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The Goldman Guide

Inside this issue:

Self-destruction

Whether it is arrogance, an underserved high sense of self-worth, or a holier than thou attitude, we seem to be destined to metaphorically destroy ourselves. Politics is full of morons who think they are smarter and better than the rest of us lemmings. History is replete with examples. We were reminded of that this week with the start of the trial of former U.S. Presidential candidate John Edwards and the big mouth attached to that of political advisor/talking head Hilary Rosen.

Edwards is on trial for campaign finance charges related to his extra-curricular activities with a woman not his wife and getting supporters to pony up hundreds of thousands of dollars to keep the broad quiet and happy. Rosen now famously commented that Presidential candidate Mitt Romney's wife, a stay-at-home mother of five, never worked a day in her life.

In both cases, these people felt that they were smarter and better equipped than you or I to say or do whatever they wished.

In sports, the head football coach at the University of Arkansas was fired for hiring his mistress on the payroll. The CEO at Best Buy (NYSE—BBY) is also gone after reports of inappropriate behavior.

Although we can't short people like we can stocks, when companies emulate these self-destructive behaviors, they usually go one way. Down.

In the past we slammed the IPO of Groupon (NASDAQ—GRPN) for its ridiculous accounting methods and after recent financial restatement news I am sure that we haven't heard the last of this situation.

Now we have Google (NASDAQ—GOOG) that has announced that its co-founders, who took the company public with different classes of stock (full voting and fewer voting rights) have proposed that GOOG issue new shares without diluting their ownership stakes. It is crazy to read that the 2 co-founders and the Chairman own 2/3 of the voting power and new shares that will be issued will have zero voting power.

That is the antithesis of corporate governance. It is taking a ***p on shareholders, frankly. We have the right to own it but no say in anything. If you're cool with that, great, but many institutions are not.

Key Takeaways

⇒ Market sucks. These are the only stocks that will go up in this environment

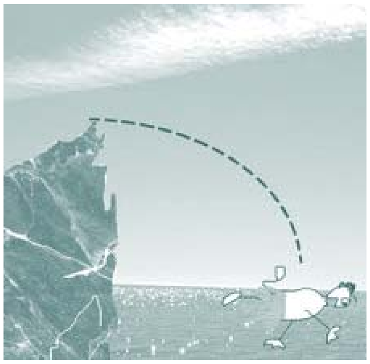
⇒ Google's numbers not so good and their share proposal worse.

⇒ Apple finally sells off

⇒ We are in the 3rd or 4th inning of short term correction

Self-destruction (cont'd)

This proposed measure will surely pass muster but it may cause some big holders to reduce their positions in the stock. Separately, the stock got crushed after some of the metrics and growth statistics were below forecasts and could portend that growth has hit a near term high. These metrics, such as the cost per click (sold) dropped with the product/service mix. We note that YTD GOOG is down over 3%.



Apple, the market stalwart only dropped 4.5% for the week but it might as well have been falling off a cliff for some investors.

Speaking of crushed, that is what happened to the market last week. Weak employment numbers, poor earnings reports, and news that China's growth has been revised lower have spooked investors. Apple (AAPL) really took it on the chin, dropping 4.5% for the week. Of course, this is after two analysts suggested AAPL could soon hit $1,000 or reach a trillion dollar market cap. I wonder if we will look back and say that was the recent high…

After the worst week for the market this year (down 2%), the major indices are now down from 4-6% from their YTD highs, and have even dropped further when accounting for intra-day trading. We believe that are in the 3rd or 4th inning of a classic bull market correction, and much of the declines have occurred in the past 2 weeks.

We continue to look at the future performance of stocks based upon valuation rather than other factors. Once first quarter results are mostly in during the next 4 weeks, we will have a better handle on earnings growth, and thus valuation. Armed with this information, and what will likely be following a sustained drop in the market to the 10% level from 2012 highs, the second half should be pretty bright for investors.

Key Statistics

Index	Close	YTD
DJIA	12,850	6.0%
S&P 500	1370	9.6%
NASDAQ	3011	15.6%
Russell 2K	796	7.9%

(figures are rounded)

The Only Stocks That Go Up in Corrections

Unfortunately, small stocks have taken the brunt of the hit these past two weeks. The Russell 2000 Index has dropped 6.1% during this time. We still struggle with low volumes as investors are either risk-averse or unwilling to commit new money in this space, which is needed to jump-start a sustained rally in our view.

So, here is a tip worth its weight in gold. The only stocks that will move higher near term are those with recently increasing volume, and whose shares are trading above recent moving averages. **Find 'em, buy 'em and trade 'em.** With no conviction out there just buy the stocks under visible accumulation. The others are just also-rans.

GSCR Select Research: Name Change to Protect the Innocent

Name changes can be a sleight of hand. Companies that have blown up or are on the verge of breaking down may engage in a cursory transaction to give the appearance of real change at the business level and then introduce a new name to re-position the stock and attract new investors that would not be jaded by the new name. It is akin to the saying: You can put perfume on a pig, but it is still a pig.

In other cases, a name change could spark a renewed interest in a stock, if positioned correctly. Quepasa Corp. (NYSEAMEX – QPSA - $3.88) is changing its name and its stock symbol in the next few months and we think it could create a resurgence in the stock. QPSA is known as a social networking and social media platform company. It owns major Web properties including the Latin-oriented Quepasa and U.S.-targeted myyearbook.com.

New name and re-branding make this stock more likely to succeed now than before.

However, since its name does not accurately reflect its operations and standing as one of the leading social networking firms in the world, it is changing its name to MeetMe and its symbol to MEET, this summer. Interestingly, QPSA is the #1 social network in the U.S. to meet new people and has nearly 3 billion page views per month. Plus, it has 78 million registered users worldwide and is the #1 social app on the Android mobile platform.

The unification of the businesses under one brand helps draw a line in the sand in an effort to become the leading platform to meet new people versus sharing info and communicating with friends and family, such as Facebook. The name MeetMe certainly is more likely to succeed than via the current names which bifurcates the identity of the firm as a whole.

For 2011, the Company generated nearly $37 million in revenue, which in our view is a fraction of what it could be given the reach and web traffic. Clearly, management hopes to be able to better monetize its platform via the re-branding.

Buy now and sell in the summer as the stock price peak may coincide with the re-branding.

Long-term success is difficult to handicap prior to the re-launch. However, we believe that at the least, an opportunity exists to buy the stock at a low price in the spring and perhaps sell most of the position much higher in the summer, as the interest in the stock is likely to reach its peak after the re-branding occurs.

Until next week…

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