The Bowser Report

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NEXT COMPANY OF MONTH RECORDING
PHONE: 757/877-5979
FRIDAY, SEP. 11, AFTER 4 PM ET
RECORDING ON FOR ENTIRE WEEKEND

It's seldom in the stock market investment business that we encounter an individual who brings to the task a unique approach.

Ian Cassel goes scavenging through the market's landfill of microcaps. To him, it's not a heap of nothing. Instead, he finds a stock meeting his standards. He begins buying it and may become a paid consultant to the company.

Such is his experience with ZAGG Inc. In the open market, he purchased 300,000 shares of this unusual company at an average price of $1.21.

Our July 27 phone interview with Ian:

A winning approach to microcaps

BOWSER: What exactly do you do as a consultant?
CASSEL: I began investing when I was 16. Through the years I learned the things that a publicly-traded company shouldn't do. And, I help to get the word out regarding the stock.

Q. What is one thing you look at, for example, when you are sizing up a company?
A. Share structure is important. Not just the number of common shares outstanding, but also other elements of their capitalization, such as preferred stock and warrants.

Q. Why are you attracted to low-priced stocks?
A. Because of the potential return.

Q. How about leverage?
A. I learned early on that is one of their attractive features. I started out with high-priced issues and lost my shirt. It was almost literal because I was using my parents' money earmarked for my college.

Q. How did you get out of that hole?
A. It began at an investor conference in New York City. I heard a presentation by the CEO of XM radio. And, I had an opportunity to talk him.

Ian J. Cassel

Q. Did you buy any XM?
A. Three thousand shares at $1.78. It eventually climbed to $34 and I sold on the way up. This experience did three things for me. [XM was acquired by Sirius last year.]

Q. What were they?
A. It got me out of a financial hole and got me hooked on finding stocks when they are small. Also, it taught me the value of knowing management.

Q. How long have you been in the consulting business?
A. Since 2005. After I graduated from college, I worked for an investor relations firm for six months and then started my consulting business.

Q. What is another success story?
A. Golden Resources Corp.(GORO), my first client. A low-cost producer of gold. But, back then they were just an exploration company.

Q. What happened to them?
A. They are building a mill which is projected to be in production by the end of this year. I helped to bring it to the market in a clean deal at $1 a share in 2006. It now trades at $4.50 to $4.60.

Q. Do you still own it?
A. Yes. It's sort of a hedge during these unusual economic times.

Q. Is the consulting field for low-priced issues crowded?
A. I wouldn't call it crowded. There aren't many people doing what I do. Many would lump me in with investor relations. But, what distinguishes me is that I'm a large investor in all of the companies for whom I do consulting. I don't have time to waste on companies in which I haven't risked my own money.

Q. How do you finance the big positions that you have in these companies? Did you inherit a big wad?
A. No. The profits from my first successful investment were rolled over into the next one, etc.

Q. Why do companies take your advice? Because you are a shareholder?
A. I can show them my past successes. And, I know the people that will help them reach the next level.

Q. Do you ever have any trouble getting through to a CEO?
A. No. If I did, I'd pass on them.

Q. How did you first become interested in ZAGG?
A. Last year I was going through microcaps looking for another company--not necessarily for consulting but as an investment. Someone told me I should look at ZAGG. That was last October. It was 60¢ a share and traded by appointment. The average volume was about 60,000 shares a day.

Q. Did you contact CEO Robert Pedersen?
A. I mulled it over for a week and then called Robert, after which I began buying it.

Q. Things began happening?
A. They signed a contract with Best Buy and then came out with earnings--5¢ a share vs. a penny.

Q. And, you kept buying?
A. That's right. And, a friend of mine bought enough that he now owns 5%.

Q. How did you help them?
A. I encouraged them to attend some conferences that I recommended. That led to some funds buying it.

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Asure Software sues its shareholders

The following appeared in the July 17 edition of the Austin, TX, Business Journal. It was written by staffer Christopher Calnan.

While many technology companies are fighting the pull of a global recession, Asure Software is scuffling with a group of its investors.

The Austin-based company is in a proxy fight with investors who oppose management's plan to take the company private. And, that fight has led to a lawsuit.

In January, management disclosed a plan to save on corporate compliance costs required of a publicly-traded firm by operating as a private company.

But, hedge fund operators Pinnacle Partners and Red Oak Partners LLC--which combined directly own 7.35% of the shares and indirectly hold almost 16%, according to SEC filings--want ASUR to remain publicly traded. Their charge is being led by Red Oak portfolio manager David Sandberg.

The two sides have since traded allegations in federal regulatory filings. Then, recently, Asure filed a lawsuit against Mr. Sandberg and several other investors, alleging violation of federal securities laws.

Editor's Note

Like many other companies that want to go private, the real reason may be that they don't want the scrutiny of their poor performance. Since we picked it as our Company of the Month in Nov'07, it has not made a profit. In Oct'08, we suggested that ASUR be sold.

Furthermore, confusing to investors is the name change. It trades as Forgent Network even though using the ASUR symbol.

This is a company that is litigation oriented in that prior to selling software, it did very well acquiring patents and then suing users who didn't pay properly for the use of the patents.

CONTINUED FROM FRONT PAGE --

Q. The real headway came from what?
A. In May, when the brokerage firm, Merriman Curhan Ford, instituted coverage at $3 a share. Most of the buying has occurred since then.

Q. Now to Electronic Game Card. What does that card, the size of a credit card, actually do?
A. It's as thick as two credit cards. Has a patented circuitry and is very cheap to make. Margins are very high. Also, they are pushing it down as many distribution channels as possible.

Q. We understand it can be used in many situations other than gambling. But, give us a specific in the gambling field.
A. Inside a casino itself there are slot cards and poker cards, for example. The card only sells for $1 or $1.20, but with it there is the possibility of big winnings. But, you are only risking $1 or $1.20 at a time.

Q. A positive development for EGMI is the purchase last month by the chairman, Lord Steinberg, of one million shares of the stock. Have you ever met him?
A. Not yet. He's an active member of the House of Lords in addition to vast holdings in casinos, etc.

Q. And, another use for the card?
A. They have what is called the "I Quiz" card, which lists multiple-choice questions. This sort of thing lends itself to use in promotions.

Q. Are you satisfied with EGMI's capitalization?
A. The number of shares is higher than I normally want. But, this time I let it go because the shares were so cheap and there were no financing negatives.

Q. There is no long-term debt. Right?
A. That's right. They have $10 million in cash. There are some preferred shares which they would gladly buy back.

Q. What is your investment philosophy?
A. It's different than that of many people. I don't widely diversify. I'm only fully invested in three to five names at any point in time.

Q. What do you look for in a company? You mentioned share structure. What else?
A. I look for a business plan that can grow net income at a 50% rate year over year. Companies with no financial risk.

Q. What do you look for in a chief executive?
A. Look for someone who gets me excited. I look for someone who has had past experience in his field. I look for CEOs who are good public speakers. I look for CEOs who care about the stock price. I can't stand CEOs who say, "The stock will take care of itself." I believe a CEO should spend 20% of his time on the road getting the word out.

Q. How should the CEOs of these small companies be compensated? I see some cases of excessive pay, but, in general, that's not true. What's your experience?
A. I have some thoughts on this. For example, if a firm is not profitable, and the CEO is paid $200,000 to $220,000 a year, that bugs me.

Q. And, if they become profitable?
A. Then they can give themselves raises up to a reasonable amount. The raises should be keyed to net income, not the top line.

Q. Do you subscribe to many investment newsletters?
A. The Bowser Report is the only one I consistently subscribe to. I'll take some others and then I get sick of them. The Bowser Report is always informative. [Ian has been a Buckaroo for five years.]

(Mr. Cassel can be contacted through his web site--www.IanCassel.com)

THE IAN CASSEL FILE

Born: Lancaster, PA in 1981. His father owns an innovative sign business.
Education: High school in Lancaster. Undergraduate degree at Millersville University, majoring in economics. Then to graduate school--Villanova University. Earned an MBA.
Personal: Single. Lives in a barn renovated into a three-bedroom, three bathroom house.

COMMUNITY BANKERS HAS LOSS

Community Bankers Trust Corp. reported a net loss of $16.6 million as a result of a cash goodwill impairment charge and a special assessment by the FDIC applicable to all banks of $583,000 each and the costs associated with TARP.

George M. Longest Jr., BTC president: "This year has been a tough year in the banking industry due to the number of banks that have recognized goodwill impairments." Despite the loss, the quarterly dividend will be paid.