



Investment Management

October 16, 2001

Dear Valued Client,

During the last 2 ½ years, we have all witnessed a combination of events that are without historical comparison: Y2K threat, NASDAQ stock market crash, presidential election mishap, energy shortages and the ongoing terrorist attacks. In fact, these abnormal economic conditions have resulted in the highest level of stock and bond market volatility since the 1970's.

As we consider what changes need to be made to your investment portfolio in order to perform within the current political and economic environment, several things need to be considered:

1. **Economic Conditions**, The Federal Reserve bears much of the blame for this current economic "slump". Simply put, they waited too long to cut interest rates and increase liquidity within the U.S. financial system, when it was obvious to everyone on Wall Street that economic "storm clouds" were forming during the early part of 2000. It is unfortunate to note that this attempt at the infamous "economic soft landing" was tried before by Mr. Greenspan and ultimately led to the tragic results of the 1994 bond market crash, the 1990 recession, and the 1987 stock market crash.

Fortunately, the federal government has reversed course this year and is pursuing an aggressive economic strategy of tax reductions, lower interest rates, an increase in money supply growth and direct financial aid in order to positively influence the economy.

Over the past 50 years, these types of actions have led to economic stability and had a positive effect on the stock and bond markets within an intermediate period of time (18 to 24 months). The good news is that our research indicates there is a 75% chance that the U.S. stock market can recover the ground it lost this year within the next 24 months. The bad news is that we are lowering our 5-year forecast for the overall stock market to 9% annual growth with potentially high levels of volatility.

2. **Asset Diversification**, After reviewing the investment performance of our clients over the last 3 years, we have concluded that portfolios with at least 33% of the total assets invested in bond or equity income investments were significantly less volatile and had better overall performance than portfolios 100% invested in stocks.

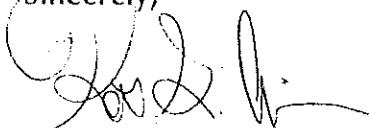
In light of the new political and economic challenges that will exist for many years to come, the best defense against high market volatility is to increase diversification within different types of investments. We are recommending that most of our clients consider having at least 25% of their portfolio in short to medium term bonds or equity income investments (REITS, utility stocks, etc.) after tax considerations are reviewed.

3. **Investment Selection**, The strength of the individual investments within a portfolio is going to be more important now than at any other time in the last 20 years. Even within these tough economic conditions, there are pockets of strength. For example, while most high tech companies are suffering devastating losses with no end in sight, healthcare companies are generally reporting modest to good business results. Over the course of this month we will be making portfolio changes by rotating stock holdings into companies that have historically done well during these kind of economic conditions.
4. **Alternative Investments**, We are also examining the potential of offering to our clients additional types of investments (such as real estate trust deeds, call option writing, preferred stocks, etc.) in order to better diversity 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 come through this hardship successfully.

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

Sincerely,



Kenneth G. Winans
President & Founder