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Dear Clients,

With more fan fare than the results of a presidential election, I suspect that you may have heard about Steve Jobs taking a medical leave to do something about his health. I can only imagine what specific issues he is dealing with this time.

His medical leave should not come as a surprise. He was diagnosed with pancreatic cancer in 2004. From my understanding of cancer, specifically cancer involving the endocrine system, the word "normal" can be thrown out the window. Nothing is normal, no normal protocols, no normal treatments, no normal expectations for recovery, no normal expectations for recurrence, just no "normal". With this illness, we just have to wait and see. We know that Steve made huge changes to his diet and has been keeping a very (VERY) close eye on his health indicators. So we know that Steve is doing his part in trying to stay healthy.

We also know that he had a liver transplant in 2009. Wow! First the pancreas, then the liver. Those are pretty serious organs. You don't have to be a doctor to know that Steve has major health issues. The investment community also knows this. The fact that Apple has a serious executive team led by Tim Cook is also not a secret. Mr. Cook is a pretty serious competitor and has been running the company in a large way since 2004 when Steve took his first medical leave, then again in 2009 when Steve had the liver transplant.

Do I know if Steve will come back? Absolutely not. I don't have any idea. Does that make me want to sell our stock today? I will tell you that when I first read about this over the weekend, my emotions were telling me to sell. However, as I reflected on the company, their cash flow, earnings, products, the balance sheet, and the fact that the quarterly earnings release is scheduled for today at 5 PM, I thought it best to stick with the plan as it stands and keep the stock for now. Looking at the value of the shares in relationship to the earnings/cash flow of the company, the shares are STILL UNDERVALUED.

They won't be that way forever, and I do expect to sell the shares when the share price reflects fair value in light of the amount of money the company makes. For my analysis, as it stands today, I would sell at \$400. The stock price has been lagging the earnings over the past few years because Apple's earnings really started to take off right when the rest of the economy went into the gutter (late 2007 early 2008). So Apple went a full year where their earnings were setting company records and the share price was headed downward (from \$200 in late 2007 to \$78 in late 2008). During that time of declining share price, the earnings continued to grow, and grow fast. So the stock price has had some catching up to do and as of today, the stock price is closer to fair value than it has been in the past couple of years.

Let's see what earnings tell us today and then take it from there. I will update you again later this week after I have had a chance to go through the quarterly reports.

Apple's stock price looks like it is going to finish the day at about \$341.

Best Regards,

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