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Dear Clients,

As you should already know, Steve Jobs finally lost his fight with pancreatic cancer. This was not unexpected. After multiple leaves of absence and resigning from his role as CEO earlier this year, the rest of the team at Apple is already somewhat accustomed to life without Steve. Steve was already the "former CEO" before his death.

I am not inclined to sell the shares we still own. I didn't make that decision yesterday afternoon, last night, or this morning; this decision has been in the making for the last couple of years. Here's a quick parallel:

Steve became the CEO and Chairman of Pixar in the late 1980's and was the CEO when Pixar released films such as Toy Story, Toy Story 2, Finding Nemo, The Incredibles, Cars, etc. He sold Pixar to Disney in 2006. Disney and Pixar appear to be doing quite well since "Steve left the building" at Pixar. It is odd to me that Steve doesn't get all the credit for Pixar's success from the media while the media paints Apple as a one man show in many cases. His role at both companies was the same, CEO. Do you think he was a completely different person when he walked into Pixar's offices as opposed to Apple's? My point is this: Steve's real knack was putting together great teams of very creative people and building a company's culture that valued going for the big things while obsessing over the smallest details. If you have ever carefully watched a Pixar movie for the little details or looked inside a Mac computer you will know what I am talking about.

I think it would be much different if he had died suddenly and unexpectedly. In that case, the proverbial rug would have been pulled from under the company. However, we have known this was coming for several years. Steve, certainly more than anyone, knew it was coming. That is precisely why he worked so hard to get the best leaders in the world to come work with him at Apple. If we thought he was careful and meticulous in helping craft the products that Apple released, how much more careful would he be with the selection of people that would be tasked with carrying on his legacy and keeping the Apple culture two steps ahead of competition.

My reaction would be much different if Steve had been fired or asked to leave the company. To me, if he was fired or asked to leave, that would have signaled a significant rift inside the company. That is not what happened, so it is a mute point, but I wanted to make the distinction between reasons for departure and subsequent interpretation.

Products can be copied. No sweat. Can another company make an iPad to the exact specs? Yes. Easily. Samsung has become pretty good at copying Apple products and has found itself in court all over the world for patent infringement. Nevertheless, it is very easy to copy an existing design. However, what sets Apple apart from every other consumer products company (besides its balance sheet), is the culture of the company. Culture can't be copied; it has to be grown, cultivated, and purposefully established. It is the culture of Apple, the culture that Steve worked so hard to groom, that makes me want to continue to be an owner of the company. Besides that, the stock is still cheap with respect to how much cash the company generates, there is \$76 Billion of cash in the corporate bank account and no debt (and Apple is just starting to scratch the surface in China.)

I remain committed to my plan of selling the shares when mathematics tell me that the share price is fairly valued or over valued. Alternatively, if I see evidence that the culture of Apple is changing or if the company takes on debt, those signals would raise serious questions and would prompt a sale. As of now, I am compelled to hold the shares we still own.

By the way, I wanted to wait until the market opened "the day after" before actually sending this out so I could also let you know what was happening to the stock: As of 9:46 AM, the stock is down about \$2 per share which is equivalent to 0.4%. For as volatile as Apple stock can be, that is relatively tame.

Thank you for your time in allowing me to convey my thoughts.

Best Regards,

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