

ONTHEMARK INVESTING CLUB LLC

MINUTES OF AUGUST 8, 2012

The monthly meeting of the ONTHEMARK Investing Club took place via web cast on August 8th, 2012 at 7:00 p.m. Members present were: Linda Bates, Mark Bates, Mike Bates, Sue Bates, Tony Kern, Joe Kipp, Roger Kobel, Mike McCarl, Dan Miley, and Ed Spyhalski. Absent were Kevin Boggs, Cindy Creasy, Tom Fitzgerald, Bill Lupone, Pavel Matskevich and Steve Newsome.

Welcome

Dan Miley welcomed everyone to the meeting and Mark Bates conducted the roll call.

Review of Last Meeting

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

Treasurer's Report

Linda Bates briefly reviewed the financial statements. There is currently \$179 in the petty cash fund. Club valuation is \$56,935.13 and the unit value is \$11.026. No questions were asked.

Market Overview

Mark stated that the market continues to move sideways to up inside of an intermediate term upward channel. It is in the same channel that it has been for the past several months. Short-term outlook has improved, as the technical model shows 7 more buys than sells among the stocks of the S&P500. Mark stated that the economic conditions in Europe are driving the market at this point. Otherwise, the volume has been very light. He continues to believe this is not a time to enter the market for the intermediate to long term.

Existing Investments

HFC – Mark felt the club should discuss what happened with HFC. The club waited to buy the stock at \$38.75, and then the stock dropped, hit the stoploss, and sold at \$34.59. Today the stock closed near its original buy price. Ed Spyhalski volunteered that it was a fluke. There was a fire at their Tucson refinery, which caused the stock to drop, but then it regained the losses and then some. Dan pointed out that there was also a general drop in the market during the timeframe. Since nothing has changed since the club discussed the stock last month, Dan recommended re-buying HFC at market price with an 8% stoploss. A vote was taken and those present unanimously voted to repurchase the stock.

Security Analysis

STZ – Linda introduced Constellation Brands, a leading wine marketer in the U.S. and Canada, and a wine producer and exporter of wines from Italy and New Zealand. In addition to wines, STZ has exclusive rights to market Modelo Brand beers, which includes Modelo, Pacific, Corona, and Tsingtao in the U.S. through their 50% ownership of Crown Imports. Constellation Brands is in the process of purchasing the remaining 50% of Crown Imports at a cost of \$1.85 billion. This purchase will be financed by issuing \$650 million in 10-year notes and by term loans. The acquisition is expected to occur by March 2013. The company has been in business since 1945. Charles Schwab rates it as an “A” with a strong outperform recommendation. Schwab also forecasts the next 5-year growth rate at 9.8%. Linda reviewed a 3-year average P/E analysis on the stock. Value investors use this type of analysis to determine a buy, hold and sell range. The method works well for older, established companies. It will not work with growth stocks. Based on the analysis, the current price of the stock (\$29.80) falls in the lower half of the “Buy” range. Linda pointed out that sales for the company have been declining over the past 5 years. However, the analysts that follow the stock are very positive about the Crown Imports acquisition. Dan stated that his evaluation of the intrinsic value of STZ showed it to be a buy. The club unanimously voted to purchase Constellation Brands. The club then voted on purchasing a full portion. The full portion was approved by a vote of 2617 units to 2245 units. The vote was as follows: Mark Bates – F, Mike Bates – F, S. Bates – F, L. Bates – H, K. Boggs (Proxy) – F, C. Creasy (Proxy) – H, T. Kern – F, J. Kipp – F, R. Kobel – F, B. Lupone – H, P. Matskevich – H, M McCarl – H, D. Miley – H, E. Spyhalski – H.

ENSG – Ensign Group provides skilled nursing, assisted living, home health, hospice services and rehabilitative services in their 107 facilities that are located mostly in western states. Schwab has the

company rated as a “B” with an outperform recommendation. Market Edge has it rated as a long since June 2012, and Reuters has it rated an outperform since July 2011. Schwab estimates this company’s five-year growth rate to be 13.3%. Linda reviewed her 5-year average P/E analysis on this stock, which showed it to be in the “Hold” range. However, this company is fairly young and still growing. She pointed out that the company overcame governmental decreases in Medicare rates by improving the level of reimbursements they receive, by increasing occupancy rates, and by growth in its sub-acute business. ENSG is continually looking for other health care facilities to acquire. The revenues have increased by mid to high teens year to year for the past 5 years, as has earnings per share. At the quarterly meeting held 8/1/2012, the company increased guidance projecting net income for the 2012 fiscal year from \$2.48 per share to \$2.56 per share. Dan did analysis on the intrinsic value of the company and feels that it is a good buy. He stated that he likes the business and thinks there is a lot of potential for growth. Dan moved that the club purchase ENSG. Those present unanimously voted to purchase a full allocation of ENSG. The club agreed to set the stoploss at 8% since the beta is low.

Annual Anniversary

Mark asked that Cindy Creasy send the “Big Winner” trophy directly to Mike Bates. He will forward Mike’s address to Cindy. Mark requested a picture of Mike with the trophy to post on the website.

Next Meeting

The next meeting will be held on Wednesday, September 12th, at 7:00 p.m. Tony Kern volunteered to make a stock presentation. Ed Spyhalski volunteered to present in October. Mark reminded members that their \$250 annual club dues should be paid by September 30th and that officer elections would take place during the next meeting. Please let one of the current officers know if you would be interested in a position.

Respectfully submitted,

Linda Bates, Secretary

Attest:

Daniel L. Miley, President