



California Stock Report

"We Know California Stocks"

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The California Top 20

Symbol	Company	Close	Business
AAPL	Apple	\$170.31	iPhone, iPod, Mac
ADBE	Adobe Systems	\$32.05	Publishing Software
ADSK	AutoDesk	\$23.12	CAD Software
CAVM	Cavium Networks	\$20.53	Networking chips
EBAY	eBay	\$21.91	Internet Auction
GILD	Gilead Sciences	\$46.13	Biotechnology
ISRG	Intuitive Surgical	\$227.41	Medical-Robotic Surg.
KFN	KKR Financial	\$3.98	Mortgage Loans
LIFE	Life Technologies	\$45.79	Genetic Analysis Tools
MASI	Masimo	\$25.97	Pulse Oximetry
MAT	Mattel	\$18.43	Toys
MNI	McClatchy	\$1.81	Newspapers/Media
NVTL	Novatel	\$11.11	Wireless modems
OXY	Occidental Petroleum	\$72.73	Oil & Gas
QCOM	Qualcomm	\$45.72	CDMA Wireless Comm
CRM	Salesforce.com	\$52.80	CRM Software
STX	Storage Technology	\$13.68	Computer Storage
PRTS	U.S. Auto Parts	\$5.44	Online Auto Parts
VMW	VMware	\$36.31	Operating System Soft.
V	Visa	\$70.36	Credit Card Process.

September 2009

In This Issue

Intel Boosts a Buoyant Tech Sector

Stocks continued their advance in August as hope grows that consumers will begin to spend again. Leading chipmaker **Intel** upped sales expectations for its third quarter setting off a wave of buying in the rebounding tech sector. Inventory levels remain at historic lows and investors are betting Q3 earnings receive a lift from restocking.

See California Stocks on Page 2

September Pick

McClatchy Company (MNI)

We are turning speculative in September with our selection of battered newspaper owner McClatchy, publisher of the *Sacramento Bee*, and *Miami Herald*. Cost cuts propelled EPS in Q2 and its shares trade at a highly compelling valuation.

Full Report on Page 8

California Portfolio's

CSR's Select Stock Portfolios

The California Golden Bulls portfolios rose with the overall market in August and extended gains against the benchmark Russell indices.

The California Golden Bears portfolio came in slightly in August.

Portfolio's on Pages 2-9

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Month in Review

Monthly Review of California Stocks



California Stocks in Review

California stocks continued their advance from March lows with a strong jump in late July and August. The Index came in for a closing gain of 7.2% paced by a surge in technology stocks such as **Apple**, **Google**, **Hewlett-Packard**, medical robotics company **Intuitive Surgical** and financials **Franklin Resources** (Franklin Templeton Funds) and **Visa**.

Among winners this month, small and micro cap stocks rocketed as investors bid up low priced stocks on speculation over improving results.

Leading the list is Christian radio broadcaster **Salem Communications**, an owner of 93 stations across the U.S. The company remains mired in a slumping ad market although its liquidity position has improved over the past two quarters. With revenue projected to fall 12-15% in the upcoming third quarter we are at a loss to explain the huge gain as anything but speculation.

Chip metrology systems maker **Nanometrics** jumped following a turnaround Q2 which saw revenue bounce 44% from Q1 and a positive Q3 outlook. Capital spending appears to be rebounding in the chip market, good news for **NANO** and other equipment makers such as **Conexant Systems**, up 77% for the month.

Small Bay Area-based investment bank **Merriman Curhan Ford** jumped 117% after settling an onerous lawsuit and raising new capital.

Residential mortgage loan specialist **KKR Financial**, formed by the investment powerhouse Kohlberg, Kravis Roberts, appears to not only have survived but could now be in the right

August's Top Winners

Ticker	Company	Close	\$ Gain	%
SALM	Salem Communications	\$2.98	+2.12	246.5%
NANO	Nanometrics	\$8.15	+4.41	117.9%
MERR	Merriman Curhan Ford	\$1.02	+0.55	117.0%
KFN	KKR Financial	\$3.98	+1.94	95.1%
SANM	Sanmina-SCI	\$6.75	+3.09	84.4%
CNXT	Conexant Systems	\$2.65	+1.15	76.7%
FACT	Facet Biotech	\$15.38	+6.56	74.4%
JAZZ	Jazz Pharmaceuticals	\$9.27	+3.39	57.7%
PAY	VeriFone Holdings	\$13.82	+4.81	53.4%
PSUN	Pacific Sunwear	\$4.80	+1.47	44.1%

CALIFORNIA MONTH IN REVIEW

place at the right time as mortgage loan IPOs line up to enter the market (see page 10). The company has improved its liquidity and has been the beneficiary of analyst upgrades. More on page 4.

Sanmina-SCI, a long struggling maker of electronic circuit boards, is rising from the dead on the heels of improving industry fundamentals, company earnings and two analyst upgrades over the past 40 days.

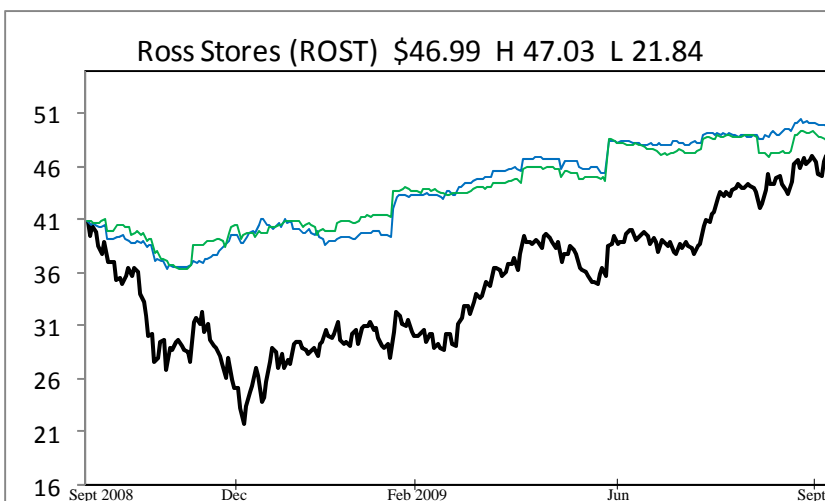
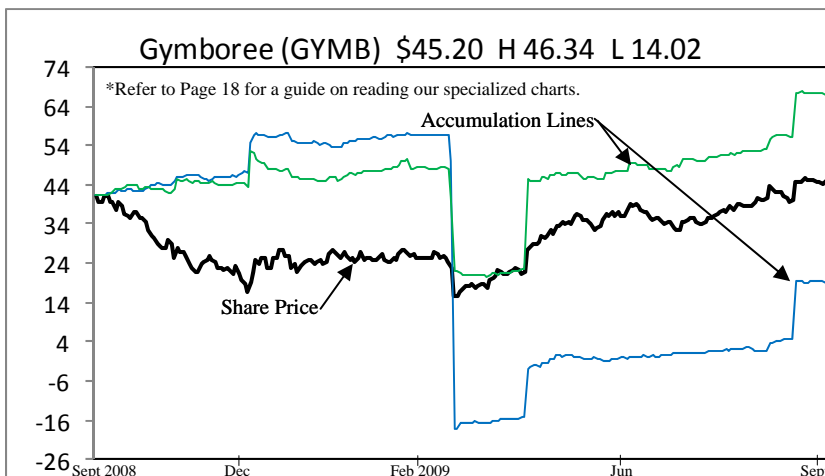
Elsewhere, **Facet Biotech** jumped 74% following a \$14.50 offer from Biogen Idec. Interestingly, Biogen had secretly offered to buy the oncology and MS drug company for \$15 on August 21 but was spurned when Facet signed a \$197 million license deal with Trubion. With \$346 million in net cash on its balance sheet, Biogen's \$14.50 per share, or \$356 million offer is hardly a premium for shareholders and judging by Facet's \$15.38 close, a higher bid is likely.

Rounding out the list, **Jazz Pharmaceuticals'** share price of \$9.27, up 58% on the month, continues a remarkable run from a low of \$0.52 as Q2 sales of sleep disorder drug Xyrem rose 29% sequentially to \$22.4 million. Electronic payment leader **Verifone** surged 53% on EPS of \$0.26 reversing a year earlier loss of \$0.09 despite an 18% sales drop, and beach retailer **Pacific Sunwear** gained 44% on hopes of higher teen spending.

Just Where is This Market Headed?

Thank goodness the professionals have plotted the course of the economy for us! What is being drilled into our collective heads is this: We have seen the bottom in the economy and will witness recovery in the second half of 2009 and into 2010 before experiencing two to three years of anemic growth through 2013. Sound familiar? Never have we seen such consensus of opinion among economists and market strategists. Of course, these were the same folks predicting a smooth economy back in 2007.

Despite this overwhelming degree of consensus, investors remain skittish as, in our view too, employment will



be the ultimate arbiter of a sustained rebound in the economy. And thus far, the news remains unpleasant. It certainly doesn't take a Wall Street retail analyst to verify that consumer traffic and purchasing activity at shopping malls remains stagnant.

However, we would venture to say that it is this high degree of skittishness, or more appropriately, negative sentiment, that has kept the market buoyant. Encouraging to us has been the positive activity in our institutional chart analysis that indicates a rather healthy appetite for equities from institutional investors. Interesting as well, California retailers such as **Gymboree** and **Ross Stores** are actually trading at all time highs with **Apple** shares now only 16% below its all time high.

In fact, speculative buying in small and micro cap stocks has been

growing. Even the "untouchable" commercial property REITs have caught a bid recently and have broken out of their long base as investors jump into underperforming sectors.

If stocks were near all-time highs we would be decidedly short of enthusiasm. However, many companies, including some we are quite positive on, trade at levels 75% or more below their 2007 and 2008 highs. We believe it is this disparity that is providing fertile ground for the current market run. And we believe the ever present fear of a sharp market reversal has thus far kept many investors from returning to the market.

Heading into Q3 earnings in October we are optimistic on stocks based on valuation and expect further overall gains ahead.

CALIFORNIA STOCKS IN THE NEWS

Intel (INTC) \$19.64

Is all well again in Chipland? Intel put a buzz into the chip sector after lifting Q3 revenue guidance to a range of \$8.8 to \$9.2 billion on August 27 versus a cautious July outlook of \$8.1 to \$8.9 billion. The news fueled predictions of a chip recovery and a return to more normalized capital spending.

However, victory is far from certain as many analysts point out that exceptionally low chip inventories inevitably lead to a quarter influenced by inventory replenishment. Many now see the Holiday Q4 as the real quarter to watch.

The Semiconductor Industry Association is forecasting a 2009 global chip sales decline of 21% to \$196 billion. Nonetheless, investors have warmed to chipmakers and even lowly AMD is starting to see some interest (page 15).

DreamWorks (DWA) \$34.27

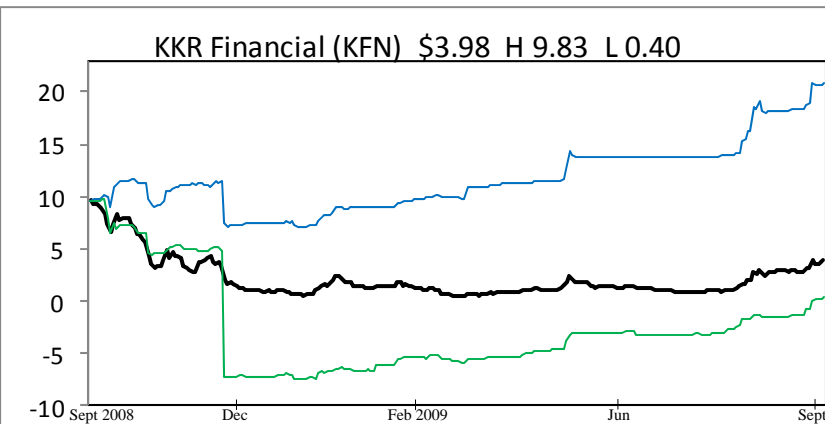
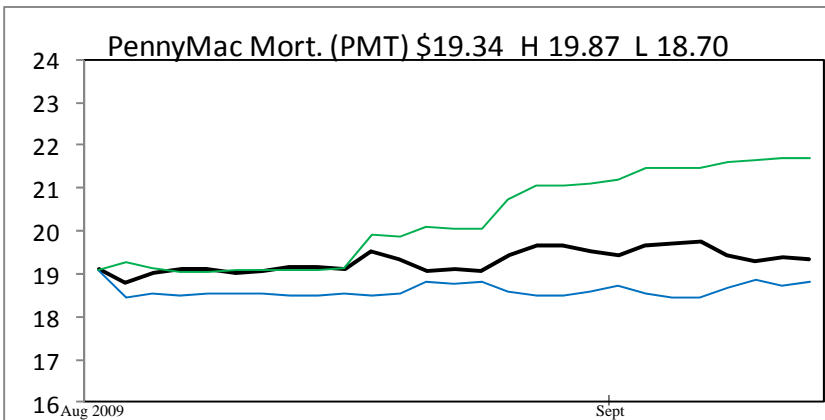
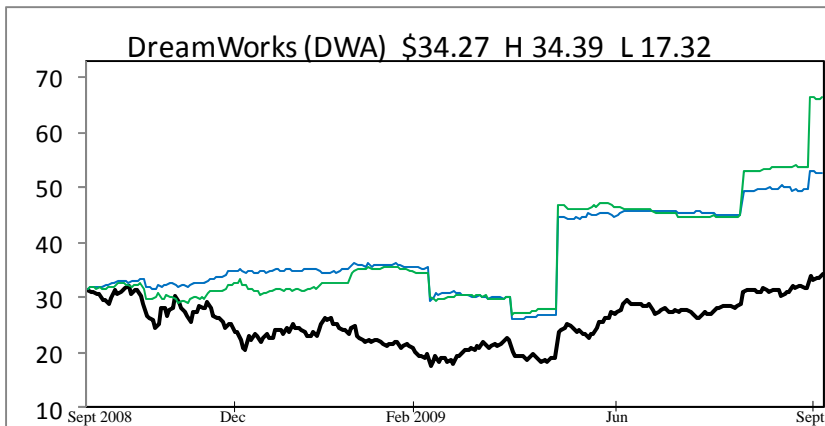
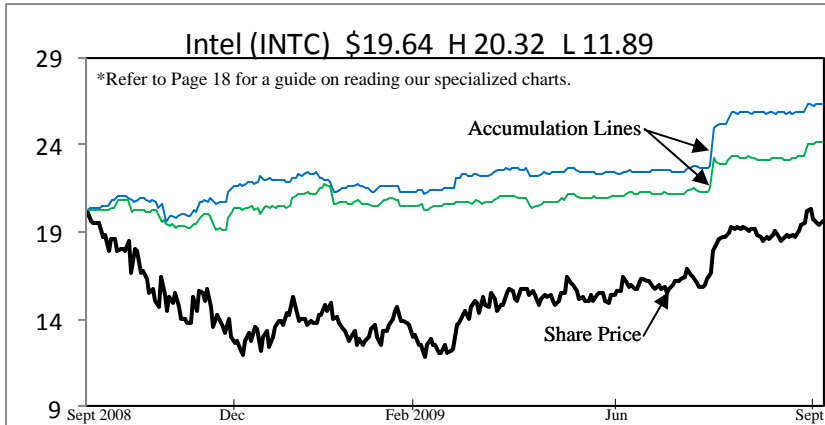
The Dream Shall Never Die. Shares of animated filmmaker DreamWorks furthered an already big run in 2009 after news of the blockbuster union of Disney and Marvel. DWA is one of the few independent studios remaining after Disney gobbled up Pixar in early 2006. The company contains an impressive vault of Shrek and Madagascar titles and has been on a roll following better than expected DVD sales of Madagascar 2 and Kung Fu Panda.

PennyMac Mortgage (PMT) \$19.34

Finally, Here Comes The Liquidity. While market enthusiasts point to positive signs in residential sales as an indication of rosier times ahead we look to the July 30 IPO of PennyMac Mortgage. The Los Angeles firm was formed in 2008 to capitalize on distressed residential and commercial mortgages and, along with a string of competitors set to IPO, billions are being raised to add liquidity to a rather illiquid market.

KKR Financial (KFN) \$3.98

Never Bet Against KKR. Residential loan acquirer KFN is looking strong as investors speculate that the company is ready to reemerge as a player in the market. Certainly the PennyMac IPO is a positive indication and we are adding KFN to our Small Cap portfolio.



CALIFORNIA STOCKS IN THE NEWS

Swine Flu Concern Grows

Make no mistake, the dreaded fear over Swine flu, or influenza A (H1N1), looks to become reality this winter season. On June 11, 2009 the World Health Organization declared H1N1 a global pandemic. In a recent presidential advisory report the CDC estimated that half of the U.S. population could become infected with H1N1 this flu season resulting in 1.8 million hospitalizations and 90,000 deaths (more than twice the annual rate) without vaccination.

Fearing that the H1N1 strain could become resistant to the anti-viral drug Tamiflu, the government is urging drug companies to get vaccines to market quickly. Below are listed four California players engaged in the diagnosis, treatment and prevention of H1N1.

Gilead Sciences (GILD) \$46.13 H 53.28 L 35.60

Tamiflu maker Gilead remains the leading H1N1 play although the \$78 million in 2Q09 royalties from Tamiflu accounted for only 5% of total company revenue. Thus, the key H1N1 player is, in reality, no player at all and worries over biologics (generic biotech drugs) and soft Q3 sales guidance have been the real focus of Gilead investors.

Quidel (QDEL) \$16.21

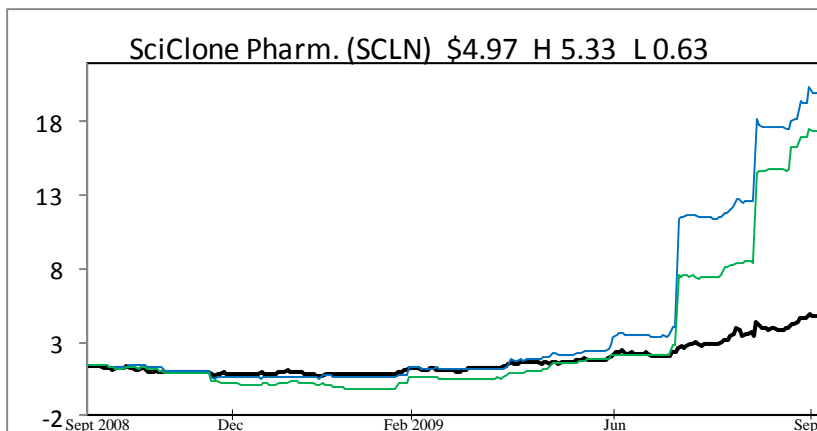
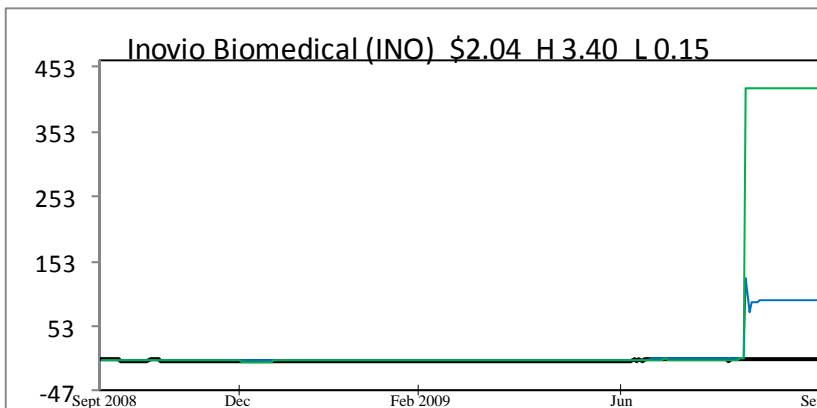
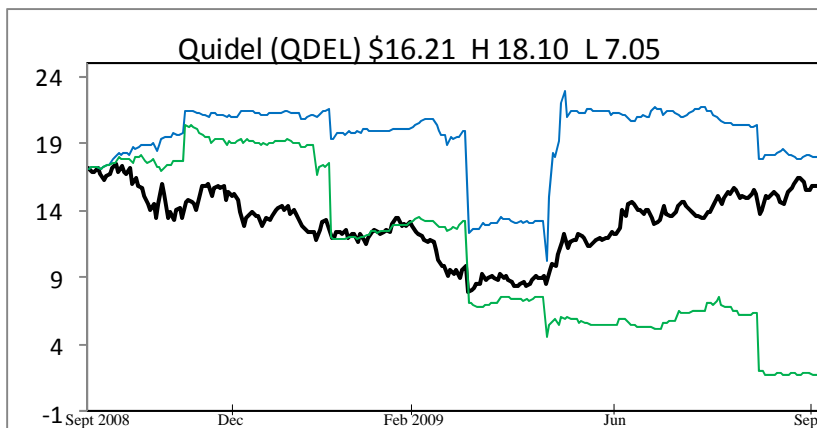
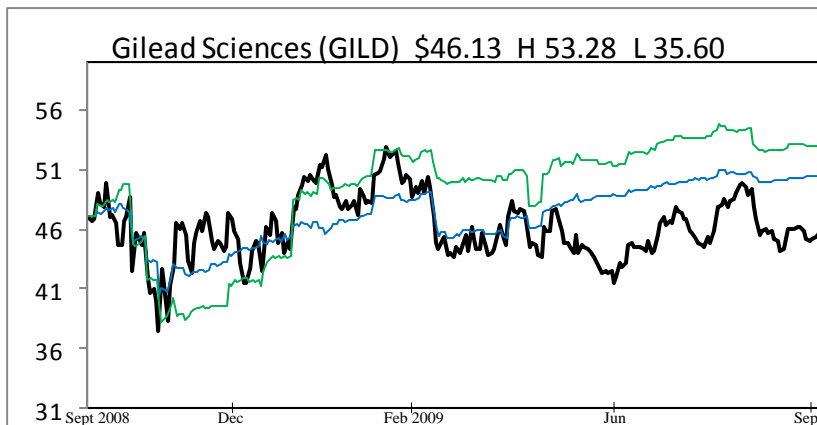
Another H1N1 player/non-player is flu test maker Quidel. Quidel posted a Q2 turnaround largely on the heels of strong international demand for its QuickVue A+B flu test. Ironically, Quidel's flu test does not specifically detect the H1N1 virus, unlike large lab competitors Lab Corp. and Quest.

Inovio Biomedical (INO) \$2.04 H 3.40 L 0.15

Long struggling Inovio jumped on the H1N1 bandwagon last month after publishing results of an animal study showing 100% protection of its vaccine against H1N1. Inovio quickly followed with a \$30 million offering despite a vaccine remaining a long way out.

SciClone Pharm. (SCLN) \$4.97 H 5.33 L 0.63

Profitable SciClone, maker of Ziadaxin to treat Hep B in China is working on a flu vaccine for the Chinese and overseas markets. Accumulation at SciClone is the best of the group.



CALIFORNIA SMART MONEY BUYING

As a prelude to this section, we highlight the companies showing exceptional or more illustrative examples of so-called Smart Money buying.

AMN Healthcare (AHS) \$9.49

Despite a 36% plunge in 2Q09 revenue to \$199.1 million, leading travel nurse staffer AMN offered a ray of sunshine with expectations that Q3 revenue would fall by only 15%. Hospital spending has been a key concern among healthcare companies since early 2008 although it appears budgets are beginning to loosen. While AMN nurse travelers dropped a shocking 49% to 3,661 in Q2, average revenue per traveler actually rose 1.6% and gross traveler profit climbed 3.5%. Institutions have begun nibbling.

Echelon (ELON) \$11.15

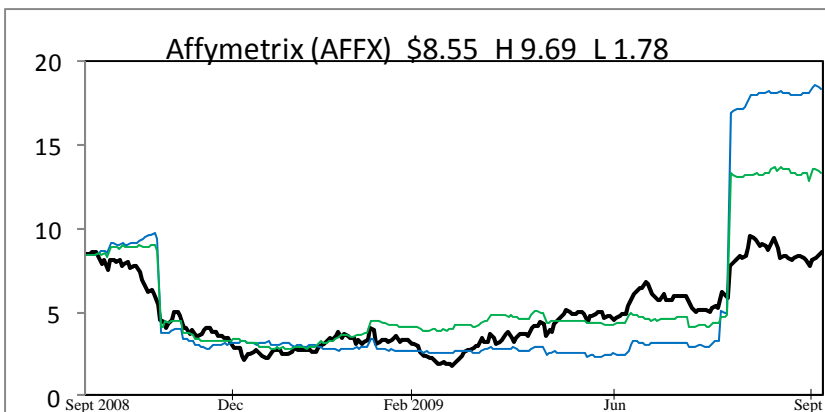
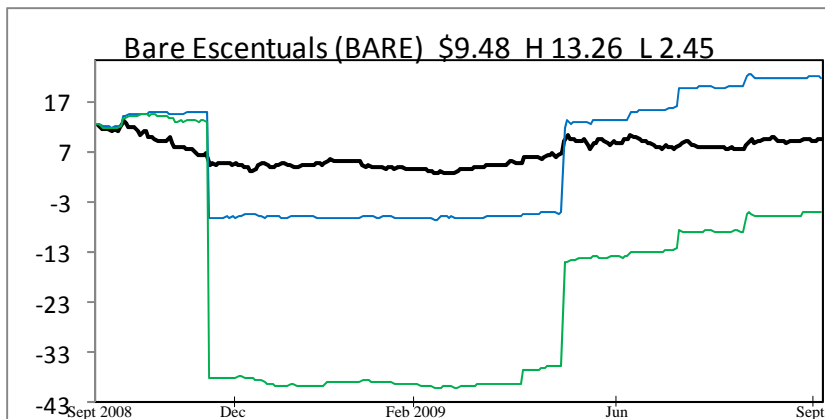
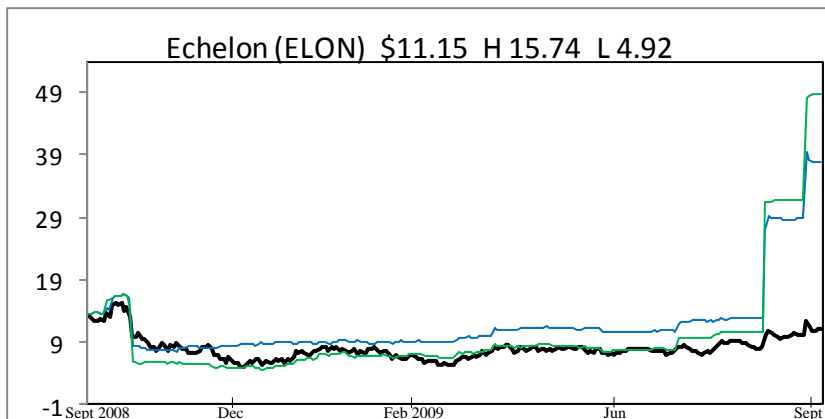
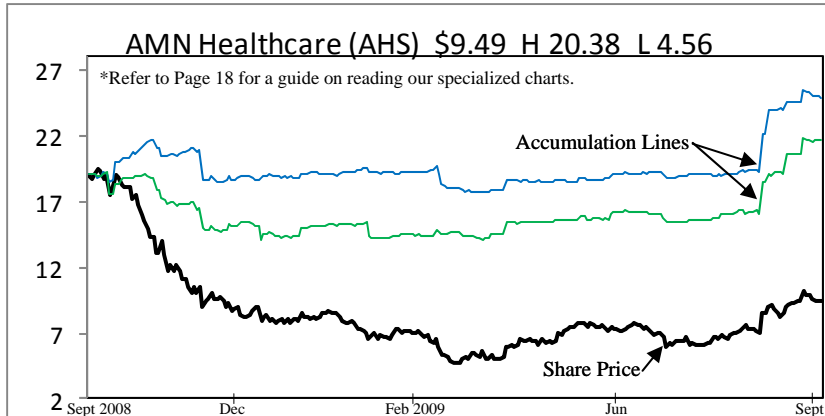
Shares of Echelon appear to be re-awakening. As we have highlighted many times in this report, Echelon is one of the purest plays of the so-called "green" opportunity as a provider of smart metering solutions to utilities and energy efficiency solutions for commercial buildings. U.S. customer Duke Energy announced that it has begun a long awaited rollout of Echelon meters to customers in Ohio. The news was followed by a separate win in Finland for 500,000 smart meters. Accumulation indicates higher prices ahead.

Bare Escentuals (BARE) \$9.48

Bare Escentuals is a maker of natural, high-end cosmetics under the BareMinerals brand name. We remain intrigued with the level of accumulation despite the decidedly tough market for high-end consumer goods. The company posted Q2 sales of \$132.5 million versus \$138.5 million last year largely on the opening of 42 new boutiques. The company posted Q2 EPS of \$0.21 versus \$0.28 and holds \$100 million in cash.

Affymetrix (AFFX) \$8.55

Affy remains a favorite turnaround candidate of ours as the genetic analysis company rebuilds squandered market share lost mainly to Illumina. Institutional accumulation is rebounding.



CALIFORNIA SMART MONEY BUYING

Nanometrics (NANO) \$8.15

Nanometrics shares are rocking! One of the most heavily accumulated stocks over the past month in California is benefitting mainly from improved Q2 results and Intel's "all clear" signal (see page 4). Nano makes metrology systems for chipmakers used to calibrate measurement through the chip fabrication process. 2Q09 revenue of \$14.5 million was up 44% from Q1 and gross margins improved to 41.4% from 28.3%. Nano reported that it is seeing an increased level of spending among its customers and forecasted further sequential sales gains in Q3.

Trident Micro (TRID) \$2.57

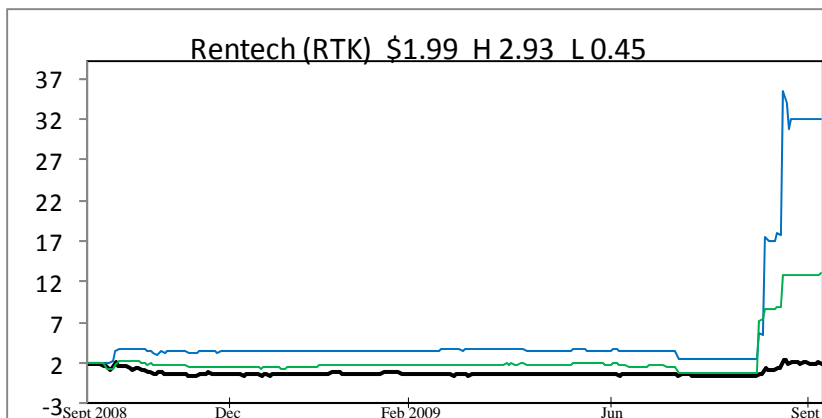
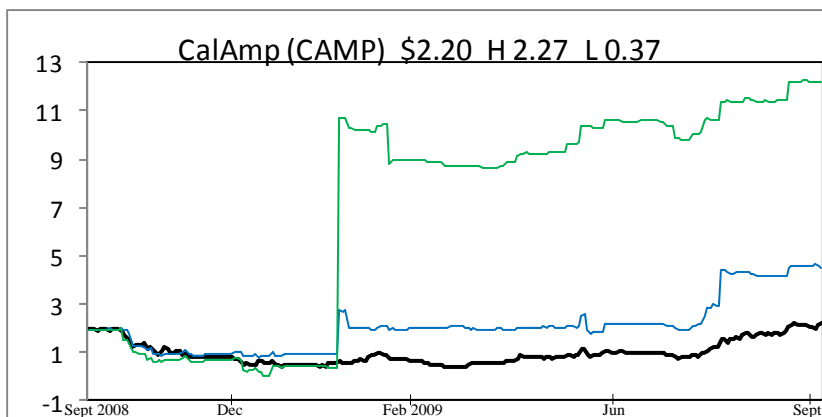
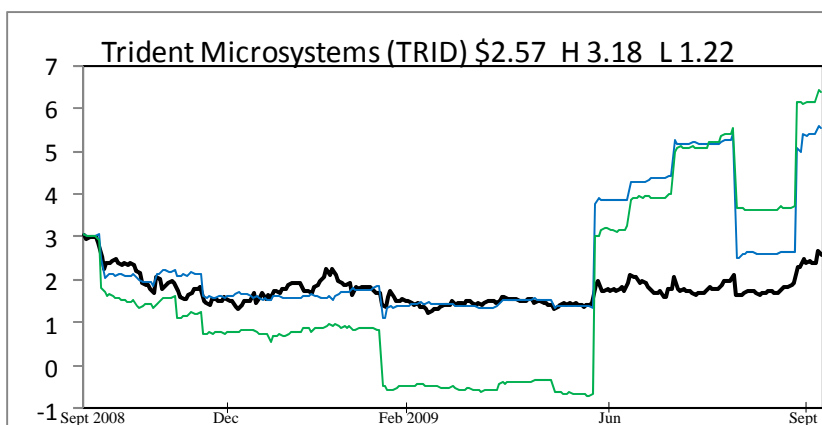
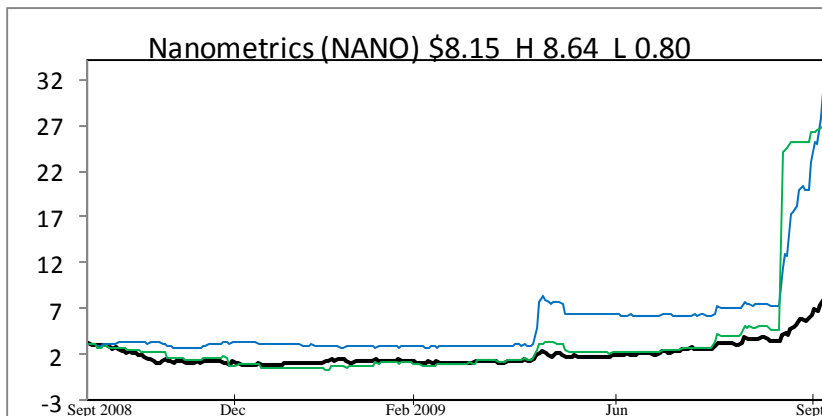
Shares of LCD chipmaker Trident are seeing interest as investors look for low priced stocks on hope of a sector recovery. Trident is a former high-flyer dealing with slumping demand.

CalAmp (CAMP) \$2.20

CalAmp appears to be on the comeback trail. The company was clobbered in 2007 after its largest customer EchoStar, operator of the Dish Network, stopped taking shipments of a CalAmp device used to capture TV programming signals transmitted from satellites due to flawed material from a supplier. Satellite revenue crashed from \$155.1 million in fiscal 2007 to \$26.3 million in fiscal 2009 leaving DirecTV as its only customer. The positive news is that Echo and CalAmp have identified and fixed the issue and shipments are once again ramping.

Rentech (RTK) \$1.99

Rentech shares took "flight" after the maker of synthetic diesel fuels derived from wood chips signed a multi-year contract to supply 1.5 million gallons of fuel to eight U.S. airlines including United and Southwest. The company also signed deals to supply diesel fuel for use in a new special military vehicle and for inclusion in a U.S. Air Force test program designed to obtain 50% of its fuel from alternative sources by 2016. As a caveat, Rentech continues to sell stock cheaply and has 193 million shares outstanding.



SEPTEMBER STOCK SELECTION

McClatchy Company

RECOMMENDATION

Our September selection is McClatchy Company, a speculative pick for risk tolerant investors.

McClatchy, an owner of 30 daily newspapers including the *Sacramento Bee*, *Forth Worth Star-Telegram* and *Miami Herald*, has seen its shares crash since 2007 on plummeting circulation, falling ad rates and a heavy debt load resulting from its ill-timed acquisition of Knight Ridder. After peaking in the mid-\$70s in 2005, McClatchy shares touched a low of \$0.35 in March 2009.

The company has been on the mend, however, aggressively lowering costs and boosting its online presence. In addition, slumping worldwide demand for newsprint has resulted in substantial newsprint cost savings. Its debt squeeze was relieved by a recent exchange offer that pushed out its earliest maturity into 2011. 2Q09 results saw EPS of \$0.30 and operating cash flow of \$92.4 million despite a 25% drop in revenue.

We believe McClatchy shares offer a tremendous risk/reward proposition to speculative investors. Signs of a bottoming economy, a significantly lowered cost structure, and positive cash flow all bode well for potential near and longer-term upside.

The McClatchy Company (NYSE-MNI)

Share Price	\$1.94	Market Cap (Mil)	\$162.2
52-Week High	\$4.90	Total Assets (Mil)	\$3,358.7
52-Week Low	\$0.35	Net Worth (Mil)	\$78.0
Dividend	-	Book Value/Share	\$0.93
Dividend Yield	-	Long-Term Debt (Mil)	\$1,966.6
PE Ratio	-	Cash & Equiv. (Mil)	\$4.8
Average Volume (000)	1,500,000	Enterprise Value (Mil)	\$2,130.0
Shares Outstanding (Mil)	83.6	EBITDA (Yr., Mil)	\$345.6
Short Interest	8.2%	Op. Cash Flow (Mil)	\$101.7
Insider Ownership	17.2%	Fiscal Year End	Dec. 31
Institutional Ownership	42.5%	Website:	mcclatchy.com

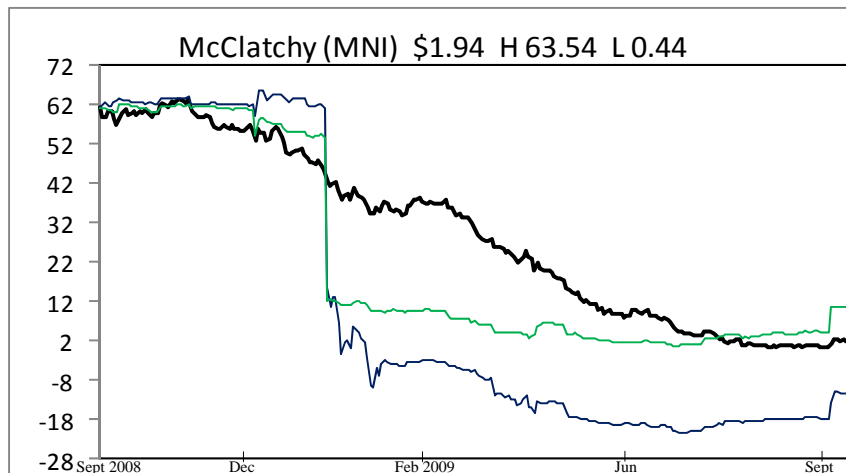
2100 "Q" Street, Sacramento, CA 95816 916-321-1846

OPPORTUNITY

McClatchy is one of many newspapers that fell on hard times due to the rise of the Internet as a medium for news, classifieds and public notices. The current economic downturn only added to industry misery as major media companies including the mighty *New York Times* seek to redefine their operating models. Others, such as the *Seattle Post Intelligencer* went as far as to cease print production on March 17 of this year.

McClatchy has little time to ponder its future. The \$6.5 billion acquisition of Knight Ridder in March 2006 came at the height of the market and forced the company's hand early in the economic downturn. The acquisition took the company's conservative balance sheet from \$109 million in debt to more than \$2.6 billion. McClatchy shares have fallen steadily from \$53 the day prior to the acquisition to a lowly \$0.35 earlier this year.

This forcing of the company's hand, however, may be the silver lining to the story. McClatchy has aggressively built its presence online, today accounting for 16.5% of total advertising revenue versus 11.8% in 2Q08. The company has reduced headcount by 30% helping to produce a 29.3% reduction in cash expenses in 2Q09. Industry tailwinds have also helped as a worldwide slump in newsprint demand has reduced newsprint prices by \$130 per ton over the past quarter. Each \$10 decline in newsprint lowers the company's expense load by \$2 million. Finally, a shrewd subscription price increase at 26 of McClatchy's 30 newspa-



SEPTEMBER STOCK SELECTION-Page 2

pers led to 5% gain in circulation revenue despite higher cancellations.

These improvements, combined with an omitted dividend, reduced CapEx, frozen pension plan, and debt exchange offer, have aided McClatchy in putting its financial house in order. In May, the company successfully exchanged varying amounts of existing debentures into cash and a new Senior Note with the earliest maturity now a \$166 million debenture due June 2011.

The company surprised analysts with 2Q09 EPS of \$0.30, \$0.38 ahead of estimates, and operating cash flow of \$92.4 million, a margin of 25.3% versus 21.2% in 2Q08. The company was also able to reduce debt by \$103.9 million in the quarter reaffirming that it was well within key bank leverage and interest coverage ratios despite speculation to the contrary.

We believe there is additional reason for optimism as an agreement to become part of **Yahoo's** new APT Consortium is helping to drive online advertising. The company also possesses the ability to sell assets including a 10-acre parking lot adjacent to the *Miami Herald* which is currently in escrow for \$190 million.

As a result of significantly lowered costs, current profitability, the successful extension of debt maturities, and minor signs of improvement in advertising during June and July of this year, we believe McClatchy shares have the potential for material upside. We believe further improvement in the economy will provide incremental upside as advertisers become more optimistic. We recommend McClatchy shares for speculative investors.

BUSINESS

McClatchy was founded during the California Gold Rush in 1857 and today owns 30 daily newspapers including the *Sacramento Bee*, *Miami Herald*, *Fort Worth Star-Telegram*, *Charlotte Observer*, *Kansas City Star*, and *Fresno Bee*, as well as 50 non-daily papers. In addition, the company owns 14.4% of Career Builder, the nation's largest online job site.

Revenue Growth (\$Mil)						
	2007	Change	2008	Change	2009	Change
Q1	566.6	-	488.3	(14%)	365.6	(25%)
Q2	580.0	-	489.7	(16%)	365.3	(25%)
Q3	540.3	-	451.6	(16%)	358.7E	
Q4	573.5	-	470.9	(18%)	389.2E	
Year	2,260.4	-	1,900.5	(16%)	1,482.8E	
EPS Growth						
	2007	Change	2008	Change	2009	Change
Q1	0.18	-	(0.01)	-	(0.28)	-
Q2	0.42	-	0.21	(50%)	0.30	43%
Q3	(16.40)	-	0.13	-	(0.03)E	
Q4	(17.46)	-	0.26	-	0.22E	
Year	(33.26)	-	0.59	-	(0.01)E	
Recent EPS Performance						
Quarter	Actual	Estimate	Difference			
Mar '08	0.30	(0.08)	+0.38			
Dec '07	(0.28)	(0.11)	-0.17			
Sept '07	0.26	0.27	-0.01			
Jun '07	0.13	0.09	+0.04			
Mar '07	0.21	0.21	-			
Dec '06	-	-	-			
Analyst Consensus Estimate Trends						
Period	Current Estimate	Aug	Jul	Jun	Sept 2008	
3Q09	(0.03)	(0.03)	(0.03)	(0.14)	0.12	
4Q09	0.22	0.22	0.22	0.15	0.36	
FY09	(0.01)	(0.01)	(0.04)	(0.35)	0.66	
FY10	(0.30)	(0.30)	(0.30)	(0.59)	0.68	

INITIAL PUBLIC OFFERINGS REVIEW

Recent IPO Performance

Ticker	Company	Current Price	IPO Price	IPO Date	Performance
PMT	PennyMac Mortgage	\$19.34	\$20.00	7/30/2009	-3.3%
OPEN	OpenTable	\$26.65	\$20.00	5/21/2009	33.3%
BPI	Bridgepoint Educatn.	\$15.57	\$10.50	4/15/2009	48.3%
ERII	Energy Recovery	\$5.25	\$8.50	7/1/2008	-38.2%
BEAT	CardioNet	\$7.28	\$18.00	3/19/2008	-59.6%
V	Visa	\$70.36	\$44.00	3/18/2008	59.9%
ARST	ArcSight	\$21.97	\$9.00	2/14/2008	144.1%
IPCM	IPC-The Hospitalist	\$28.70	\$16.00	1/25/2008	79.4%
N	NetSuite	\$13.52	\$26.00	12/20/2007	-48.0%
ENTR	Entropic Comm.	\$2.98	\$6.00	12/7/2007	-50.3%
SFSF	SuccessFactors	\$12.03	\$10.00	11/20/2007	20.3%
PAR	3PAR	\$9.03	\$14.00	11/16/2007	-35.5%
INET	Internet Brands	\$7.31	\$8.00	11/16/2007	-8.6%
ENSG	Ensign Group	\$13.99	\$16.00	11/9/2007	-12.6%
ARYX	ARYx Therapeutics	\$3.40	\$10.00	11/7/2007	-66.0%

California IPO News

California saw its third IPO of the year on July 30, 2009 with the launch of **PennyMac Mortgage**.

PennyMac was formed last year by union of major fund investors BlackRock and Highfields Capital and is one of a large handful of companies slated to hit the public market to purchase distressed residential mortgage loans and related assets. Both firms own a substantial portion of PennyMac and will also draw operating management fees. A key positive from the IPO of PennyMac and the several others to come, such as **Colony** and **Western Asset** listed on the following page, are the growing signs of liquidity for distressed paper which should have a beneficial impact on overall mortgage liquidity. That is the hope at least...

In times of distressed markets high quality IPOs are typically the first out of the shoot. Such is the case with fresh fruit giant **Dole Foods**. The company is seeking to raise \$500 million in what should be a well received offering. **Mirion** and **Fortinet** are two other tech companies that will carry a more muted outlook from us upon their IPO.

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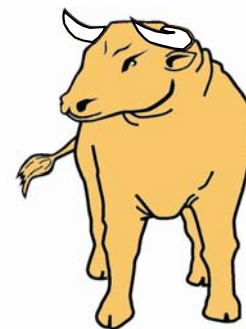
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INITIAL PUBLIC OFFERINGS REVIEW

Recent IPO Filings						
Proposed Ticker	Company	Filing Date	Rating (1-5)	Offering Size (\$mil)	Business	HQ
DOLE	>Dole Food	8/14/2009	2	\$500.0	Food-Fresh fruit	Westlake Village
MION	>Mirion Technologies	8/13/2009	3	\$100.0	Radiation detection	San Ramon
-	>Fortinet	8/10/2009	3	\$100.0	Network security	Sunnyvale
-	>Colony Financial	6/30/2009	3	\$500.0	REIT-Commercial Loans	Los Angeles
WMC	>Western Asset Mortgage	6/12/2009	3	\$500.0	REIT-CMBS, RMBS	Pasadena
THER	TherOx	9/4/2008	RW	\$100.0	Medical Devices-Heart	Irvine
CHR	CapitalSource Health.	8/6/2008	2	\$345.0	REIT-Healthcare	Westlake Village
TAT	Dr. Tattoff	8/5/2008	RW	\$8.0	Tattoo Removal	Beverly Hills
AGMX	AutoGenomics	7/25/2008	4	\$86.3	Medical-Genetic Testing	Carlsbad
MTPK	Metropark USA	6/13/2008	3	\$100.0	Retail Apparel	City of Industry
-	Acclarent	6/6/2008	RW	\$86.3	Medical Device-Sinus	Menlo Park
NXTG	NextG Networks	6/5/2008	RW	\$150.0	Distributed Antenna Sys.	San Jose
NXSN	Nexsan	4/25/2008	3	\$80.5	SATA-Based Disk Storage	Woodland Hills
EPOC	Epocrates	4/17/2008	RW	\$75.0	Software: Medical	San Mateo
CDXS	Codexis	4/14/2008	RW	\$100.0	Biofuels	Redwood City
FLDM	Fluidigm	4/14/2008	RW	\$86.3	Genetic Analysis	South San Francisco
ZGNX	Zogenix	3/20/2008	RW	\$86.3	Specialty Pharma-Pain	San Diego
CRTM	Current Media	1/28/2008	RW	\$100.0	Media-Current TV	San Francisco
PHMX	Phenomix	1/25/2008	RW	\$86.3	Pharma	San Diego
BHTX	Bayhill Therapeutics	1/9/2008	RW	\$86.3	Biotechnology	Palo Alto
SRSE	Source Photonics	12/26/2007	RW	\$130.0	Optical Networking	Chatsworth
ANDA	ANDA Networks	12/21/2007	RW	\$86.3	Network Equipment	Sunnyvale
-	Prometheus Labs	12/19/2007	4	\$100.0	Pharma-GI	San Diego
DNGR	Danger	12/19/2007	RW	\$100.0	Software: PDA/Web	Palo Alto
DTWO	Digital Domain	12/12/2007	3	\$100.0	Film: Special Effects	Venice
CCXI	ChemoCentryx	11/9/2007	RW	\$57.5	Biotechnology	Mountain View
XDXI	XDx	10/23/2007	RW	\$86.3	Medical Testing	Brisbane

California's Golden Bulls



California Leading-Edge \$100,000 Growth Portfolio

Sym- bol	Company	Close Sept. 4	Monthly Change	Shares Owned	Purchase Price	Current Value	Gain/Loss	Business
AAPL	Apple	\$170.31	\$30.29	20	\$194.84	\$3,406.20	(\$490.60)	PC, iPod
ADBE	Adobe Systems	\$32.05	\$4.41	150	\$26.64	\$4,807.50	\$811.50	Design Software
AGN	Allergan	\$54.92	\$8.15	69	\$58.03	\$3,789.48	(\$214.59)	Pharmaceuticals
ARE	Alexandria R.E.	\$50.61	\$17.24	110	\$35.90	\$5,567.10	\$1,618.10	REIT
CRM	Salesforce.com	\$52.80	\$14.64	60	\$66.70	\$3,168.00	(\$834.00)	Software: CRM
CSCO	Cisco Systems	\$21.84	\$3.34	192	\$20.82	\$4,193.28	\$195.84	Networking Routers
DIS	Disney	\$25.90	\$3.06	166	\$24.13	\$4,299.40	\$293.82	Media/Theme Parks
ERTS	Electronic Arts	\$18.51	(\$2.89)	80	\$51.96	\$1,480.80	(\$2,676.00)	Video Game Software
GILD	Gilead Sciences	\$46.13	\$0.23	102	\$39.05	\$4,705.26	\$722.16	Biotechnology
GOOG	Google	\$461.30	\$52.81	6	\$685.19	\$2,767.80	(\$1,343.34)	Search, Adversting
HPQ	Hewlett-Packard	\$45.10	\$7.25	162	\$24.62	\$7,306.20	\$3,317.76	Printers, PCs
ISRG	Intuitive Surgical	\$227.41	\$68.70	18	\$270.00	\$4,093.38	(\$766.62)	Robotic Surgery
MCK	McKesson	\$56.13	\$13.01	65	\$63.91	\$3,648.45	(\$505.70)	Drug Distribution
NOC	Northrop Grumman	\$48.69	\$4.25	50	\$78.60	\$2,434.50	(\$1,495.50)	Defense, Shipbuilding
ORCL	Oracle	\$21.97	\$0.93	180	\$22.49	\$3,954.60	(\$93.60)	Business Software
OXY	Occidental Petroleum	\$72.73	\$9.45	76	\$52.20	\$5,527.48	\$1,560.28	Oil & Gas
QCOM	Qualcomm	\$45.72	\$1.04	101	\$39.48	\$4,617.72	\$630.24	CDMA Wireless Comm.
SCHW	Charles Schwab	\$18.10	\$1.32	298	\$13.41	\$5,393.80	\$1,397.62	Discount Brokerage
SPWRA	SunPower	\$26.07	(\$0.16)	30	\$127.72	\$782.10	(\$3,049.50)	Solar Cells
V	Visa	\$70.36	\$10.28	60	\$67.71	\$4,221.60	\$159.00	Credit Card Processing
VMW	VMware	\$36.31	\$8.07	50	\$84.60	\$1,815.50	(\$2,414.50)	Miniaturization Soft.
WFC	Wells Fargo	\$26.91	\$3.83	160	\$24.99	\$4,305.60	\$307.20	Banking
*Based on Initial Position Investment of \$4,000. Portfolio Inception: 8/1/2005						Total:	(\$2,870.43)	
Russell 3000 Return from August 1, 2005: (17.1%)				Overall Portfolio Return:		(\$10,195.69)	(10.2%)	

CALIFORNIA'S GOLDEN BULLS

Shares of the California Golden Bulls performed well in August thanks to sizable gains in **Apple**, **Intuitive Surgical**, **Google**, **Alexandria Real Estate** and **Salesforce.com**. Technology continues to benefit from a more sanguine order outlook and positive news from chip leader **Intel**.

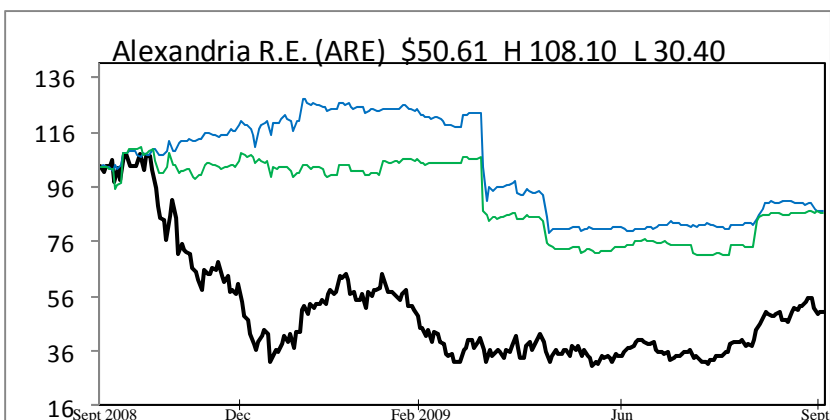
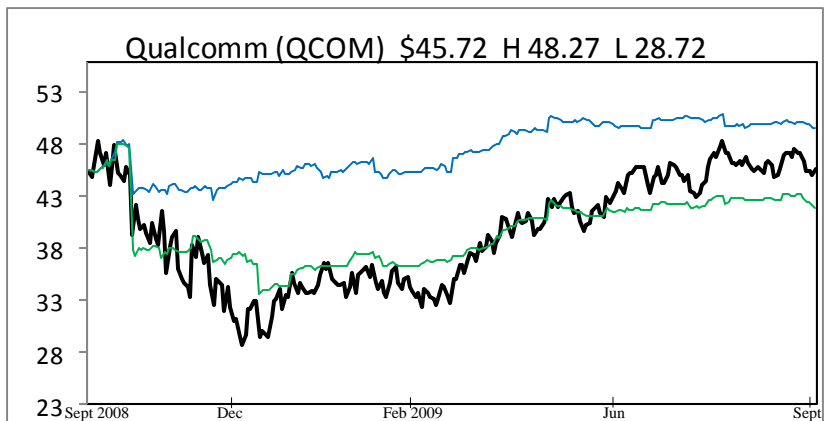
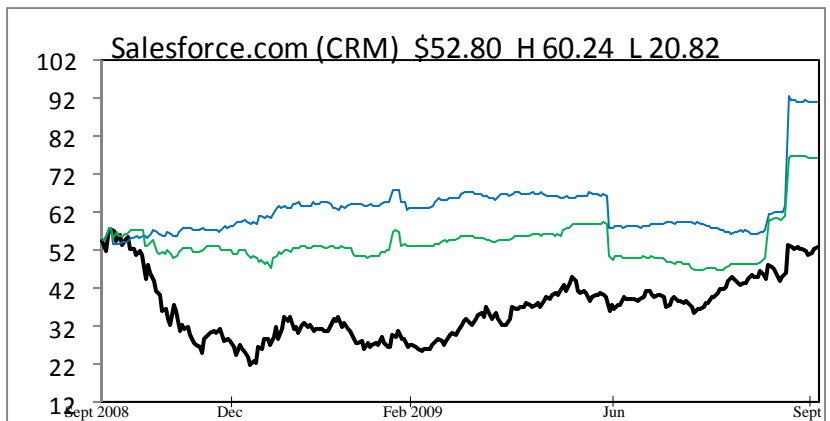
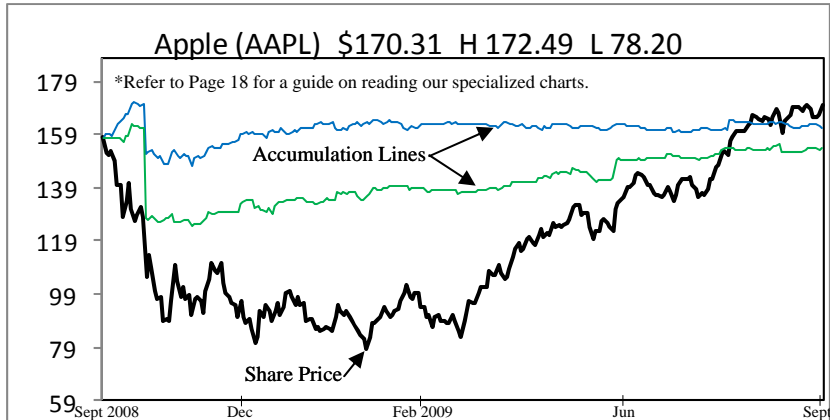
Heading into September we are implementing no changes to the portfolio although we continue to look at several potential additions including **eBay**, **AutoDesk** and **Dole Foods** upon IPO (see page 10).

Shares of Apple continue to lead the market paying little heed to those who complain that the consumer is dead. The fact is that consumers still seem to have plenty of room to buy the latest gadgets and the iPhone has picked up where the iPod left off. Competition, however, has begun to stiffen as Sprint teams with a resurgent **Palm** on its new Pre smartphone and Verizon aggressively pushes the RIM Blackberry. We may reevaluate our opinion if Apple reaches \$200.

Salesforce.com reaffirmed its position as the leading CRM software company as 2Q09 sales rose 20% to \$316.1 million. Though new signings were a bit disappointing the trend continues to indicate that Salesforce.com is the best way to play a rebound in business spending. Company shares jumped on the report and institutional investors have been piling on board.

One of our long-term favorites is **Qualcomm**. While the plunge in consumer spending has obviously hurt cell phones sales, Qualcomm is the best positioned company in the sector. Of four billion total cell phone users only 800 million are on the 3G standard indicating a strong demand cycle ahead. The company's SnapDragon 'Smartbook' Platform represents a new paradigm in mobile computing with all-day battery life and "always-on" connectivity.

Shares of REITs have finally come to life and we were fortuitous with the timing of our Alexandria recommendation. The leading REIT to the life sciences industry is seeing institutional buying once again.



Golden Bulls: Small Cap

California Aggressive \$100,000 Growth Portfolio



Sym- bol	Company	Close Sept. 4	Monthly Change	Shares Bought	Purchase Price	Current Value	Gain/ Loss	Business
ACM	Aecom	\$28.22	(\$1.46)	126	\$31.74	\$3,555.72	(\$443.52)	Engineering
ARNA	Arena Pharm.	\$4.74	(\$0.11)	640	\$6.28	\$3,033.60	(\$985.60)	Biotechnology
ARUN	Aruba Networks	\$8.85	\$0.66	285	\$17.50	\$2,522.25	(\$2,465.25)	Routers
AMD	Advanced Micro	\$4.53	\$0.75	880	\$4.54	\$3,986.40	(\$8.80)	Computer Chips
BEC	Beckman Coulter	\$69.01	\$13.49	55	\$71.88	\$3,795.55	(\$157.85)	Medical Testing
BIO	Bio-Rad Labs	\$87.20	\$13.79	50	\$78.78	\$4,360.00	\$421.00	Diagnostics
BPI	Bridgepoint Education	\$15.57	\$0.11	340	\$12.95	\$5,293.80	\$890.80	Online Education
CAVM	Cavium Networks	\$20.53	\$3.19	262	\$15.28	\$5,378.86	\$1,375.50	Networking chips
CLNE	Clean Energy Fuels	\$12.19	\$3.72	355	\$14.00	\$4,327.45	(\$642.55)	Natural Gas
CPN	Calpine	\$11.49	\$0.56	300	\$12.00	\$3,447.00	(\$153.00)	Utility
DLB	Dolby Labs	\$36.97	\$0.50	80	\$48.64	\$2,957.60	(\$933.60)	Sound Technology
ENTR	Entropic Comm.	\$2.98	\$0.63	1700	\$2.35	\$5,066.00	\$1,071.00	Home networking chips
EQIX	Equinix	\$83.91	\$12.48	40	\$98.62	\$3,356.40	(\$588.40)	Telecom Equipment
GHDX	Genomic Health	\$20.22	\$4.13	175	\$23.03	\$3,538.50	(\$491.75)	Cancer Screening
GPRO	-Gen-Probe	\$37.96	(\$3.58)	65	\$62.94	\$2,467.40	(\$1,623.70)	Blood Screening
ILMN	Illumina	\$35.96	\$2.50	140	\$29.78	\$5,034.40	\$865.20	Genetic Analysis
KFN	>KKR Financial	\$3.98	-	1,000	\$3.98	\$3,998.00	\$0.00	Residential Loans
LIFE	Life Technologies	\$45.79	\$5.53	88	\$45.69	\$4,029.52	\$8.80	Genetic Analysis
MFLX	M-Flex	\$28.58	\$8.33	200	\$20.06	\$5,716.00	\$1,704.00	Circuit Boards
MNI	>McClatchy Company	\$1.94	-	2,060	\$1.94	\$3,996.40	\$0.00	Newspapers
NUVA	NuVasive	\$39.19	(\$3.02)	265	\$18.89	\$10,385.35	\$5,379.50	Spinal Medical Devices
NVTL	Novatel	\$11.11	\$2.10	313	\$15.99	\$3,477.43	(\$1,527.44)	Wireless Connectivity
SANM	Sanmina	\$6.75	\$4.17	967	\$4.14	\$6,527.25	\$2,523.87	Printed Circuit Boards
SHOR	ShoreTel	\$6.51	(\$1.18)	275	\$18.10	\$1,790.25	(\$3,187.25)	IP Telecom
SFLY	Shutterfly	\$13.34	(\$0.16)	263	\$19.00	\$3,508.42	(\$1,488.58)	Internet Photography
SKH	-Skilled Healthcare	\$7.75	\$0.29	313	\$15.95	\$2,425.75	(\$2,566.60)	Long-Term Care
VAR	Varian Medical	\$42.90	\$9.40	75	\$52.17	\$3,217.50	(\$695.25)	Cancer Therapy
*Based on Initial Position Investment of \$5,000. Portfolio Inception: 12/1/2005						Total:	(\$3,719.47)	
Russell 2000 Return from December 1, 2005: (17.3%)					Overall Portfolio Return:	(\$12,370.47)	(12.4%)	

GOLDEN BULLS: SMALL CAP GROWTH

Members of the Small Cap Golden Bulls surged past the Russell 2000 in August. Small cap stocks have come to life as speculative money begins to pour back into the market. We are closing out a couple of names during the month and adding monthly selection **McClatchy**.

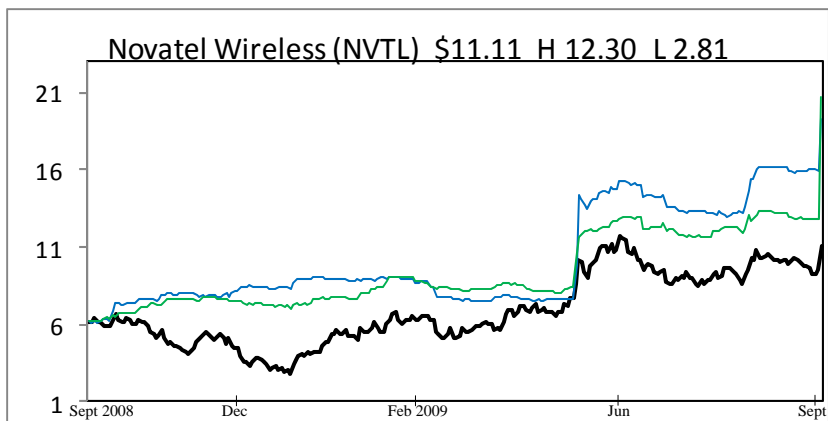
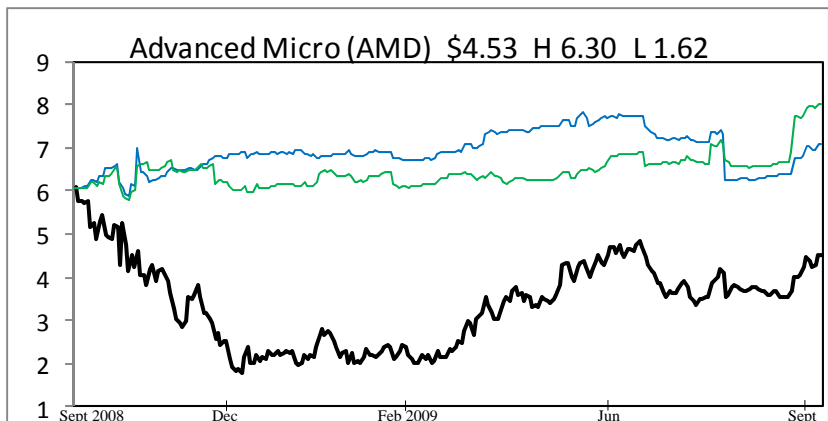
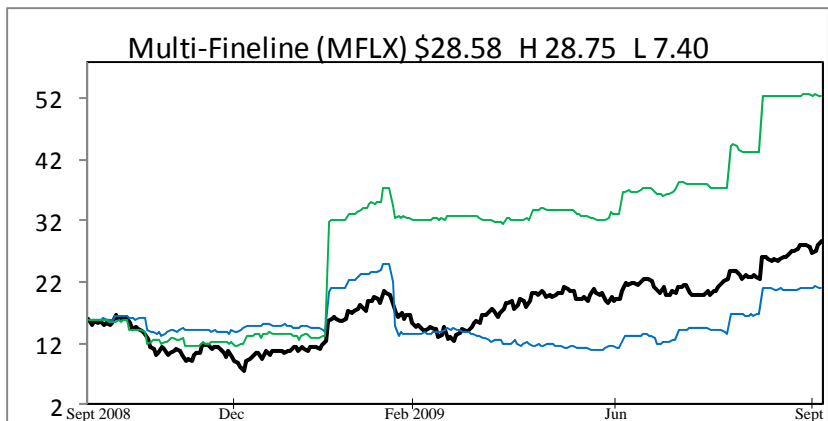
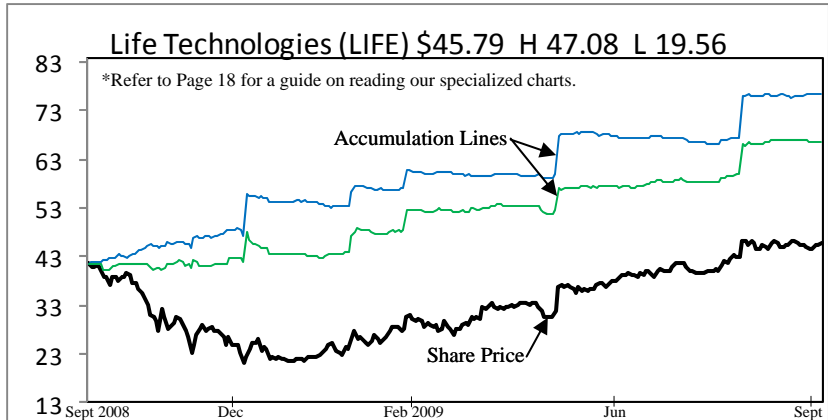
Among portfolio changes, we are closing our positions in **Gen-Probe** and **Skilled Healthcare** on lower results while adding the above mentioned McClatchy and residential mortgage loan investor **KKR Financial** on growing signs of a turnaround in business prospects.

Shares of **Life Technologies**, a provider of clinical research tools and reagents, continues to see solid accumulation. The company is in the midst of digesting another large acquisition, Applied Biosystems, and long-term synergies are expected to be substantial.

Smartphone demand continues to spark the shares of **Multi-Fineline**, a maker of flexible printed circuit boards used in cell phones. The company is a customer of **Apple** and several other market leaders such as Motorola and Sony Ericsson. The company reported EPS of \$0.46 in 3Q09 versus \$0.34 last year on a 4% gain in sales to \$174.5 million. The company is forecasting Q4 sales of \$190 to \$205 million.

A higher sales forecast from **Intel** has shifted all eyes to battered and bruised chipmaker **AMD**. AMD remains late to the party in declaring improvement but analysts are wasting little time issuing upgrades. As we head to print Barclay's raised its rating to overweight as we see fresh signs of accumulation.

Novatel Wireless, a maker of wireless modems and other mobile communications devices topped Q2 expectations and provided strong Q3 guidance on \$100 million in new MiFi orders. MiFi (mobile WiFi) is a new class of 3G device available from Verizon and Sprint that employs Novatel's Intelligent Mobile Hotspot allowing Internet access for up to five devices within a given area.



California's Golden Bears

California Stocks To Avoid



Symbol	Company	Close Sept. 4	Monthly Change	Shares Sold	Entry Price	Current Value	Gain/ Loss	Business
AMRB	>American River Bank	\$7.89	-	650	\$7.89	\$5,128.50	\$0.00	Regional Bank
CRDN	Ceradyne	\$18.64	\$1.37	70	\$72.11	\$1,304.80	\$3,742.90	Ceramic Armor
DWNFQ	Downey Financial	\$0.03	\$0.01	71	\$70.18	\$2.13	\$4,981.36	Savings & Loan
DSPG	-DSP Group	\$8.19	\$1.05	256	\$19.53	\$2,009.60	\$2,990.08	Wireless Chipsets
ESS	Essex Property Trust	\$72.13	\$12.92	43	\$117.00	\$3,101.59	\$1,929.41	REIT-Apartment
FAF	First American	\$32.41	\$6.43	101	\$49.58	\$3,273.41	\$1,734.17	Title Insurance
GES	Guess?	\$34.47	\$9.81	130	\$38.00	\$4,481.10	\$458.90	Apparel
GPRO	>Gen-Probe	\$37.74	-	130	\$37.74	\$4,906.20	\$0.00	Blood Testing
GYMB	Gymboree	\$45.20	\$10.92	170	\$30.01	\$7,684.00	(\$2,582.30)	Children's Retailer
IDMCQ	IndyMac Bancorp	\$0.07	\$0.04	170	\$29.56	\$11.90	\$5,020.10	Savings & Loan
MNI	-McClatchy	\$1.94	\$1.27	122	\$40.97	\$220.82	\$4,777.52	Newspapers
MOH	Molina Healthcare	\$20.74	(\$2.71)	151	\$33.15	\$3,131.74	\$1,873.91	Managed Health.
NFLX	Netflix	\$40.95	\$1.03	202	\$24.81	\$8,271.90	(\$3,260.28)	Movie Rentals
RHI	Robert Half Intl.	\$26.10	\$4.75	165	\$30.45	\$4,306.50	\$717.75	Staffing
SWY	>Safeway	\$19.57	-	255	\$19.57	\$4,982.70	\$0.00	Supermarket
SSD	Simpson Manu.	\$25.06	\$4.31	163	\$30.65	\$4,084.78	\$911.17	Building Materials
*Based on Initial Position Investment of \$5,000. Portfolio Inception: 12/1/2005						Total:	\$23,287.18	
Russell 3000 Return from January 5, 2007:			(27.3%)	Overall Portfolio Return:		\$34,521.77	+34.5%	

CALIFORNIA'S GOLDEN BEARS

Golden Bears members performed slightly better than the overall market in August though depressed stocks received a lift from bargain hunters, particularly in retail. We are expanding the portfolio by one member in August by adding three new companies and closing out two positions. Overall, however, we remain underinvested as the rising market lifts virtually all ships.

Among new additions this month is **American River Bank**, the Sacramento-based regional bank reported a second quarter loss as non-performing loans climbed to 5.2% from 1.5% at the end of 2008. **Safeway** continues to see margin deterioration on aggressive competitor pricing and **Gen-Probe** results underwhelm the market.

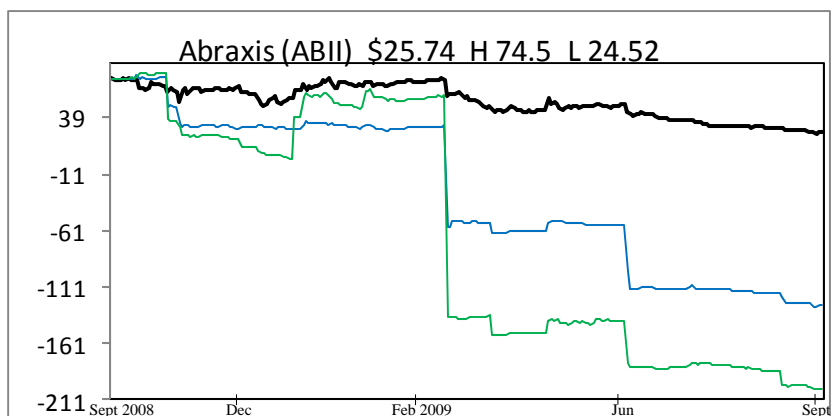
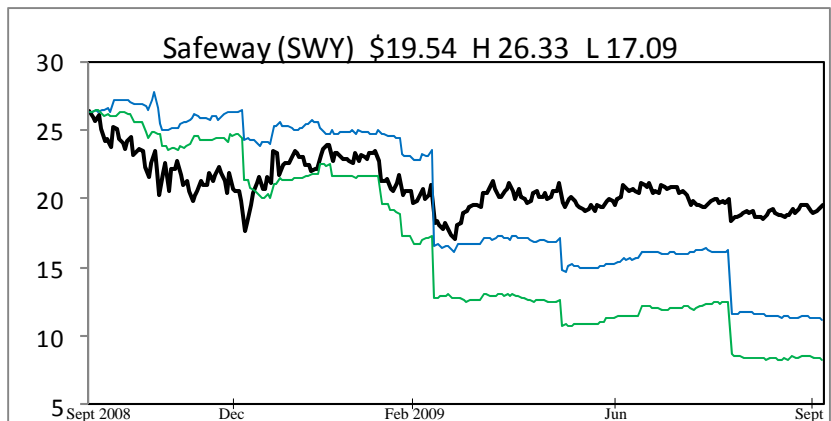
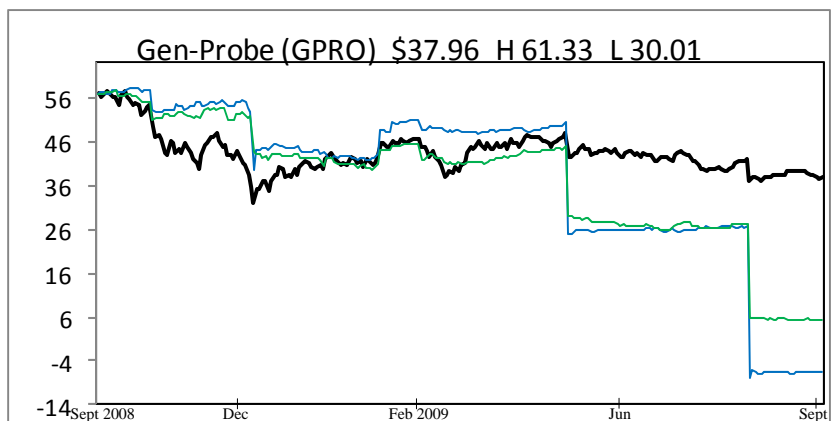
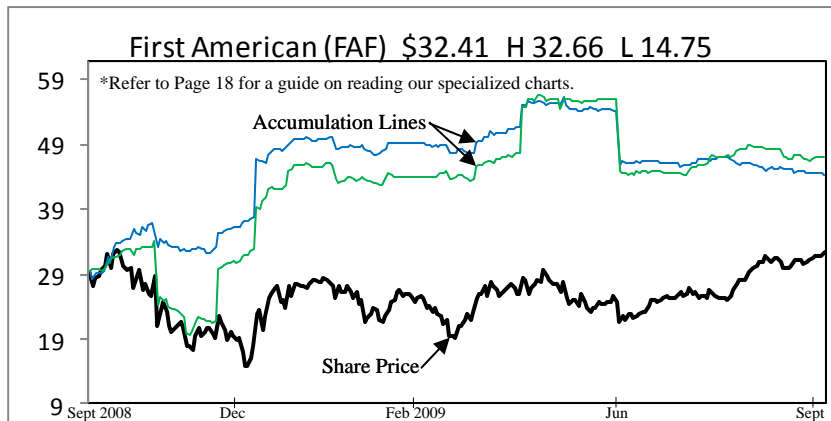
We are closing positions in **McClatchy**, discussed on page 7 and **DSP Group**.

Shares of title insurer **First American Financial** are gaining steam on hopes of a turnaround in residential real estate. Despite a tripling of 2Q09 EPS over last year, revenue continues to decline and second half 2009 revenue is still expected to decline 10-15% from the first half. Accumulation remains muted and so does our opinion.

We are adding Gen-Probe this month despite a share price near 52-week lows. The company reported a 19% decline in Q2 blood screening revenue on lower sales to Chiron, a unit of Novartis. Gen-Probe's Q2 EPS fell to \$0.38 versus \$0.45 and we believe margins will continue to be pressured on sales declines.

Safeway continues to languish as price wars among supermarkets cut into razor thin margins. Safeway also faces a growing threat in the West from Walmart and its expansion into the lucrative Southern California market is adding to pricing pressure. Institutions continue to dump Safeway shares and we see this stock slumping further.

We are highlighting the massive institutional outflow in the shares of **Abraxis**, maker of the drug Abraxane. AstraZeneca ended its collaboration with the company and we'll look to see if these shares rally near-term.



Leedom Charts-The Core of Our Analysis

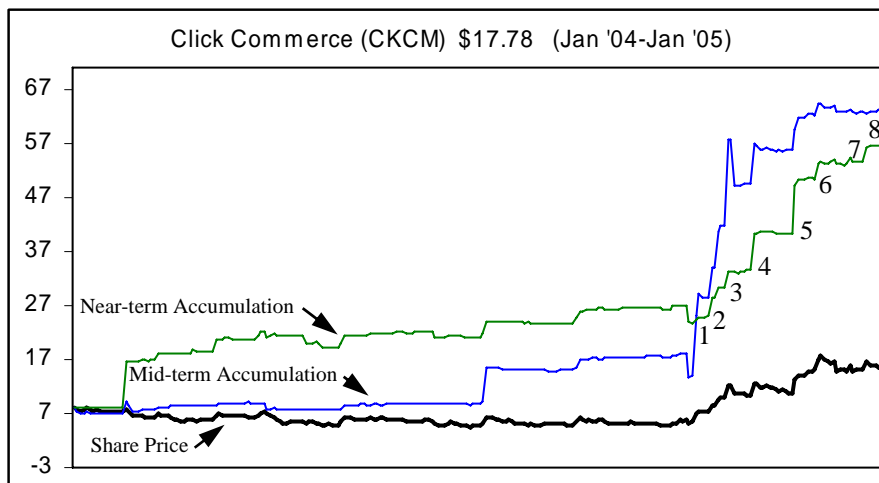
Leedom Charts

The *California Stock Report* uses a proprietary technique called Leedom Charts that detects secretive institutional buying and selling activity. Leedom Charts are produced using a proprietary algorithm developed in 1992 by Bud Leedom, a former fund manager and noted Wall Street analyst. The significance of Leedom Charts are their ability to provide investors with a unique thumbprint of institutional activity for any given stock. This information provides a rare glimpse into the “institutional thinking” that drives share prices which can be used to make timely buy and sell decisions.

The engine of the Leedom Chart is the creation of an analytical supply/demand equation for each stock. Institutionally driven imbalances create upward or downward “spikes” on the near-term and mid-term accumulation lines (points 1-10 on both charts). The magnitude indicates the degree of buying or selling pressure. Multiple positive spike activity indicates a pattern of institutional buying, with the opposite true during institutional selling.

Click Commerce Example

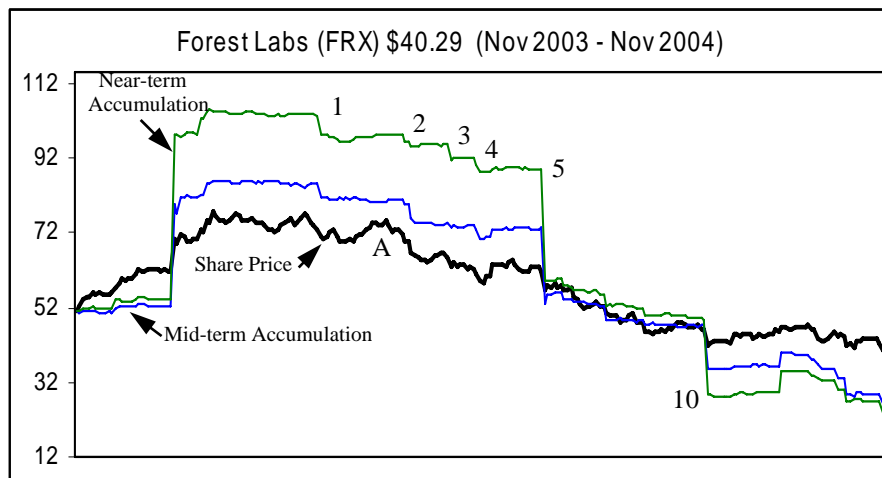
The Leedom Chart of Click Commerce (above) is a prime example of institutional accumulation. A stock under accumulation typically exhibits consistent, multiple upward spikes in accumulation even during intermittent periods of declining share prices. In this example, both the near-term



“green” accumulation line (shorter-term moving average of accumulation) and mid-term “blue” accumulation line (longer-term moving average of accumulation) confirm heavy buying of shares. The example provided above is a classic buy pattern that we seek to identify in this report.

Forest Labs Example

Forest Labs (below) is an example of consistent institutional selling over a period of nine months. In contrast to the example above, negative institutional activity is seen as multiple downward spikes on both the green and blue accumulation lines. Under Leedom Chart analysis, investors should look to avoid stocks with these downward spike patterns. A short sale position can be taken after an advance in share price against a flat or negative accumulation trend.



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