

APM Class Summary

April 2, 2007

For this class period we had two things scheduled. The first was Kent McCarthy did a call in and the second was the CFO and the Chief Accounting Officer of NIC Inc. came to class.

For the Kent McCarthy call in we had to be up to date especially on LSB as well as with all of our other holdings in the portfolio. To start out Kent talked to us about how important it was to be watching LSB's margin numbers which are greatly affected by the price of ammonium nitrate. Margins for the El Dorado plant in the last 8 weeks have been between 43 and 53 which are very good compared to previous years and we are hoping that they will stay like this in the weeks to come. After speaking about this with Kent he had each group look at their 2007 and 2008 EBITDA estimates before and after the conference call and give some reasons why they decided on their changed numbers. Every group in the class had increased their EBITDA estimates based off of this conference call and the increases were rather significant. Some of the reasons were because of the backlog and the exceptional 2006 numbers that were better than everyone expected. Finally Kent finished by saying that we need to begin thinking about when we may think a good time get out of our position in LSB would be and then gave us his ideas about this issue.

The second part of class consisted of a presentation by two NIC executives, Eric Bur and Steve Kovzan. This presentation started by them giving us a background of how NIC makes their money and why they have such a great business. Basically NIC has a portal system that they use to get into long-term contract with state governments and then they collect a fee from the end users for certain transactions. NIC has proven over the years that they can dominate the eGovernment portal market by creating efficiencies for businesses and citizens along with increasing state revenues and helping states save money. NIC mainly focuses on state-regulated industries where the more regulation there is the more money that they can possibly make, but their main source of income comes from DMV records. After covering these issues they finished up by going over a few key metrics. NIC only has to have a moderate capital investment to begin with and can payback within 12 months. Their revenues and margins are secured by long-term contracts with margins generally in the range of 45-50%. Finally they believe that they can achieve their target of doubling their population served to 122 million people (40% of the US population) by 2010.