



**March 31, 2004**

**RE: Brokerage Houses & Trading Policies (Important, Please Read!)**

Dear Valued Client,

In order to serve our clients, Winans International reviews existing relationships it has with your broker-dealer(s). This letter is to inform you how Winans International (WI) selects, places trades with, and evaluates the brokerage houses used.

**Brokerage House Selection and Evaluation:** One of advantages of working with Winans International is that we do work with different brokerage houses (B/D's) in order to meet our client's various financial needs. Currently, we are using the services of (in order of WI client assets): Smith Barney, Charles Schwab & Co., Inc., RBC Dain Rauscher, UBS, Merrill Lynch, Wachovia Securities and American Express.

In order for WI to use a particular brokerage house, the B/D usually must meet the following requirements:

1. It should have at least ten years of operating history and be fiscally sound.
2. It should demonstrate an adequate capability to efficiently and effectively execute trades using the trade order templates provided by Winans International. In addition, the B/D should be able to accept our orders during non-market hours for automatic execution per our instructions (i.e., for trades placed after the market closes, the B/D is able to execute the trades the next morning as instructed by WI).
3. The brokerage house's representative(s) should have the capability to efficiently and effectively handle administrative related issues and paperwork and to complete client requests within a reasonable timeframe.
4. The B/D should have a user-friendly website and be able to electronically download data to WI's database.

5. Transaction cost and account expense must be discounted from retail levels and are not subject to WI providing new clients to the brokerage house. Our general rule is that transaction costs should not exceed 1% of a client's year-end portfolio balance for normal portfolio investment activity.

It should be noted that we conduct a year-end analysis of brokerage house services & expense. If the brokers listed above do not meet our 5 requirements, then the clients will be notified.

**WI Trading Policies & Procedures:** Winans International places hundreds of client investment trades each year among the seven (7) brokerage houses listed above. As a policy, our primary focus is on implementing our client's various long-term investment strategies effectively and minimizing the effects of trading errors. Simply put, the focus is on accuracy, not speed!

It is also important to know that some of the B/Ds listed offer internet-based trading at lower commissions than charged on regular transactions. If we perceive: 1) that there is an increased risk of trading errors, 2) a significant slow down in our ability to get all trades done during trading hours or 3) the B/D could limit other services it would otherwise offer to regular clients, then WI reserves the right not to use internet based trading.

**Order of Trades** – Since we manage assets in separate accounts with differing asset allocations and client preferences, we have more steps in the trading process than many of our competitors. The following page lists the trading guidelines WI follows during market hours. Please note that before we can place trades, we need to confirm client cash balances from the brokerage houses. In fact, we start trading with the firms that get us this information the quickest. If you have placed investment restrictions on your accounts, and would like to have them removed, please call us ASAP.

Finally, it is important that you are satisfied with the brokerage house(s) we use to manage your portfolio. If you have any concerns and want to discuss other B/D's that could provide the services you need, please don't hesitate to call me with your questions.

Sincerely,

**Kenneth G. Winans**  
**President & Founder**