



July 10, 2002

Dear Valued Client,

Over the last three years, we have all witnessed a combination of events that are without historical comparison: Y2K, tech stock "bubbles" bursting, presidential election issues, energy shortages in western states, terrorist attacks, and now the corporate accounting crisis. Simply put, these events have caused the highest level of worldwide stock market volatility since the market corrections of the 1970s and 1940s.

As you consider what changes need to be made to your investment portfolio to meet a balance between safety and performance, several things need to be considered:

1. Overall Economic Conditions. The federal government continues to pursue an aggressive economic stimulus strategy through tax reductions, low interest rates and increasing the growth of the nation's money supply. Our research shows that over the past 50 years, these types of actions have led to economic growth and thus have had a positive effect on the stock and bond markets within and intermediate period of time (18 to 24 months). With the economy clearly stabilizing, the good news is that our research indicates there is an 82% chance that the S&P 500 Index can recover the ground it lost earlier this year within the next 12 months. The bad news is that economic growth will be slower than it was in the 1990s, so we are lowering our 5-year forecast for the S&P 500 Index to 8% annual growth with potentially high levels of volatility due to uncertainties that cannot be forecasted.

2. Asset Diversification. After reviewing the investment performance of our clients over the last five years, we have concluded that portfolios with at least 33% of total assets invested in bonds or other income investments have had better overall performance and have been significantly less volatile than portfolios 100% invested in stocks. With the S&P 500 Index and 3-5 year corporate bonds both offering similar returns over the next five years, the best defense against high stock market volatility is to diversify into income investments. We are recommending that most of our clients consider having at least 33% of their portfolio in short to medium term bonds or other income investments.

3. Investment Selection. Over the next five years the strength of individual investments, rather than the overall market, is going to be the key to reaching investment goals. Given these tough investment conditions, there are still pockets of prosperity. For example, while many high tech financial companies are still financially suffering, many retail, healthcare and financial companies are expected to report modest to good business results this year. Over the next 30 days, we will be making portfolio changes by rotating stock holdings into

companies that post acceptable financial results and can substantiate their accounting methods.

4. Alternative Investments. We are offering to our clients additional types of investments (such as real estate trust deeds, call option writing, preferred stocks, etc.) in order to further diversify investment portfolios. We will be talking to clients on an individual basis about the merits of these investments.

There are no words to describe how difficult this situation has been on us all, but this is the time when your various financial advisors should be "rising to the occasion" and providing support and guidance. The staff of Winans International is committed to doing what is necessary to help you come through this hardship successfully. I keep reminding myself that "this too shall pass!"

I look forward to seeing you at our next meeting, and feel free to call us if you have any questions.

Sincerely,

**Kenneth G. Winans
President & Founder**