



Newmont Mining Since Richard O'Brien became CEO in 2007, we have seen improvements in management energy, discipline and execution at Newmont Mining. After removing its gold hedges in July, 2007, management has also worked to increase production and to lower costs. These improvements were reflected in third quarter earnings. Earnings per share rose 97.5% over a year ago, surprising on the upside by 43%. The company lowered its production cost per ounce of gold by 13% from a year ago to \$404 per ounce and sold their gold production at an average of \$964 an ounce. On November 10, the price per ounce was \$1,104. During the earnings call, CEO Richard O'Brien noted "We have an ongoing effort on business excellence and I'd say we're really just getting underway." The company announced that it expects gold production to rise by 5-10% in 2010. Newmont Mining is headquartered in Denver, Colorado and has U.S. operations in Nevada. Newmont was recently named to the Dow Jones Sustainability World Index for the third consecutive year due to its efforts in environmental and social responsibility.

IHS and New EPA Regulations Last month the Environmental Protection Agency finalized new greenhouse gas reporting requirements for 2010. Facilities that emit the equivalent of 25,000 metric tons per year, or more, of carbon dioxide will be required to measure the emissions in 2010 and report them in early 2011. The EPA estimates that the reporting will capture approximately 85% of the greenhouse gas emissions in the U.S., representing approximately 10,000 facilities. IHS Inc, headquartered in Englewood, Colorado, provides a corporate carbon dioxide auditing and reporting service.

Microchip Technologies Avoids Layoffs and Gains Market Share During Microchip's earnings call on November 4, management released their internal earnings estimates for 2010 because they believed that Wall Street analysts were underestimating the company's earnings power for next year. Management noted that the company did not lay off a single worker during the downturn and instead shared pay cuts and unpaid time off. Management believes this process allowed the company to extend the best level of service to their customers during the downturn and recovery, and allowed them to pick up market share. CEO Steve Sanghi noted on the call that Microchip is currently able to fill customer orders in four to six weeks. Companies that laid off workers and are now trying to rehire and train them are taking 14 to 26 weeks to fill customer orders. Inventory levels reached a seven year low at the end of September. Free cash flow for the quarter was \$97 million on revenues of \$227 million. The dividend was increased for the 25th time in seven years. At \$26 a share, the stock yields 5.21%

RightNow Technologies Adds Social Capabilities to 'In the Cloud' Customer Service In September, RightNow completed its acquisition of HiveLive, an enterprise-class social platform provider. RightNow wanted to add the innovative social platform of HiveLive, with its potential for customer support, engagement, loyalty and idea generation communities, to RightNow's on-demand customer relationship management (CRM) solution. "In the cloud" refers to services based on the Internet. In their third quarter earnings call, RightNow also noted that Gartner had recognized RNOW as a leader in e-services. Five of RNOW's clients were also recognized for customer service excellence.

Rockies Pricing for Natural Gas Improves Historically, a lack of pipeline capacity out of the Rockies has resulted in Rocky Mountain area producers selling their natural gas below Henry Hub or National pricing. This differential has been as high as \$7 per million cubic feet of gas over the past few years. More

recently, as drillers have focused on new gas fields in Appalachia such as the Marcellus shale, or the Haynesville shale in Texas and Louisiana, production in the Rocky Mountain Region has moderated to the point that there is now adequate pipeline capacity coming out of the region. New pipeline capacity is also coming on line over the next few years. Bill Barrett noted that they have not shut down any production due to the strength of pricing in the Rockies. They also noted that drilling and completion costs are down significantly and lower costs will likely improve profitability in 2010.

Spectranetics Waits For FDA Response During the last week of September, Spectranetics submitted a 510(K) application to the FDA seeking clearance to treat in-stent restenosis in the leg with their next generation above-the-knee laser device for clearing blood vessels, the Turbo-Tandem, expected to be launched in early 2010. In-stent restenosis occurs when a stent is placed in a blood vessel to open it, and the blood vessel becomes blocked again. Published data suggest that somewhere between 20-70% of stents fill up within 12 months. Approximately 150,000 stents a year are placed in legs. There is currently no approved treatment for in-stent restenosis in the legs.

Mobile Mini Positioned for Improving Economy During this economic downturn, Mobile Mini has been improving and refining its business model. Mobile Mini already has a differentiated door and locking system for its storage units. The company has also been working to 1) improve its Internet-based advertising, 2) improve sales efficiency and sales tools, 3) implement a Lean6Sigma program throughout the organization, 4) continue logistics improvement with hand-held information systems, 5) leverage procurement across the organization, and 6) sell off non-core assets. At the end of the third quarter, only 56.9% of their storage units were being utilized. In this cycle, earnings leverage will come from the productivity improvements as well as higher utilization of storage units.

Cimarex Producing from Prolific Field In their Yegua/Cook Mountain play in southeast Texas, Cimarex has opened two major wells over the past few months. In July, their 100% owned Two Sisters well produced 25 million cubic feet of gas and 2,500 barrels of oil per day, and is still producing at that rate. A second 100% owned well produced 22 million cubic feet of natural gas and 1,700 barrels of oil per day. The company is working to delineate the field with further drilling. Although the company had slowed drilling this year, they noted on their third quarter conference call that they were resuming normal drilling since drilling costs have fallen enough to make returns reasonable on a number of their prospective projects.

National Institute of Health Awards 559 Grants in Rocky Mountain Region As part of the American Recovery and Reinvestment Act of 2009, the National Institute of Health will award approximately \$5 billion in research grants. So far, the Rocky Mountain Region has been awarded 559 grants to 52 different organizations. By state, the grants include the following:

<u>State</u>	<u># of Awards</u>	<u># of Organizations</u>	<u>Most Grants</u>
Arizona	101	9	University of AZ (58)
Colorado	200	13	University of CO (146)
Idaho	13	4	University of ID (8)
Montana	40	5	University of MT (23)
New Mexico	70	11	University of NM (45)
Nevada	15	3	University of NV (12)
Utah	114	5	University of UT (95)
Wyoming	6	2	University of WY (5)
TOTAL	559	52	

In Arizona, organizations receiving grants included the Mayo Clinic and the International Genomics Consortium. The International Genomics Consortium in Phoenix received a grant that involves studying the genetic roots of cancer as part of a Cancer Genome Atlas project. The University of Arizona received the most grants in the state.

MDC Holdings Benefits from Homebuilding Industry Stimulus On November 6, President Obama signed into law a \$24 billion stimulus bill that 1) extends the \$8,000 tax credit for first time home buyers until April, 2010, 2) provides a \$6,500 credit for repeat home buyers, and 3) allows companies that have lost money in 2008 or 2009 to obtain refunds on taxes paid for the past five years. On September 30, MDC Holdings had an \$86 million net operating loss carry forward which it will be able to recapture as a tax refund sometime during the first quarter. During the company's third quarter earnings call, management noted that 1) year over year orders improved for the second quarter in a row, 2) the company acquired 1,300 new lots in the quarter, and 3) the company is pursuing a new strategy to optimize margins. The company is building homes up to the drywall stage and then allows the homebuyer to personalize the home with their selections.

Memory Prices Up 84% Off December Lows The DRAM memory price index through November 10 is up 84% from its December 2008 lows. Strength in DRAM pricing is helping memory makers such as Micron. Strength in DRAM pricing is coming from 1) adoption of Windows 7 and increased memory requirements for the software, 2) increased usage of smart phones, and 3) some slowing in memory capacity additions due to global capital constraints. A number of corporations have announced that they will adopt Windows 7 and are purchasing new PC's.

JDA Software To Acquire i2 Technologies Over time, Scottsdale, Arizona based JDA Software has built a leading supply chain management company. The Phoenix area has significant supply chain management expertise with near-by Arizona State University ranked #3 at the graduate level and #4 at the undergraduate level by U.S. News and World Report. Originally a retail supply chain company, JDA acquired Manugistics in 2006. Manugistics had expertise in helping companies sync their supply chains and manage revenue. i2 has expertise in manufacturing which will allow JDA to offer an integrated end-to-end supply chain product from raw materials through manufacturing through distribution through retail to the customer. JDA expects the acquisition to be accretive in 2010.

Myriad Pharmaceuticals Announces Positive Results in Drug Studies Myriad Pharmaceuticals (MYRX), which was spun off from Myriad Genetics on June 12, has announced several positive results for products under development. In one study, Azixa (MPC-6827), an anti-cancer compound, reduced the growth of glioma brain tumor cells in mice by 98%. Azixa is a small molecule microtubule destabilizing agent. In another study bevirimat dimeglumine (MPC-4326) reduced the HIV virus blood level by more than 20 fold on average and by as much as 50 fold in the patients who had not been previously treated for HIV and who received the highest dose of the drug. This is a new type of drug that prevents the virus from developing into a form capable of infecting other healthy cells. It is called a maturation inhibitor. The company also announced the identification of a new IND (Investigational New Drug) that inhibits the protein kinase IKK epsilon. IKK epsilon has been identified as a central regulator of chronic inflammation and diabetes.

Forbes Announces 200 Best Small Companies of 2009 In October, Forbes Magazine released its list of the 200 Best Small Companies of 2009. Four companies from the September 30 holdings of Aquila Rocky Mountain Equity Fund made the list. They included:

<u>Company</u>	<u>Sales</u>	<u>Location</u>
Dynamic Materials	\$199 million	Boulder, Colorado
Knight Transportation	577 million	Phoenix, Arizona
Rocky Mountain Chocolate	28 million	Durango, Colorado
JDA Software	387 million	Scottsdale, Arizona

Knight Transportation made the list for the fifteenth year in a row and is the only company to have made the list for 15 consecutive years. Knight is known for its logistics and is building three new businesses around its core trucking business. The new businesses include 1) a trucking brokerage business, 2) a refrigerated trucking business, and 3) an intermodal port services business. The company is working to raise its overall return on assets with the three new businesses. Knight has also recently been awarded an Environmental Excellence Award from the EPA SmartWay Transport Partnership. Dynamic Materials

Aquila Investment Management LLC

For investment professional use only. Not to be shown or distributed to the general public.

provides proprietary clad metal using explosives and shock synthesis for specialty products in the hydrocarbon, chemical, power generation and petrochemical businesses. Even though the company only has revenues of \$199 million, over 60% of the company's sales are outside North America. In September the company received a \$15 million order for explosion-welded plates to be used to manufacture equipment in the Gorgon natural gas project located off Australia's northwest coast.

Barbara S. Walchli, CFA

November 2009

For investment professional use only. Not to be shown or distributed to the general public.

Information contained herein has been obtained from sources we consider reliable, but its accuracy is not guaranteed. Any opinions expressed are based on our interpretation of data available to Aquila Investment Management LLC and are subject to change at any time without notice. This report is for informational purposes only and is not intended as an offer or solicitation for the purchase or sale of a security. The Officers, Directors and Employees of Aquila Investment Management LLC, as well as certain of its Investment Companies or Investment Advisory Accounts, may own the Securities being reviewed or recommended in this report. Aquila Investment Management LLC and others associated with it may from time to time have long or short positions and effect transactions in the securities of companies mentioned in this report.