

ONTHEMARK INVESTING CLUB LLC MINUTES OF MAY 9, 2012

The monthly meeting of the ONTHEMARK Investing Club took place via web cast on May 9th, 2012 at 7:00 p.m. Members present were: Linda Bates, Mark Bates, Mike Bates, Sue Bates, Kevin Boggs, Tony Kern, Joe Kipp, Roger Kobel, Mike McCarl, Dan Miley, Cindy Spyhalski and Ed Spyhalski. Absent were Bill Lupone, Pavel Matskevich, and Steve Newsome.

Welcome

Mark Bates welcomed everyone to the meeting and the roll was taken.

Review of Last Meeting

Dan Miley asked if anyone had any changes to the minutes from the last meeting. He moved that the minutes be approved as written and Joe Kipp seconded the motion. The motion was unanimously approved.

Treasurer's Report

Mark reviewed the financial reports. He reported that ORLY sold at \$95.0201 for a 22% gain. CELG sold on 5/1 at \$74.77 for an 11% gain. Thus far the club has made a profit on every sale except for one. The club is up 11.67% TTD whereas the market over the same time period is up 9.27%. Mark asked if there were any questions on the financial reports. No questions were asked.

Market Overview

Mark reported that the market closed at \$1370 on 4/11/12 and today it closed at \$1354. The market is moving in a tight range. He stated that per his proprietary model, there are 190 more S&P sells than buys. Each day the number of SELL recommendations from the model is increasing. He stated that the broad market looks weak and feels that the market is set to go down. He said that he is poised to take a lighter position in the market by 50%. Mark ended his overview with a quote that he read. "Everybody makes money in a rising market. Those who are really smart make money in a falling market."

Existing Investments

Nothing to report.

Security Analysis

QCOR – Mike Bates explained that Questcor Pharmaceuticals produces a drug called Acthar. It is the only product they market. This injectable drug is used to treat multiple sclerosis, infantile spasm and nephrotic syndrome along with 16 other uses approved by the FDA. The company's focus is on finding new uses for their existing drug as opposed to developing new drugs. Mike explained that the company currently markets to a narrow but growing segment. The risks to purchasing this stock include failed clinical trial results for new applications, and shipment interruptions. Since it is a very small company, the stock is volatile. On the plus side the company is profitable, debt free and cash flow positive. And since the product is hormone-based, it is hard to replicate. Mike is intrigued by the fact that the company is run like a commercial entity instead of a research firm. Joe Kipp asked about legal challenges over adverse reactions. Mike said he couldn't answer that but did explain that this type of medication has a better chance of working with the body than a synthetic medication. Mike McCarl inquired about production risks if demand goes up. Mike said that they use pigs to get their source cells, which was less complex than other methods. Linda Bates expressed concern about the cost of the product. Mike stated that if Obamacare gets passed it would hurt the company. The more the government controls prices, the more it will hurt profits. Dan Miley recapped that it was a 60 year old peptide that had no active competition today. Mike said that there was a Chinese company that was trying to duplicate the peptide. However, for another company to compete it would have to develop the peptide and go through clinical trials. Since this product focuses on a very small portion of the market, it may not be that profitable for another company to get into. Dan asked Mark if he had a technical analysis on the stock. Mark stated that it is very volatile. It was down 4% for the day but after hours it went right back up. If you look at the stock on a weekly basis, it has moved inside a perfect channel. Technically, it is a BUY. Mark moved that the club purchase QCOR. Dan seconded the motion and the motion was unanimously approved by those present. Mark moved that 200 shares be purchased which would represent approximately 1/7 of the portfolio, and that a 16% stoploss be set since the stock is volatile. Roger seconded the motion and the motion was unanimously approved by those present. Dan suggested a target price of \$102 based on intrinsic value. Roger asked Mike how he selected

QCOR to present. Mike said that he used a stock sorter on the TD Ameritrade site, searching on revenue growth and analysis ratings. He then scanned the resulting list for a stock that he could understand.

Next Meeting

Since this meeting ran long, Dan will discuss intrinsic value at the next meeting. Mark suggested that Dan also discuss calls and puts. Mark volunteered to make a presentation about an inverse ETF. The next meeting will be on Wednesday, June 13th, at 7:00 p.m. (Dan's Birthday!!!)

Respectfully submitted,

Linda Bates, Secretary

Attest:

Daniel L. Miley, President