964,093	\$1,451,409	\$2,341,691
BOOK VALUE	\$0.64	\$0.60	\$0.68
TOTAL SHARES	19,497,638	19,533,201	19,866,957
FLOAT	N/A	N/A	8,250,000
(A) NINE MONTHS ENDED 09/30/14			

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 11/07/14	Long-term Debt (Millions)	Sales Updated Quarterly (Millions)	Income/Loss Updated Quarterly (Millions)	Shares Outstanding (Millions)	Bowser Rating
CATEGORY ONE: OUR BEST PICKS								
03/14(A)	COMMAND SECURITY (MOC)	SECURITY PERSONNEL/SERVICES	2.20	\$0.000	\$156.7	\$1.110	9.5	10
09/13(QB)	CREATIVE LEARNING (CLCN)	EDUCATIONAL PROGRAMS FOR KIDS	1.85	\$0.005	\$7.3	\$1.260	11.8	8
01/14(CM)	DLH HOLDINGS (DLHC)	GOVERNMENT SERVICES SOLUTIONS	2.75	\$0.000	\$59.0	\$0.591	9.6	9
06/14(A)	DYNASIL CORP. (DYSL)	OPTICAL COMPONENTS	1.42	\$4.196	\$42.2	\$1.064	16.3	8
07/14(QB)	FITLIFE BRANDS (FTLF)	NUTRITIONAL SUPPLEMENTS	2.52	\$1.695	\$20.9	\$1.853	8.2	10
09/14(CM)	INFOSONICS CORP. (IFON)	MOBILE DEVICES PROVIDER	1.89	\$0.000	\$43.9	\$0.323	14.4	11
10/13(QB)	INNOVATIVE FOOD (IVFH)	SPECIALTY FOOD PROVIDER	1.55	\$0.877	\$25.0	(\$0.808)	8.3	9
12/12(CM)	JOE'S JEANS INC. (JOEZ)	WOMEN'S/MEN'S APPAREL	0.96	\$83.023	\$198.7	(\$1.375)	68.5	10
# 04/11(A)	LIBERATOR MEDICAL (LBMH)	MEDICAL SUPPLIES FOR SENIORS	2.94	\$1.500	\$72.2	\$8.008	53.0	9
# 10/09(CM)	LRAD CORP. (LRAD)	SOUND ACOUSTIC TECHNOLOGY	2.84	\$0.000	\$26.0	\$5.532	33.0	10
# 02/10(CM)	MANHATTAN BRIDGE (LOAN)	SHORT-TERM COMMERCIAL LOANS	2.87	\$0.000	\$2.1	\$1.116	6.1	8
# 08/12(CM)	NEWTEK BUSINESS (NEWT)	NOW ABOVE \$3/SHARE; SEE PAGE 5						
11/14(QB)	NOBLE ROMAN'S (NROM)	PIZZA FRANCHISES AND LICENSES	1.59	\$1.723	\$7.8	\$0.231	19.9	8
10/14(GM)	ROYAL BANCSHARES (RBPA)	BANK HOLDING COMPANY	1.78	\$123.743	\$28.9	\$7.326	25.4	9
08/14(QB)	SONO-TEK CORP. (SOTK)	ULTRASONIC NOZZLES	1.20	\$1.389	\$10.4	\$0.487	14.7	9
# 02/13(A)	WIRELESS TELECOM (WTT)	WIRELESS TELECOM SOLUTIONS	2.52	\$0.070	\$38.0	\$3.594	19.4	8

CATEGORY TWO: WORTHY OF CONSIDERATION

# 05/14(QB)	CPS TECHNOLOGIES (CPST)	ADVANCED MATERIAL SOLUTIONS	2.40	\$0.000	\$22.3	\$0.660	13.1	8
# 05/13(A)	ENSERVO CORP. (ENSV)	OIL/GAS WELL SITE SERVICES	2.49	\$9.970	\$52.5	\$3.512	36.8	NR
# 06/08(A)	FLEXIBLE SOLUTIONS (FSI)	SPECIALTY CHEMICALS	1.16	\$0.159	\$14.5	\$1.930	13.2	9
# 06/12(A)	GOLDFIELD CORP. (GV)	ELECTRICAL CONSTRUCTION	1.91	\$17.993	\$93.4	\$2.791	25.5	9
07/13(CM)	LIGHTPATH TECH (LPTH)	OPTICAL COMPONENTS	1.26	\$0.110	\$11.8	(\$0.313)	14.3	9
07/10(QB)	REPRO-MED SYSTEMS (REPR)	DESIGN/PRODUCTION OF MED PROD	0.42	\$0.000	\$10.0	\$0.900	38.1	10
04/13(CM)	SPAR GROUP (SGRP)	MERCHANDISING AND MARKETING	1.43	\$5.889	\$118.5	\$3.645	20.6	10
# 10/12(QB)	WHERE FOOD CMS FRM (WFCF)	FOOD VERIFICATION SERVICES	2.80	\$0.018	\$6.5	\$0.151	23.6	10

CATEGORY THREE: VERY SPECULATIVE

# 03/13(GM)	ADDVANTAGE TECH (AEY)	CABLE TV EQUIPMENT	2.52	\$5.437	\$36.1	(\$0.286)	10.0	8
# 12/11(A)	AMERICAN SHARED HSPT (AMS)	TURNKEY TECHNOLOGY SOLUTIONS	2.66	\$19.109	\$3.9	(\$1.238)	5.3	NR
08/13(QB)	DIRECT INSITE CORP. (DIRI)	E-INVOICING SOLUTIONS	0.51	\$0.023	\$8.6	\$8.2	12.8	8
08/11(A)	GSE SYSTEMS (GVP)	SERVICES NUCLEAR & PETRO IND	1.48	\$0.000	\$41.2	(\$5.167)	17.9	10
# 03/11(A)	INTELLIGENT SYSTEMS (INS)	VENTURE CAPITAL FIRM	1.24	\$0.000	\$15.4	\$0.073	9.0	8
# 12/06(A)	ITERIS (ITI)	OUTDOOR MACH VISION SYS/SENSORS	1.77	\$0.000	\$69.3	\$0.930	32.6	9
# 04/14(CM)	SMARTPROS INC. (SPRO)	SELL; SEE BELOW						

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.

SELL RECOMMENDATION

SmartPros Ltd. (SPRO) is not an old recommendation. In fact, the company hasn't even been in the newsletter for a year. However, we think it is time to part ways with SPRO, at least for now.

SmartPros has reported three straight quarters of losses and decreasing revenues. With over a \$1 million loss, and a declining cash position, the company's small dividend is not sustainable.

We are recommending selling SmartPros as a result of this poor performance.

CATEGORY CHANGES

This month we have a couple of companies moving up in the ranks and one company sliding down.

Repro-Med Systems (REPR) has posted four straight quarters of year-over-year earnings increases. **Where Food Comes From (WFCF)** posted its first earnings increase since returning to profitability last quarter. Both REPR and WFCF are climbing from Cat. 3 to Cat. 2.

Iteris (ITI) is moving to category three based upon a poor earnings report.

FitLife expands into Middle East
FitLife Brands (FTLF) introduced sixteen products into eighteen GNC locations throughout the United Arab Emirates, Oman and Bahrain, as well as four locations in Qatar once appropriate registration is completed. The company expects to be in 60 locations in Saudi Arabia over the next six months.

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 11/07/14 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
ALPHA PRO TECH (A:APT)	\$3.26(11)	11/13 \$1.73(11)	INVENTURE FOODS (CM:SNAC)	\$13.25(9)	09/00 \$2.56(8)
AROTECH CORP. (GM:ARTX)	NOW IN BOWSER DATABASE		KEY TRONIC CORPORATION (GM:KTCC)	\$8.63(8)	11/08 \$1.57(10)
ATLANTIC AMERICAN (GM:AAME)	\$3.72(7)	02/12 \$2.05(8)	NEWTEK BUSINESS SERVICES (CM:NEWT)	\$12.98(8)	08/12 \$8.50(8)
AVALON HOLDINGS (A:AWX)	\$3.39(8)	05/11 \$2.90(9)	*Price adjusted: 1-for-5 reverse split 10/14		
CIMATRON LIMITED (CM:CIMT)	\$5.79(10)	02/08 \$2.75(8)	RIVERVIEW BANCORP (GS:RVSB)	\$4.14(9)	06/13 \$2.30(9)
CPS TECHNOLOGIES (QB:CPSH)	NOW \$2.40; SEE PAGE 4		SIMULATIONS PLUS (CM:SLP)	\$6.50(9)	05/10 \$2.46(9)
ENSERVCO CORP. (A:ENSV)	NOW \$2.49; SEE PAGE 4		TUCOWS INC. (CM:TCX)	\$15.66(10)	01/13 \$6.00(8)
EVOLVING SYSTEMS (CM:EVOL)	\$10.09(10)	05/09 \$3.68(8)	*Price adjusted: 1-for-4 reverse split 12/13		
*Price adjusted: 1-for-3 reverse split 07/09			VERSAR INC. (A:VSR)	\$3.15(11)	10/11 \$2.76(10)
FIELDPOINT PETROLEUM (A:FPP)	NOW IN BOWSER DATABASE		VERTEX ENERGY (CM:VTNR)	\$6.19(9)	06/11 \$1.95(9)
GOLDEN ENTERPRISES (GM:GLDC)	\$4.40(7)	02/09 \$2.35(9)	XRS CORP (CM:XRSC)	ACQUIRED BY OMNITRACS	
IEC ELECTRONICS (A:IEC)	\$5.17(NR)	07/08 \$1.99(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)	\$0.54(NR)	\$0.24(04/14)	TENGASCO INC (A:TGC)	NOW IN BOWSER DATABASE
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BRIEFS

American Shared Hospital (AMS) closed its issuance of \$1 million of unsecured notes along with three year warrants to purchase 200,000 shares at \$2.20 a share to certain board members. The notes mature in three years, with an annual interest rate of 15%. AMS also delivered a proton accelerator to the proton center under development at the UF Health Cancer Center at Orlando Health. . . . **Atlantic American (AAME)** declared a special \$0.02 per share cash dividend that is payable on or about 12/05/14 to shareholders of record as of 11/14/14. . . . **CPS Technologies (CPSH)** received a \$600,000 subcontract from Raytheon Integrated Defense Systems to produce a metal-matrix composite cold plate for the U.S. Navy. In addition, Thomas M. Culligan joined CPSH's board of directors. . . . **Command Security (MOC)** signed a teaming agreement with iRobot and purchased a robot to explore next-generation staff augmentation. . . . **Creative Learning (CLCN)** awarded a master franchise in India, putting Bricks 4 Kidz® franchises in 36 countries. In other news, Richard Nickelson is no longer CLCN's chief financial and accounting officer, and the company

reported preliminary revenues of \$7.7 to \$7.8 million for fiscal 2014. . . . **Direct Insite (DIRI)** renewed eight customer contracts for an average of four years, and a total average annual recurring revenue run rate of over \$5 million. . . . **Dynasil (DYSL)** announced the completion of the final round of Xcede Technologies' \$2 million Convertible Note Financing. Xcede is a subsidiary of Dynasil Biomedical. . . . **GSE Systems (GVP)** will provide training products and services to an education center in Kazakhstan. . . . **Innovative Food Holdings' (IVFH)** wholly-owned subsidiary, The Fresh Diet, rolled out its new gluten free meal plan. . . . **Iteris, Inc. (ITI)** received a \$1.4 million contract from the City of Omaha to serve as system manager for the deployment of the city's Intelligent Transportation System. . . . **Liberator Medical (LBMH)** appointed Ruben Jose King-Shaw, Jr. and Philip M. Sprinkle to the company's board of directors, increasing the total number of directors from three to five. . . . **LRAD (LRAD)** launched the LRAD® 450XL, the loudest acoustic hailing device for its size and weight, providing the same output as systems double its size. . . . **Newtek Business Services (NEWT)** closed an additional

INSIDER TRANSACTIONS IN SEPTEMBER

COMPANY	SHARES TRADED	# OF TRADES	PRICE RANGE
Alpha Pro Tech	OE-160,000	3	\$1.15-1.98
	S-321,200	6	\$3.88-4.48
	S-8,270x	1	\$4.19
American Shared	B-100,000x	1	\$2.20
Arotech Corp.	AS-15,000	3	\$3.20-3.33
CPS Technologies	A-40,750	1	\$0.65
	D-8,829	1	\$3.00
Direct Insite Corp.	A-15,000	3	\$0.00
Evolving Systems	OE-5,600	2	\$1.00-5.98
Royal Bancshares	A-16,029	3	\$1.63-1.82

A-Acquisition (Non Open Market), AS-Automatic Sale, B-Bought, D-Disposition (Non Open Market), OE-Option Exercise, S-Sold, x-indirect holdings. Information obtained from Yahoo! Finance.

\$23 million in financing, increasing its existing revolving credit facility to \$50 million through Capital One, N.A. . . . **Simulations Plus (SLP)** announced a quarterly dividend of \$0.05 per share, payable on 11/14/14 to shareholders of record as of 11/07/14. Also, Harold Wayne Rosenberger has retired from SLP's board of directors. . . . **SPAR Group (SGRP)** is offering expanded services to Canadian mobile company TELUS Communications. . . . **Tucows (TCX)** announced that Zipcar founder, Robin Chase, has joined the company's board.

BOWSER BUCKAROOS SPEAK

AVERAGE GROWTH VERSUS COMPOUND GROWTH

Can you explain the difference between average growth and compound annual growth?

--David Mittelman, Brooklyn, NY

We introduced the Beginner's Portfolio's compound annual growth rate (CAGR) to the newsletter last month. This figure may have confused some subscribers. David called our attention to the looming confusion, so we'll attempt to clear it up.

An investor can calculate the average annual growth rate of a portfolio or a particular security by taking the total gain and dividing by the number of years. For example, the Beginner's Portfolio has grown 212% since September 2001, a period of 13 years and two months (or 13.17 years). So, the average growth rate is 221% divided by 13.17, or 16.8%.

The compound annual growth rate, on the other hand, is the "year-over-year growth rate of an investment over a specified period of time," according to Investopedia.com. So, the compound growth rate takes into account each year's growth, calculating a superficial steady rate. The rate is superficial because there are fluctuations each year, so not every year would have the same rate.

The method for calculating the CAGR is a bit more complex. To calculate the CAGR, one must use the following equation:

$$\text{CAGR} = \left(\frac{\text{Ending Value}}{\text{Beginning Value}} \right)^{\left(\frac{1}{\# \text{ of years}} \right)} - 1$$

After plugging in the data from the Beginner's Portfolio, we got 9.3%. That's quite different from the 16.8% average growth rate, but that's because it takes into account (or *compounds*) the portfolio's year-over-year growth.

VERSAR YIELDS PROFITS IN A VOLATILE MARKET

*October has been a crazy month. All of the financial news has been about the huge drops, but my portfolio is enjoying nice gains. On October 8, I bought **Versar Inc. (VSR)** at \$2.99. On October 16, I sold half at \$6.95. It dropped 25% on the same day, and I sold the remaining half at \$5.88. It's been a volatile month... Just right for the Bowser Game Plan.*

--Elmer Mulhausen, Clifton, TX

Congratulations to Elmer and all of our other subscribers

who took advantage of VSR's tremendous upswing that occurred in the middle of last month.

Volatility is exactly what we've been seeing in the markets, particularly for our coveted small stocks. When they're up, they're up; and when they're down, they're down. That seems to be the trend we're on right now.

However, as Elmer says, this is perfect for the Bowser Game Plan. Volatility allows you to take advantage of quick upswings (i.e. **Alpha Pro Tech (APT)** and VSR). The Game Plan also keeps you calm when stocks aren't doing so well by giving you specific sell parameters. In volatile times especially, stick to your plan!

DLH HOLDINGS MAKES A MOVE

*My portfolio is going way up today (October 16), and companies like **DLH Holdings Corp. (DLHC)** are taking off. I just received a trade notification that it doubled. Another profitable day in Bowser land.*

--Ed Kaulbars, Naples, FL

On October 16 (Max Bowser's birthday), DLHC enjoyed a great day in the market, just as did Versar. DLHC closed at \$3.43, up \$0.95, or 38%, from the previous day's close. And, the company hit an intraday high of \$3.65. Since then, DLH Holdings has settled down, but has held firmly above \$2.50. Congratulations to those who profited from this move. May the profits keep coming!

WHERE TO FIND BACK ISSUES

I attempted to find the digital edition of the October 1976 newsletter on the website, but I couldn't find it.

--George Barney, Mundelien, IL

In the September 2014 issue, we published a photo of the October 1976 edition of *The Williamsburg Institute*, which in November 1976 became *The Bowser Report*. We published the picture online through social media. You can find the picture on our Facebook page in a post dated September 4, 2014.

As far as accessing back issues goes, we publish them dating back to January 2010 for our online subscribers on our website for free. Any issues further back require mailing. To purchase a back issue via mail is \$5/issue.

InfoSonics introduces new products

InfoSonics Corp. (IFON) rolled out two all new 5.5-inch phablets (a combination between a phone and a tablet device): the *verykool*® s5510 and s5511. Both of the phablets are 4-G capable and run on the Android operating system.

"The mobile device has become an all-in-one consumer electronics product and *verykool* is committed to delivering products that fulfill that need," explained President and CEO Joseph Ram.

Beginner's Portfolio Up 221%

BOUGHT: RBPA (100 Shares) @ \$1.78 plus \$10 commissions = \$188 **SOLD:** APT (50 Shares) @ \$4.62 less \$10 commissions = \$221
 APT (50 Shares) @ \$8.04 less \$10 commissions = \$392

Cost		11/07/14	Cost		11/07/14	Cost		11/07/14	Proceeds
									From Sales
GVP	210/Sep '11	148	WFCF	159/Nov '12	280	MOC	209/May '14	220	
AAME	280/Mar '12	372	JOEZ	117/Jan '13	96	DLHC	210/May '14	275	11,162
AMS	308/June '12	266	WTT	189/Apr '13	252	CLCN	224/Aug '14	185	221
INS	179/June '12	124	SGRP	178/Apr '13	143	DYSL	185/Aug '14	142	392
ITI	162/Aug '12	177	AEY	248/May '13	252	IFON	190/Oct '14	189	(188)
†NEWT	187/Sep/'12	260	IVFH	134/Jan '14	155	RBPA	188/Nov '14	178	11,587
								3,714	
Original cost for all stocks: \$4,766			*50 Shares			Proceeds from Sales:		11,587	
			†20 Shares			Current Value of Portfolio:		15,301	

Gain: 15,301 minus 4,766 = 10,535

Percentage of gain: 10,535 divided by 4,766 x 100 = 221.1

Compound Annual Growth Rate: 9.26%

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

This month, the Beginner's Portfolio appreciated considerably. Our portfolio received a boost from **Alpha Pro Tech (APT)**, which doubled and dropped 25%. Replacing APT is **Royal Bancshares of Pennsylvania (RBPA)**.

A look at recent earnings reports

As always with large batches of earnings reports, there are leaders and there are laggards. All-in-all, this month we published 15 company earnings reports on the Earnings page. Of those 15, 13 reported higher revenues, while 10 reported higher earnings. Below is one report we felt led the rest, and another we felt trailed.

WHERE FOOD COMES FROM (WFCF)

Where Food Comes From had a great quarter. The company increased revenues by 69%, from \$1.5 million for third quarter 2013 to \$2.5 million for this year's third quarter. At the same time, the company earned \$257,909, compared to losing \$7,371 for the same period last year. Most importantly, WFCF is back to reporting profits.

WFCF's total current assets-to-liabilities ratio has increased by almost a point since the end of the 2013 fiscal year--from 3.8-to-1 to 4.6-to-1. The company reduced its long-term debt by 89% to just \$18,148.

SMARTPROS LIMITED (SPRO)

SmartPros continued its trend of poor earnings reports. Revenues in this most recent report decreased 17%. At the same time, the company continued to lose money, posting a \$632,055 loss, compared to a \$9,072 gain for the same three month period last year.

SPRO's balance sheet has taken a hit as well. The company's total current assets-to-liabilities ratio is now down to 1.2-to-1. Current assets have dropped \$2.1 million. Both cash/cash equivalents and accounts receivable are down considerably since the end of the 2013 fiscal year. We recommend selling SPRO on page 4.

WFCF makes an acquisition

Where Food Comes From (WFCF) acquired Sterling Solutions, LLC for cash and stock (specific financial details were not disclosed). Sterling, a specialist in verification programs for the beef industry, has some of the leading calf ranch and feed yard customers in the western U.S. The company has more than ten years of auditing experience.

Versar announces a number of contracts

Versar Inc. (VSR) announced a number of contracts over the past month, including:

- Two new task orders worth \$18.3 million for the Army Corps of Engineers in Afghanistan;
- A \$2.6 million construction-manager-as-agent services contract with the U.S. General Services Administration (GSA);
- A fence-to-fence environmental services contract from the GSA with a maximum value of \$4.2 million;
- A \$3.5 million facilities operations capability and utilization survey contract from the Air Force Reserve Command; and
- A \$5.1 million chemical splash protective suit framework contract from the Department for Int'l Development of the United Kingdom.

IEC receives insurance settlement

IEC Electronics (IEC) received \$1.3 million on October 10, 2014 from its primary insurance carrier in partial reimbursement for expenses incurred in connection with the consolidated shareholder and Securities and Exchange Commission (SEC) investigation that was recently dismissed.

NOTES BY THE EDITOR

A couple of subscribers contacted us regarding ENSERVCO's (ENSV) price drop. There was no negative news surrounding the company as far as we could see. The volume has gone down considerably. The company's three month average is 210,822 shares, while the ten day average is just 112,462.

The company should have reported its third quarter results by the time our subscribers receive this newsletter. So, that should return some volume to the stock.

Subscriber Ralph Mauro called to attention the risk in recommending bank stocks, like last month's pick: Royal Bancshares of Pennsylvania (RBPAA). I completely agree with Ralph that bank stocks are hit or miss. After all, a few bad loans and the company is in trouble.

I decided to recommend RBPAA because I saw a trend that I also noticed in Riverview Bancorp (RVSB), which we recommended in June 2013 when it was trading for \$2.30 a share. That trend is the strengthening of its assets, meaning that the company is making a conscious effort to rid itself of non-performing assets.

If RBPAA continues to perform fundamentally the way Riverview has, it could see similar success. RVSB is up 80% from its price when we recommended it.

As I have said over and over, if there is one thing that we value here at *The Bowser Report*, it is the experience of our subscribers. Hearing that they are doing well is the most rewarding compliment we can receive. Hearing what we can do to make our service better is always welcomed.

Over the past month, *The Bowser Report* took a big step business-wise, which confirmed our commitment to our subscribers. Our company is now Better Business Bureau (BBB) accredited with an A+ rating! While this is great for the company, it also shows how great our subscribers are. In case I haven't said it enough, thank you for your continued support of our



business.

Below is a picture of our accreditation certificate.



Correction: On page 3 of the October 2014 newsletter, we stated that **Royal Bancshares of Pennsylvania's (RBPAA)** six month Income (Loss) was \$5,669,000 in the financial table at the center of the page. This figure, however, was the company's trailing twelve month Income (Loss) figure. RBPAA's six month total was \$3,062,000.

This figure was correct in the online version newsletter.

NO MORE FAX MACHINE! Due to the very low fax volume we receive and the substantial increases in price, we have cancelled our fax number.

Simulations Plus releases MembranePlus
Simulations Plus (SLP) released version 1.0 of its MembranePlus™ simulation software. This is the company's first completely new software product since DDDPlus™, which was released about ten years ago.

"The pharmaceutical industry uses a limited variety of lab experiments to try to determine how well new molecules will be absorbed into cells," explained Dr. Viera Lukacova, SLP's team leader for simulation technologies. "By developing MembranePlus, we can provide a cellular simulation model to account for how measured permeabilities are affected."

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FIVE BOWSER STOCKS UP AND DOWN

DLH HOLDINGS	UP	39%	ENSERVCO CORP.	DOWN	29%
REPRO-MED SYS	UP	31%	CPS TECH	DOWN	20%
AMERICAN SHRD	UP	22%	KEY TRONIC	DOWN	18%
WHERE FOOD	UP	22%	LIGHTPATH TECH	DOWN	15%
INNOVATIVE FOOD	UP	14%	INTELLIGENT SYS	DOWN	13%

BR *The Bowser Report*

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WARRANT REGISTER

THIS MONTH'S
BIGGEST GAINER
IRIDIUM COMM.
UP 57%

Dynegy Inc. closes offering

Dynegy Inc. (DYN-WT) priced and closed a \$5.1 billion unsecured notes offering. The prices were as follows:

- \$2.1 billion in aggregate principal amount of 6.75% Senior Notes due in 2019;
- \$1.75 billion in aggregate principal amount of 7.375% Senior Notes due in 2022; and
- \$1.25 billion in aggregate principal amount of 7.625% Senior Notes due in 2024.

The proceeds from the offering will be placed in an escrow account pending the consummation of the company's previously announced acquisitions of ownership interests in Midwest generation assets.

Iridium partners with Trimble

Iridium Communications (IRDMZ) partnered with Trimble. The partnership will expand Trimble's use of satellite communications in its core Transportation and Logistics solutions beyond North America by using Iridium's satellite Machine-to-Machine connectivity services in Europe and several other regions of the world.

"IRDM's global coverage and low latency is ideally suited for Trimble's transport management solutions. Iridium is proud that it will play an important role in Trimble's global vision for making companies more productive anywhere their work takes them," remarked

David Wigglesworth, the vice president and general manager of Iridium's Americas & Global M2M Services.

SMG purchasing its shares

SMG Indium Resources (SMGIW) announced a tender offer for its outstanding shares. The company offered to purchase up to \$16,094,843 of its common stock in a self-tender offer for \$2.41 per share.

With just 8,561,997 shares outstanding as of October 29, 2014, the company is offering to purchase nearly all of its common shares, leaving just over 2 million left. The immediate goal of the offer is to return capital to the company's shareholders as the firm has begun evaluating options including a merger, an acquisition, a new line of business or the sale/full liquidation of the company.

Considering the above, holding these warrants is extremely risky. If the company for whatever reason ceases to exist (i.e. merger, sale, liquidation), the warrants will be worthless.

xG Tech's software now shipping

xG Technology (XGTIW) is now shipping a substantially upgraded version of the xMax cognitive radio system software. The latest version, 2.6, offers higher throughput, stronger security, longer range and enhanced management tools.

Company	Market/Symbol	Principle Business	Warrant			Exer. Price	Expire Date	No. Wts	Bowser Rating
			Stock Price 11/07/14	Price 11/07/14	Conv. Ratio				
Associated Banc-Corp 1200 Hansen Road., Green Bay, WI 54304, Tel: (920) 491-700, www.associatedbank.com	GS:ASBCW	Bank holding company	19.02	2.87	1.00	19.77	11/21/18	4.0M	8
CALL TERMS: Not callable									
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	17.36	0.88	1.00	30.79	10/28/18	121.8M	10
CALL TERMS: Not callable									
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	8.99	2.15	1.00	11.00	05/09/17	8.0M	7
CALL TERMS: Not callable									
Citigroup 399 Park Ave., New York, NY 10043, Tel: 212/559-1000, www.citigroup.com	N:C-WTA	Investment banking	53.75	0.93	0.10	106.10	01/04/19	2.6M	8
CALL TERMS: Not callable; exercise price adj. for dividends above \$.01									
Dynegy, Inc. 601 Travis St., Ste. 1400, Houston, TX 77002, Tel: 713/507-6400, www.dynegy.com	N:DYN-WT	Electric energy/related services	34.76	5.80	1.00	40.00	10/02/17	15.6M	9
CALL TERMS: Not callable									
FairPoint Communications 521 E. Morehead St., Ste. 250, Charlotte, NC 28202, Tel: 704/344-8180, www.fairpoint.com	OTC:FRPZW	Communications in New England	14.43	0.02	1.00	48.81	01/24/18	3.6M	8
CALL TERMS: Not callable									
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	2.80	0.49	1.00	4.00	03/26/18	8.0M	7
CALL TERMS: 150% of strike price									
Hennessy Capital Acquisition 10 South Wacker Dr., Ste. 3175, Chicago, IL 60606, Tel: 713/300-8242, No website	CM:HCACW	Acquisition company	9.83	0.50	0.50	5.75	01/23/19	11.5M	NR
CALL TERMS: N/A									
Iridium Communications 1750 Tysons Blvd., Ste. 1400, McLean, VA 22102, Tel: 703/287-7400, www.iridium.com	GS:IRDMZ	Mobile voice/data communications	9.86	0.69	1.00	11.50	02/05/15	14.0M	8
CALL TERMS: \$18.00 for 20 out of 30 days									
Nxt-ID, Inc. One Reservoir Corporate Centre, Ste. 402, Shelton, CT 06484, Tel: 203/242-3076, www.nxt-id.com	CM:NXTDW	Biometric solutions	2.38	0.73	1.00	3.00	01/13/19	1.4M	6
CALL TERMS: Not callable									
Retail Opportunity Invest 3 Manhattanville Rd., 2nd Fl., Purchase, NY 10577, Tel: 914/272-8080, www.roireit.net	GS:ROICW	EXPIRED							
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	2.35	0.04	1.00	5.75	05/04/16	6.8M	10
CALL TERMS: \$8.00 for 20 out of 30 days									
TCF Financial 200 Lake Street East, Wayzata, MN 55391, Tel: 952/745-2760, www.tcfbank.com	N:TCB-WT	Bank holding company	15.38	2.35	1.00	16.93	11/14/18	3.2M	8
CALL TERMS: Not callable									
Valley National Bancorp 1455 Valley Rd., Wayne, NJ 07470, Tel: 973/305-8800, www.valleynationalbank.com	N:VLY-WT	Bank holding company	9.98	0.24	1.2155	15.64	06/30/15	0.9M	8
CALL TERMS: Not callable									
xG Technology 240 South Pineapple Ave., Cte. 701, Sarasota, FL 34236, Tel: 941/953-9035, www.xgtechnology.com	CM:XGTIW	Wireless network communications	1.43	0.70	1.00	6.87	07/22/18	0.7M	8
CALL TERMS: \$13.75 for 20 consecutive days									

	<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>
Alpha Pro Tech (APT)	09/30/14	\$13,213,000	\$12,692,000	\$966,000	\$905,000	
CPS Technologies (CPSH)	09/27/14	\$6,070,230	\$5,974,489	\$194,065	\$451,516	(A)
Evolving Systems (EVOL)	09/30/14	\$7,560,000	\$6,069,000	\$1,679,000	\$920,000	
Inventure Foods (SNAK)	09/27/14	\$72,556,000	\$54,514,000	\$3,084,000	\$2,148,000	(B)
Iteris, Inc. (ITI)	09/30/14	\$18,116,000	\$17,030,000	(\$19,000)	\$460,000	(C)
Joe's Jeans, Inc. (JOEZ)	08/31/14	\$52,668,000	\$29,385,000	\$276,000	(\$287,000)	(D)
Key Tronic Corp. (KTCC)	09/27/14	\$86,342,000	\$77,974,000	(\$1,523,000)	\$1,705,000	(E)
Manhattan Bridge Capital (LOAN)	09/30/14	\$765,720	\$585,038	\$429,019	\$193,921	
Repro-Med Systems (REPR)	08/31/14	\$2,504,854	\$2,007,958	\$202,994	\$90,709	
Riverview Bancorp (RVSB)	09/30/14	\$9,433,000	\$8,651,000	\$1,084,000	\$341,000	(F)
Royal Bancshares of Penn. (RBPAA)	09/30/14	\$8,395,000	\$8,897,000	\$1,448,000	\$499,000	(G)
SmartPros Ltd. (SPRO)	09/30/14	\$3,101,108	\$3,756,349	(\$632,055)	\$9,072	(H)
Sono-Tek Corp. (SOTK)	08/31/14	\$2,633,727	\$2,537,378	\$115,024	\$105,429	
Versar Inc. (VSR)	09/26/14	\$29,586,000	\$29,120,000	(\$89,000)	\$659,000	(I)
Where Food Comes From (WFCF)	09/30/14	\$2,486,645	\$1,470,162	\$257,909	(\$7,371)	(J)

(A) "CPS Technologies increased sales and marketing resources this year," commented CEO Grant Bennett. "During September and October, the company continued these initiatives by visiting with senior executives at major potential customers in both Europe and Asia." The decrease in earnings is mostly attributable to an 11% increase in cost of sales coupled with just a 2% increase in sales.

(B) Highlighting SNAK's great quarter, CEO Terry McDaniel stated, "The strong double digit revenue growth underscores the continued demand for Inventure products, driven by 91% growth of the Boulder Canyon brand, 53% growth in snack private labels, 31% growth in frozen beverages and 12% growth in frozen berries."

(C) Despite reporting a \$19,000 loss compared to a \$460,000 gain, ITI's management remained positive. "While the Transportation Systems segment was down this quarter, we entered into \$10.1 million of new Transportation Systems contracts that we expect to have a positive effect on revenues in future quarters."

(D) "On a historical basis, JOEZ increased revenue, expanded gross margins and grew operating income," remarked President and CEO Marc Crossman. "Both the Joe's® and Hudson® brands experienced the same top line trends. And, the brands are well-positioned with non-denim offerings moving into the fourth quarter."

(E) Craig Gates, KTCC's president and chief executive officer, noted, "Revenues and earnings were affected by the large revenue reduction by a certain customer, an unfavorable product mix and unusually high

operating costs."

(F) "In the first half of fiscal 2015, RVSB generated solid results on virtually every metric with improving profitability, strengthening asset quality, growth in loans and deposits and better operating efficiencies," described Pat Sheaffer, CEO.

(G) RBPAA's CEO, Kevin Tylus: "Loan growth, cost control discipline and progress in overall asset quality contributed to core earnings growth." Interest income rose 3%, while non-interest income dropped 38%.

(H) "SmartPros expected a decline in revenue from some of the underperforming areas of the business, including reductions in live high-end conferences," said SPRO CEO Allen Greene. "The full impact of the 'Back-to-Basics' plan will not be realized until the 2015 fiscal year." **See sell recommendation on page 4.**

(I) Versar's direct costs of services and overhead increased 26%, and the company's selling, general and administrative costs increased 44%. Together, these two increases offset the slight 2% uptick in revenues, contributing to VSR's \$89,000 loss, compared to its \$659,000 profit for the same period last year.

(J) "Where Food Comes From delivered strong year-over-year revenue and earnings growth as demand for verification products and services continue to grow," commented Chairman and CEO John Saunders. "WFCF is looking forward to a solid finish to 2014 and continued profitable growth in coming years as consumers, food producers and food retailers increasingly embrace transparency in the food supply chain."