

Southeastern Michigan Better Investing Model Club Meeting Minutes

Date: Saturday, June 19, 2010
Start Time: 10:05am
Completion Time: 12:03pm
Location: 711 W. 13 Mile Road, Madison Heights, MI 48071
 Teleconference via GoTo Meeting
Next Meeting: Saturday, July 17, 2010

Agenda Items

1. Call to Order and Presiding Partner's Opening Remarks (Joe Bowen, Curt Cormier)

- Summer party being hosted at Curt Cormier's house again this year. Details:
 July 24, 2010 2pm to 7pm
 30992 Country Ridge Circle, Farmington Hills, MI
- BKE stop loss executed on July 7, stock sold.
- Sell possibilities: MSFT.
- Buy recommendations: STRA, AFL, ORCL.

Members in Attendance (Denoted by X):

Name	In Person	GTM	Name	In Person	GTM
Jim Barrett		X	Chris Hock	X	
Bob Birdsall	X		Chris Johnson	X	
Jane Bellaver	X		Chris Rolls	X	
Debra Brown			Sudip Suvedi		X
Joe Bowen	X		Cliff Trent	X	
Ralph Congdon			Bev Versele	X	
Curt Cormier			Theresa Walny		X
Paul Danis			Rita Williams	X	
Len Douglass	X				
Bill Gordon	X				

2. Treasurer's Report (Len Douglass)

Financials Update (as of 06/19/2010)

- Securities Total \$ 71,789.37
- Cash on Hand (Broker) \$ 2058.12
- Portfolio Value \$ 73,847.49
- Unit Value \$ 13.012526
- Funds Available to Invest \$ 3150

3. Education

- NOTE, recent software update to TK6 allows entering both 5 years of forecasted EPS and Sales estimates on Page 1 of the SSG. Very nice feature to graphically understand how forecasted data fits with historical and prospective growth rate estimates. Minor bug, when saving an SSG in .ITK format it loses the Sales forecasts numbers. Chris Rolls will contact I-Club with issue.
- FolioInvesting answers:
 - How do we handle withdrawing partners?
 - Each member can open an account for free as long as it is left unfunded. If we choose to transfer stock to a withdrawing member (with open Folio account), the transfer fee is \$5 per stock. Withdrawing member would incur \$4 to \$10 transaction fee (depending on window or market order) to then sell the stock and take cash / close account. Withdrawing member could then close the Folio account without fee.
 - Treasurer must make sure to let Folio know stock is being transferred to a member account associated with our Model Club.
 - What are the effects on the Bivio account Sync?
 - Laurie (Bivio COO) told Chris Rolls that account sync will consolidate all account transactions and holdings into a single report, same format as we currently use.
 - What are the experiences of other clubs?
 - Over 200 clubs have switched. The few that Chris Rolls was able to discuss with at BINC 2010, said things were fine but most hadn't switched for long enough period to have long term view.

4. Stock Watch List Report (Jim Barrett)

- Jim Barrett discussed some updates to the Stock Wish List. Updated list posted to “Watch List” directory on Bivio.

5. Stock Watcher Reports

- Specific stock watcher reports were skipped in lieu of detailed review of other SSGs. Some stocks that may be of interest are for study are: NE, UPL, XOM, MDU, AJG, TWGP, FNFG, AFL, PX, APD, MON, BHP, APEI, STRA, LKQX, TNDM, RRST.

Company	Watcher	Recommendation	Comments
AFAM	Len D	HOLD	BI Brighton recently sold. EPS forecasts for remainder of this FY and next FY are poor. Study for possible SELL.
AFL	Deb B		Increased competition in Japan and exposure of investments to European banks has impacted stock price per Morningstar (Chris Rolls).
CSCO	Chris J	HOLD	Expect new SSG for next month.
DHR	Chris R	HOLD	SSG updated and reviewed this meeting.
ECL	Rita W	HOLD	
FCN	Bill G	HOLD	
FDS	Curt C		
INFY	Ralph C		
MSFT	Paul D		
PH	Joe B	HOLD	
PETS	Chris H	HOLD	Stock price impacted by increased competition as Walmart is selling some of same products at lower prices. Also, advertising rates have increased (Chris Rolls).
QSII	Curt C		

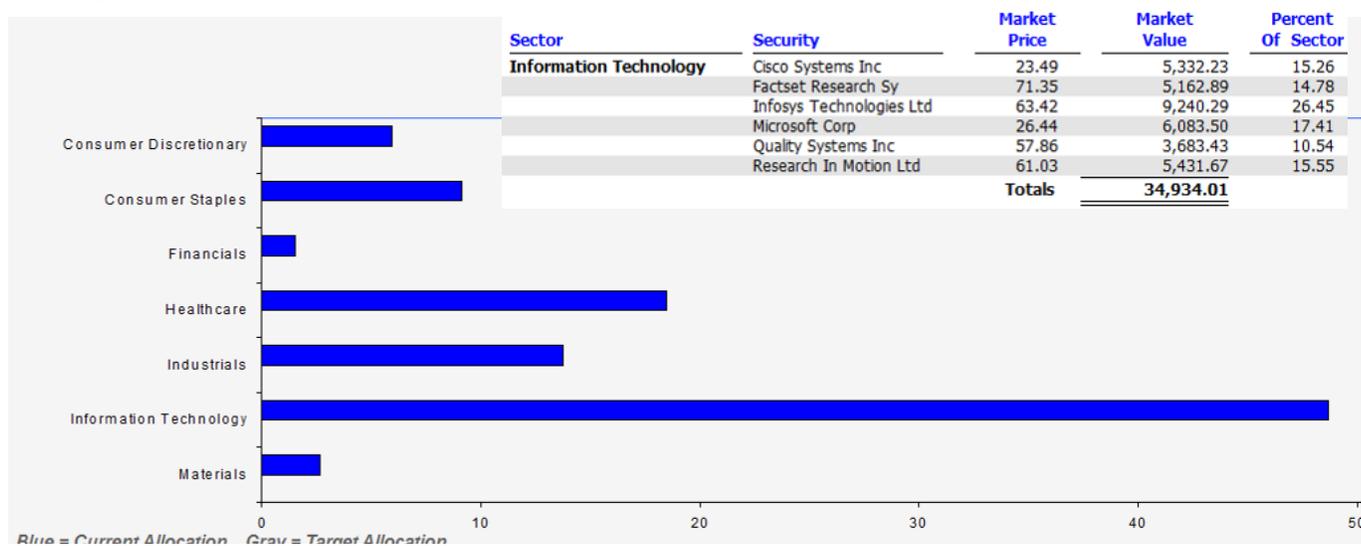
RIMM	Bev V	HOLD	Missed Analysts EPS estimates by \$0.01.
SYK	Jim B	HOLD	
SYU	Chris J	HOLD	
TEVA	Cliff T	HOLD	At BINC, Scott Horsburgh conveyed that TEVA has a branded drug coming off patent soon without clear high margin replacement. Also, last Qtr organic growth rate was negative. Stock price has been edging downward. Watch closely (Chris Rolls).
WAG	Sudip S	HOLD	

6. Team Presentation

- Team A prepared a Stock Comparison of updated (proposed) SSGs of club holdings CSCO, FDS, INFY and MSFT, with AAPL also thrown in the mix. General conclusion is that all of the stocks offer good return potential and are in the BUY or HOLD range. A copy of the Comparison Guide is included at the end of the minutes for reference.
- Team A, as other teams have in the past few months, looked for stocks in industries not already held by the club to improve diversification. One recommendation is NE. This stock price has been dragged down due to the Gulf of Mexico oil spill, in which NE has no involvement. However, historically the club has not been receptive to buying stock in energy companies.
- Team A decided to recommend STRA for purchase, closely followed by APEI.
- STRA is a historically great performing company, but is difficult to catch in the BUY zone. APEI has slightly less than the 5yr history typically required for BUY consideration.
- Discussions centered on uncertainty in the for-profit education industry right now (competition increasing for online students, recovering economy considerations, Department of Education scrutiny over educational standards / student debt / high profit margins / student drop out rate, etc).
- STRA currently selling at a P/E ratio close to the forecasted high P/E ratio.

7. BUY / SELL Discussion

- Chris J suggested adding to our position in AFL.
- Chris Rolls provided an overview of our club diversification, show a high concentration in the IT sector, and noted that we hold only 1.5% of our portfolio in AFL. 3% is the guideline minimum for a given holding.



Company	Symbol	Shares	Price	Value	% of Total	Growth	Proj P/E	Proj Yield	Fin Str	EPS Stab	Qty	PAR
Danaher	DHR	72.278	\$40.71	\$2,942	4.1%	9.8%	17.0	0.2%	94%	93	85.2	23.4%
Stryker	SYK	83.405	\$51.82	\$4,322	6.0%	8.6%	21.0	0.7%	99%	97	82.3	18.7%
FTI Consulting	FCN	83	\$44.94	\$3,730	5.2%	9.4%	17.0	0.0%	77%	79	69.9	17.0%
Microsoft	MSFT	230.087	\$26.44	\$6,083	8.5%	10.0%	15.0	1.7%	95%	90	84.1	16.7%
AFLAC	AFL	24	\$44.40	\$1,065	1.5%	14.1%	11.0	2.1%	85%	87	88.8	16.7%
Walgreen	WAG	158.178	\$30.09	\$4,759	6.6%	6.2%	17.0	1.4%	99%	98	76.4	16.0%
PetMed Express*	PETS	242.451	\$17.46	\$4,233	5.9%	11.7%	18.0	0.0%	93%	84	86.9	15.6%
Quality Systems*	QSII	63.661	\$57.86	\$3,683	5.1%	20.0%	23.0	2.8%	93%	83	79.0	14.2%
Cisco Systems	CSCO	227	\$23.49	\$5,332	7.4%	10.8%	19.0	0.0%	94%	83	78.4	13.1%
Teva Pharma	TEVA	115.248	\$53.21	\$6,132	8.5%	15.0%	13.0	0.8%	94%	87	82.3	12.6%
Research in Motion	RIMM	89	\$61.03	\$5,431	7.6%	12.0%	15.0	0.0%	92%	37	62.7	12.3%
FactSet Research	FDS	72.36	\$71.35	\$5,162	7.2%	10.6%	21.0	1.1%	99%	96	81.4	10.6%
Infosys Tech	INFY	145.7	\$63.42	\$9,240	12.9%	12.0%	23.0	1.1%	99%	81	88.1	9.5%
Ecolab	ECL	40.853	\$47.00	\$1,920	2.7%	7.5%	19.0	1.4%	94%	100	77.5	9.4%
Sysco Corp.	SYU	58.467	\$31.11	\$1,818	2.5%	5.5%	16.0	3.0%	98%	96	78.6	9.1%
Almost Family*	AFAM	76	\$36.43	\$2,768	3.9%	10.3%	12.0	0.0%	80%	63	71.8	7.2%
Parker-Hannifin	PH	51.963	\$60.86	\$3,162	4.4%	5.9%	14.0	1.8%	68%	65	57.8	7.1%
Totals & Averages				\$71,789	100.0%	10.9%	17.8	0.9%	93%	82	78.9	13.4%

Portfolio Averages	
PAR	13.4%
Quality	78.9
Growth	10.9%
Average P/E Ratio	17.8
Average Yield	0.9%
Financial Strength	93
EPS Stability	82

Quality Legend:	
Blue	Excellent with quality greater than 65.
Green	Good with quality between 55 and 65.
Neutral	Average or below average with quality between 35 and 55.
Red	Poor with quality less than 35.
PAR Legend:	
Green	PAR is within the target range of MIPAR +5-10%, currently 14.5-19.5%.
Yellow	PAR is above the target range of MIPAR +10%, currently 19.5%.
PAR	Projected Annual Return
MIPAR	The Manifest Investing Median PAR of all stocks in the database.
MIPAR	9.5%

- Joe Bowen noted that we have reached approximately 12% of the portfolio in INFY, possibly eclipsing our desired maximum.
- Decision was made to add to the club position in Aflac (AFL) with all Funds Available to Invest (see Motion Summary Table).

8. New / Old Business

- Nothing of note.

9. Roundtable Discussion and Questions from Visitors

- Nothing of note.

Motion Summary Table

Description	Moteded by	Seconded by	Vote Result		
			YES	NO	ABSTAIN
Open club Folio Investing brokerage account for forward purchase use.	Chris R	Cliff T	7	4	1
Adopt Chris' updated DHR SSG: Sales 9.5% EPS 11.6% High PE 22 Low PE 15 Overall PAR 8.4%	Chris R	Joe B	13	0	0
Purchase AFL with all available funds.	Cliff T	Bev V	12	0	0

Action / Follow Up Items

Description	Responsible Person
Team B is on deck for presentation / recommendation next month.	Team B
Lead discussion on recommended Portfolio Cash position.	Chris J Chris R
Submit GS, AFL, STRA First Cut	Team C, D & A



Compare

Joe Prepared by _____

Date 06/19/2010

See the *Toolkit Manual* for complete instructions.

NAME OF COMPANY

GROWTH COMPARISONS

(From Section 1 of the Stock Study)

	APPLE Team AAPL	CISCO Team CSCO	FACTSET Te FDS	INFOSYS te INFY	MICROSOFT_ MSFT
(1) Historical % of Sales Growth	26.5 %	9.0 %	18.6 %	35.0 %	11.9 %
(2) Projected % of Sales Growth	18.0 %	10.4 %	12.0 %	12.0 %	10.0 %
(3) Historical % of Earnings Per Share Growth	90.4 %	28.9 %	21.3 %	32.0 %	11.4 %
(4) Projected % of Earnings Per Share Growth	12.0 %	10.4 %	12.0 %	12.0 %	10.0 %

MANAGEMENT COMPARISONS

(From Section 2 of the Stock Study)

	(2A) Trend				
(5) % Profit Margin Before Taxes (Average for last 5 Years)	19.6 UP	26.9 DOWN	33.7 EVEN	31.7 UP	41.3 DOWN
(6) % Earned on Equity (Average for last 5 Years)	30.4 UP	24.0 DOWN	31.4 DOWN	39.8 DOWN	35.7 UP
(7) % of Common Owned by Management	NONE	NONE	NONE	NONE	NONE

PRICE COMPARISONS

(From Section 3-5 of the Stock Study)

(8) Current Price / Total Est. EPS For Next 5 Years		3.3	3.2	3.4	3.9	2.4
(9) Price Range Over Last 5 Years	High (3A) Low (3B)	18.80~203.00	13.60~34.20	27.10~74.00	21.10~62.40	14.90~37.50
(10) Current Price		274.07	23.17	71.54	63.18	26.37
Price Earnings Ratio Range Last 5 Years	(11) Highest (3D)	39.40	26.70	30.40	27.10	26.00
	(12) Average High (3D7)	34.80	25.00	27.60	24.70	21.60
	(13) Average (3-8)	25.40	20.60	22.60	17.60	18.50
	(14) Average Low (3E7)	16.00	16.30	17.50	10.40	15.30
	(15) Lowest (3E)	8.60	12.70	10.50	9.40	9.10
(16) Current Price Earnings Ratio	(3-9)	23.30	19.30	23.50	27.40	13.60
Estimated Price Zones	(17) Lower-Buy (4C2)	159.00~290.53	18.80~25.08	47.40~71.90	35.40~58.85	22.90~29.58
	(18) Middle-Maybe (4C3)	290.53~553.58	25.08~37.63	71.90~120.90	58.85~105.75	29.58~42.93
	(19) Upper-Sell (4C4)	553.58~685.10	37.63~43.90	120.90~145.40	105.75~129.20	42.93~49.60
(20) Current Price Range	(4C5)	-Buy-	-Buy-	-Buy-	-Hold-	-Buy-
(21) Reward/Risk Ratio	(4D)	3.57	4.75	3.06	2.38	6.69
(22) Current Yield	(5A)	0.00	0.00	1.29	0.85	1.97
(23) Total Return	(5C)	20.11	13.63	15.92	16.16	17.66

Chg to P.A.I.R.

OTHER COMPARISONS

(24) Number of Common Shares Outstanding		909.64	5,722.00	46.65	570.99	8,762.00
(25) Potential Dilution from Debentures, Warrants, Options		None	None	None	None	None
(26) Percent Payout	(3G7)	0.00	0.00	18.95	24.77	78.74
(27) Relative Value		91.7 %	93.7 %	104.0 %	155.7 %	73.5 %
(28) Earnings Stability (R2)		52.5 %	54.7 %	99.8 %	97.6 %	85.7 %
(29) Date of Source Material		6/17/2010	6/17/2010	6/17/2010	6/17/2010	6/17/2010
(30) Exchange		NASDAQ	NASDAQ	NYSE	NASDAQ	NASDAQ