

Untapped Wealth

January 2011 Edition

All About Growth

For the month of January, I've chosen not only two stocks that I believe will ramp up the gains in our Untapped Wealth portfolio, but also these two companies are strong dividend providers, not something associated with small caps.

The first is a semiconductor company based out of Poway, California which has a very strong business plan, great leadership and solid books. The second company is Atlanta, Georgia based, American Software Inc, which has solid earnings and the potential for a very strong 2011.

Let's get right into it.

Tim Fields
Editor In Chief
Untapped Wealth

Cohu, Inc.

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Cohu Inc (\$16.79*) is a worldwide supplier of semiconductor test handling systems, burn-in equipment and thermal sub-systems. The company's semiconductor equipment companies develops, manufactures, sells and services a broad line of equipment capable of handling a wide range of integrated circuit packages.

Test handlers are electromechanical systems used to automate testing of the packaged integrated circuit in the “back end” of the semiconductor manufacturing process. Testing determines the quality and performance of the integrated circuit prior to shipment to customers. Testers are designed to verify the performance of the integrated circuit, such as microprocessors, logic, DRAM or mixed signal devices.

Handlers are engineered to thermally condition and present for testing, the packages that protect the micro-circuitry within the integrated circuit. The majority of test handlers use either pick-and-place or gravity-feed technologies. The integrated circuit package type normally determines the appropriate handling approach.

Gravity-feed handling is the preferred solution for temperature testing of small outline leaded and non-leaded packages, as well as for packages with leads on only two sides. In gravity-feed handlers, integrated circuits are unloaded from plastic tubes, metal magazines or a bowl at the top of the machine and flow through the system, from top to bottom, propelled by the force of gravity. After testing, the

integrated circuits are sorted and reloaded into tubes, magazines or tape for additional process steps or for shipment.

Integrated circuits with leads on all four sides, such as the quad flat pack or with balls or pads on the bottom of the package, such as ball grid array packages and certain low profile integrated circuits with leads on two sides, such as the thin small outline package, are predominately handled in pick-and-place systems. Pick-and-place handlers, use robotic mechanisms to move integrated circuits from waffle-like trays and place them in precision transport boats or carriers for processing through the system. After testing, integrated circuits are sorted and reloaded into designated trays, based on test results.

To ensure the quality of the integrated circuits produced, semiconductor manufacturers typically test integrated circuits at hot and/or cold temperatures, which can accelerate failures. Cohu's test handler products are designed to provide a precisely controlled test environment typically over the range of -60 degrees Celsius to +160 degrees Celsius.

In recent years, the performance and speed of certain integrated circuits has increased, resulting in a substantial increase in the amount of heat that is generated within these high performance integrated circuits during the test process. This heat is capable of damaging or destroying the integrated circuit and can result in speed downgrading, when devices self-heat and fail to successfully test at their maximum possible speed.

Device yields are extremely important and speed grading directly affects the selling price of the integrated circuit and the profitability of the semiconductor manufacturer. In addition to temperature capability, other key factors in the design of test handlers are cost, handling speed, flexibility, parallel test capability, system size and reliability.

Delta provides thermal sub-systems for use in advanced burn-in applications. These thermal sub-systems maintain and control the temperature of the integrated circuit during the burn-in testing process. Burn-in equipment is used in semiconductor manufacturing for quality control purposes. The burn-in process is used to stress devices for detection of early failures prior to distribution.

The burn-in process is also used by semiconductor manufacturers to develop reliability models of newly introduced devices. The objective of reliability testing is to determine a device's fault-free operation and estimated useful life by exposing the device to various electrical and thermal conditions that impact its performance.

Cohu Inc's products are complex, electromechanical systems, that are used in high-volume production environments and many are in service twenty-four hours per day, seven days a week. Customers continuously strive to increase the utilization of their production test equipment and expect high reliability from test handling and burn-in equipment. The availability of trained technical support personnel is an important competitive factor in the marketplace. The company's semiconductor equipment companies deploy service engineers worldwide, often within customer production facilities, who work with customer personnel to maintain, repair and continuously improve the performance of their equipment.

Cohu's Semiconductor Equipment Products

The company offers products for the pick-and-place, gravity-feed, and strip semiconductor test handler, and burn-in markets. They currently sell the following products in the semiconductor equipment market:

Pick-and-place

The Delta **Castle** is a pick-and-place test handler capable of thermally conditioning devices from -60 degrees Celsius to +160 degrees Celsius. The Castle can position from one to nine devices for testing. Its large thermal soak chamber provides a continuous flow of thermally conditioned devices to the test site allowing the handler to process parts at high speed when running at temperature. The Castle incorporates an innovative vertical tray storage system that saves space on the test floor by minimizing the handler's footprint.

Delta's **Summit** series of pick-and-place handlers are designed to meet the requirements of manufacturers of microprocessors and other high speed, high power integrated circuits. The Summit handlers are designed around Delta's proprietary thermal control technology. The Summit PTC, or Passive Thermal Control, and ATC, or Active Thermal Control, models are designed to dissipate the heat generated during test and maintain the desired temperature of the device being tested.

The Delta **EDGE**TM is a pick-and-place handler that combines an economical design with a small footprint and fast index time (processing speed of the contactor placement mechanism). The **EDGE**TM handler is designed to meet the needs of integrated circuit manufacturers and subcontractors who test at ambient and hot temperatures.

The Delta **MATRIX** is a high performance pick-and-place handler that provides increased productivity in several dimensions of performance: up to three times higher throughput, four times higher parallelism, and active thermal control per test site. With an adjustable test site configuration, customers can reuse existing load-boards, including boards made for gravity handlers. The system also provides flexibility with field upgradeable options including a chamberless tri-temperature test site and auto contactor cleaning.

Gravity-Feed

Rasco's **SO1x00** is a high throughput gravity-feed platform that provides an economical solution for testing up to 8 devices in parallel. These handlers can be configured for tube-to-tube or metal magazine input and output, and ambient-hot or tri-temperature testing. These handlers are easily kit-able for a wide range of IC packages.

Rasco's **SO2x00** is a modular platform that offers a reliable solution for testing small IC packages and up to 8 devices in parallel. The base platform can be configured with various input and output modules: tube, metal magazine, bowl, bulk, tape & reel, and an optional laser marking unit. These handlers can be configured to ambient-hot or tri-temperature testing. The single, configurable platform is a competitive differentiator for these handlers.

Test-on-strip

Rasco's **SO3000**, test-on-strip handler, can plunge an entire strip at once or index the strip for single

device testing. The system has tri-temperature capability, accommodates either stacked or slotted input/output media and can be configured with optional, automated vision alignment.

Burn-in

Delta's **VT300**, is an automated burn-in system that is capable of processing numerous low power circuits simultaneously. The VT300 supports asynchronous loading and unloading of devices without system interruption to transform the burn-in process from a traditional batch-oriented process to a more efficient continuous-flow process.

Thermal Sub-Systems

Delta has developed custom thermal sub-systems that incorporate American Software's proprietary thermal control technology which are used by integrated circuit manufacturers to facilitate high performance burn-in and system level test. These thermal sub-system products maintain and control the temperature of the integrated circuit during the testing process.

Spares

Delta and Rasco provide consumable and non-consumable items that are used to maintain, sustain or otherwise enable purchased equipment to meet or exceed its performance, availability and production requirements.

Latest Earnings Report (*from company's filing*)

“Third Quarter of Fiscal 2010 Compared to Third Quarter of Fiscal 2009 Net Sales:

Our consolidated net sales increased 95.3% to \$86.1 million in 2010, compared to net sales of \$44.1 million in 2009. Sales of semiconductor equipment in the third quarter of fiscal 2010 were \$75.4 million, and increased \$43.5 million or 136.7% from 2009 and represented 87.6% of consolidated net sales in 2010 versus 72.3% in 2009.

During fiscal 2010 semiconductor sales have improved significantly as a result of continued high rates of equipment utilization on customer test floors that require investment in additional capacity, capacity additions on new test floors, market share gains and the sales synergies of our broad product line.

Sales of mobile microwave communications equipment in the third quarter of fiscal 2010 were \$6.3 million, representing 7.3% of consolidated net sales in 2010, and decreased \$2.3 million or 26.4% when compared to 2009.

The decrease in sales of our microwave communications business during the third quarter of fiscal 2010 was a result of the deferral of revenue associated with a large customer order that was shipped during the third quarter of fiscal 2010 and is awaiting customer acceptance.

Sales of video cameras represented 5.1% of consolidated net sales and were \$4.4 million in the third quarter of fiscal 2010 compared to \$3.7 million in fiscal 2009.”

In The End

In the end, I see Cohu as being an asset to the Untapped portfolio and as earnings pick up and become stronger throughout 2011, seeing Cohu push past 50% by spring is a very solid possibility.

American Software Inc

American Software, Inc.

■ AMSWA



American Software, Inc (AMSWA: \$6.54*) develops, markets and supports a portfolio of software and services that deliver enterprise management and collaborative supply chain solutions to the global marketplace.

AMSWA's software and services are designed to bring business value to enterprises by supporting their operations over intranets, extranets, client/servers or the Internet.

The company provides their software solutions through three major business segments, which are further broken down into a total of four major product and service groups. The three business segments are (1) Supply Chain Management (SCM), (2) Enterprise Resource Planning (ERP), and (3) Information Technology (IT) Consulting.

The SCM segment consists of Logility, Inc. ("Logility"), which provides collaborative supply chain solutions to streamline and optimize the forecasting, production, distribution and management of products between trading partners.

The ERP segment consists of (1) American Software ERP, which provides purchasing and materials management, customer order processing, financial, e-commerce, Flow Manufacturing and traditional manufacturing solutions, and (2) New Generation Computing (NGC), which provides industry-specific

business software to both retailers and manufacturers in the apparel, sewn products and furniture industries.

The IT Consulting segment consists of The Proven Method, Inc., an IT staffing and consulting services firm. The company also provides support for their software products, such as software enhancements, documentation, updates, customer education, consulting, systems integration services, and maintenance.

Am Software Inc derives revenues primarily from three sources: software licenses, services, and maintenance. The company generally determines software license fees based on the number of modules, servers, users and/or sites licensed. Services and other revenues consist primarily of fees from software implementation, training, and consulting services.

AMSWA bills primarily under time and materials arrangements and recognize revenues as they perform services. Maintenance agreements typically are for a one- to three-year term, usually commencing at the time of the initial product license.

The company bills maintenance fees annually in advance under agreements with terms of one to three years, and then recognizes the resulting revenues ratably over the term of the maintenance agreement. Deferred revenues represent advance payments or billings for software licenses, services and maintenance billed in advance of the time the company recognizes the related revenues.

American Software's cost of revenues for licenses includes amortization of capitalized computer software development costs, salaries and benefits and value-added reseller (VAR) commissions. Costs for maintenance and services revenues include the cost of personnel to conduct implementations, customer support and consulting, and other personnel-related expenses as well as agent commission expenses related to maintenance revenues generated by the indirect channel.

AMSWA's selling expenses generally include the salaries and commissions they pay to their direct sales professionals, along with marketing, promotional, travel and associated costs. Am Software's general and administrative expenses generally include the salaries and benefits they pay to executive, corporate and support personnel, as well as office rent, utilities, communications expenses, and various professional fees.

Industry Background

Companies that effectively communicate, collaborate and integrate with their trading partners within the extended enterprise or supply chain can realize significant competitive advantages in the form of lower costs, improved customer service, and increased revenue. Supply chain management refers to the process of managing the complex network of relationships that organizations maintain with external trading partners to forecast demand, source, manufacture and deliver goods and services to the end consumer. Supply chain management involves both the activities related to supplying products or services (source, make, move, buy, store, and deliver) as well as the sales and marketing activities that influence the demand for goods and services, such as new product introductions, promotions, pricing and forecasting.

In response to increasing global competition, companies are continually seeking new ways to enhance the productivity of their operations. Computer software applications can be an effective tool for companies to re-engineer and streamline their core business processes. ERP applications help companies reduce employee headcount and increase employee utilization through recording, consolidating, and reporting the large quantities of transactional data that are generated through daily

operations. Core ERP applications include automation of financial reporting, human resources, and manufacturing functions. Included in the manufacturing function are supply chain applications that assist companies in managing relationships with external trading partners such as customers, suppliers, manufacturers, distributors, and retailers.

Today, several market trends are driving organizations to expand collaboration with trading partners along the supply chain. A general shift in market power has forced manufacturers and distributors to become more responsive to retailers and consumers, which has increased the demand for improved planning capabilities. At the same time, global economic conditions and competitive pressures are forcing manufacturers to reduce costs, decrease order cycle times and improve operating efficiencies.

As a result, manufacturers, distributors and retailers are under pressure to better manage the supply chain as they seek to improve manufacturing efficiency and logistics operations while maintaining flexibility and responsiveness to changing market conditions and specific customer demands. These pressures are compounded by the increasing globalization and complexity of the interactions among suppliers, manufacturers, distributors, retailers and consumers.

The Internet enhances the ability of organizations to integrate their business processes through collaborative planning to synchronize internal assets and production with external demand and supplier capabilities. Global Internet technology adoption and supply chain strategies are converging to create a competitive advantage by reducing the cost of goods sold, improving customer service, building global brands and increasing global supply chain visibility as companies move product to the market quicker. American Software's customers' goal is to "provide the right product in the right place at the right time at a competitive price."

AMSWA's software solutions leverage the Internet to expand the potential user community and streamline collaboration among the various trading partners in the supply chain. The supply chain planning process focuses on demand forecasting, inventory simulation, global sourcing, distribution, transportation and manufacturing planning and scheduling. Planning software is designed to increase revenues, improve forecast accuracy, optimize production scheduling, streamline global sourcing, reduce inventory costs, decrease order cycle times, reduce transportation costs, and improve customer service.

The supply chain execution function addresses procuring, manufacturing, warehousing, fulfilling orders and distributing products throughout the supply chain. Within the supply chain execution function, organizations are increasing their focus on the effective management of warehouse and transportation operations and the need for integration with planning systems and other enterprise applications, in order to increase the efficient and effective fulfillment of customer orders in both the business-to-business and the business-to-consumer sectors.

In order to effectively manage and coordinate supply chain activities, companies require supply chain planning, global sourcing, supply chain execution, and supply chain event management software that provides for integrated communication, optimization and collaboration among the various constituents throughout the supply chain network. This enhanced collaboration synchronizes production plans with demand forecasts, thereby minimizing bottlenecks that lead to production delays, excess inventory and distribution network problems.

In addition, companies seek integrated planning and supply chain execution systems that further optimize the flow of products to their customers through enhanced transportation and warehouse management capabilities. Organizations are also demanding solutions that are modular and scalable to

fit the changing needs of the organization and offer rapid deployment and time-to-benefit and distribution network problems.

Latest Earnings

On December 5th, American Software released Q3 earnings, delivering a 19% increase in second quarter license fee revenue and a 22% increase in adjusted net earnings when compared to the same period last year. The Company has achieved 39 consecutive quarters of profitability and 30 consecutive quarters of providing dividends to shareholders.

“We are pleased to achieve our 39th consecutive quarter of profitability and an increase of net earnings by 9% over the same period last year,” stated James C. Edenfield, president and CEO of American Software. “Despite the difficult global economy, during the quarter we added 18 new customers, signed license agreements with customers in 11 countries and increased license fee revenues by 19%,” said Edenfield. “The increased visibility, discipline and efficiencies provided by our portfolio of application solutions give manufacturing, wholesale and retail enterprises the opportunity to significantly improve cash flow, reduce inventory, increase supply chain responsiveness and accelerate the sales and operations planning process,” continued Edenfield. “As a result, our solutions drive value for our customers in both good and bad economies.”

“Our sustained profitability has continued to allow the Company to provide a tangible benefit to our shareholders with a quarterly dividend as well as a share repurchase program,” said Edenfield. “On November 15, 2010 our Board of Directors authorized the Company's next quarterly dividend of \$0.09 per common share, which is payable on December 23, 2010 to shareholders of record at the close of business on December 10, 2010. This will mark our 30th consecutive quarter of dividend distributions to shareholders.”

In The End

Together, these two positions have what it takes to keep the profits rolling in. These two additions to the UW portfolio have the potential to lift its already high 140% cumulative profit.

Have a great January.

Tim Fields

*Indicates Initial Recommended Price

Model Portfolio

Symbol	Last Trade	Change	Volume	Shrs	Holdings Value	Day's Value Change		Price Paid	Gain/Loss		
FN	10:23AM EST	25.53	↑0.03	14,504	1	\$25.53	↑\$0.03	↑0.12%	15.58	↑\$9.95	↑63.86%
CMED	10:23AM EST	12.03	↓0.09	64,827	1	\$12.03	↓\$0.09	↓0.70%	13.14	↓\$1.12	↓8.49%
CBPO	10:23AM EST	15.86	↑0.18	15,275	1	\$15.86	↑\$0.18	↑1.15%	10.56	↑\$5.30	↑50.19%
ACTS	10:23AM EST	2.30	↓0.02	23,430	1	\$2.30	↓\$0.02	↓0.86%	2.00	↑\$0.30	↑15.00%
LBJ	10:22AM EST	41.01	↑0.86	35,443	1	\$41.01	↑\$0.86	↑2.14%	36.57	↑\$4.44	↑12.14%
GRRF	9:51AM EST	3.40	↓0.09	3,800	1	\$3.40	↓\$0.09	↓2.58%	3.16	↑\$0.24	↑7.60%
AMSWA	10:22AM EST	6.53	↓0.08	8,737	1	\$6.53	↓\$0.08	↓1.21%	-		
COHU	10:21AM EST	16.41	↓0.39	18,726	1	\$16.41	↓\$0.39	↓2.32%	-		
Total						\$123.07	↑\$0.41	↑0.33%		↑\$19.12	↑23.60%