

Winning Points Advisors, LLC
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March 15, 2012

**Mr. David Stockman
105 Conyers Farm Drive
Greenwich, CT 06831**

VIA UPS WAY BILL # 1ZF266V32210014401

Re: <http://abcnews.go.com/Business/wireStory/david-stockman-buying-15833318-.T19idVEuieM>

Dear Mr. Stockman:

I read the article that was the result of your recent interview. I came to the conclusion that you are not “bullish?”

I would like to offer a supplemental point of view and also give you a great idea on what to do with your money. I am going to use a sexual analogy in that process, so if you are squeamish about such things, perhaps you can have an aide read this and summarize for you. Oops-they are reading it already!

In General

I hope you are wrong. The interview and resulting article are great marketing tools; it is an election year after all, and I WILL buy your book.

What’s more, having served with President Reagan I know that perhaps you secretly hope you are wrong, too. We don’t need the world to come to an end and have to live though 30 years of an economically caused “nuclear winter.” But your points are well taken. Yes, we are growing

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God Bless America!

a lot more slowly than usual, but I will get to that in a moment.

I am an accountant by training, schooled in sensitivity analysis and fancy stuff like that, but in the 33 years since I graduated, I have learned that the real world is a lot more “real” than an excel spreadsheet. More real than that, and never to be discounted is the type of people America grows. (We grow them all over the world now, and that’s both part of the problem as well as the solution.) These people survive and grow regardless of the cost, sacrifice and effort that it takes. Take an American entrepreneur and have him or her fail to get to the top of Everest, and they will try again until they succeed or die.

My point was made well in the Jurassic Park movie, in which they bred dinosaurs to die if they weren’t given lysine, and Jeff Goldblum said, “If there is one thing that nature has taught us it’s that life will not be contained. Life breaks free, expands to new territories, and crashes through barriers....” Americans and those individuals who share this tract are that nature.

In my arguments I am reminded of the John Paulson story, of trying to tell Bear Stearns’ risk management department his thoughts on CDO’s and the mortgage market before it melted down. They told him, “We can’t believe you because if we do, we will understand that we are already dead.” I think of that denial often and don’t think that it applies to me, or your, arguments.

My argument that your analysis, as expressed, missed the point...

Hey- good work and I totally agree that things in America do not look too good. We are old, debt-laden, and have an increasingly expensive economy, and that’s before the income taxes go up and the crazy health care bill becomes real. Wow, that is going to push a lot more jobs overseas!

OK, here’s my point: I think the report on the interview missed a huge point; a point so large, that it changes the conclusion.

Many of America’s companies that you quote in the interview, are most assuredly not building plants and equipment in the USA. They ARE at every opportunity building growing, hiring, expanding and making

money outside of the USA.

Is America still the Center of the Economic Universe?

Recently I have learned that while Americans think we are the center of the universe (and we are still the biggest manufacturing economy in the world, at least for a few more years) we are not the center of growth. Not at all. The rest of the world is schooling us in growth. So your argument that the earnings of the S&P500™ stocks are inflated because of our future growth rates being well below historical norms is, I believe, incorrect; our companies are growing and can continue to grow because of their overseas business. This gets back to the entrepreneur thing above. It's in times of stress that we do our best work.

If the world grows, so do the earnings of the S&P500™. So I think your doomsday forecasts of a shock or pain greater than that of the Lehman failure, while marketing genius for your book, are incorrect.

While I believe that the “baton of world growth” has passed to the rest of the world. Our work ethic and our creativity is still here, and that is what will pull this country through.

I am in the money business, not the full employment business and will never run for office. I care about what happens to a very small amount of money that my clients entrust with me. I have ideas on employment, but they would be unpopular; you may note that my books don't sell well, while I bet yours will!

**The Good Part
The Condom story...**

Hey, if you skipped to this section and missed the above paragraphs that's ok, all I said was that the rest of the world is growing plenty fast without us and that might just save the day for all of us.

This is the part where I tell you what to do with your money and make it interesting by bringing in sexual analogies.

Money is like sex. It's risky, and that risk is personal. Kids, disease, reputation, livelihood (ask Bill Clinton.) etc. all play a role. That's why they invented the condom. It separates the "people" with only a little reduction in the enjoyment.

Investing is like that too. Retirement, success, ego, bragging rights, safety and more all go into it, and what a lot of people do when things looks scary or they are uncertain of what they are getting into, is use other people's equity as a condom. When people get scared economically they buy a CD and the FDIC will insure it; the FDIC is a condom. Buy bonds of a company instead of the stock, and the equity of the company that is owned by the stockholders is your condom.

Most people rely on the promises of institutions to make it all "ok" if thing go askew but those promises, guarantees and benefits are, in fact, just a condom in the sex of investing. Bad? No, but each of them has a cost, because while that condom usually does what it is supposed to do, the shareholders of the enterprise that guarantees or promises the result demand a part of the profits, if it works. That is how the system works.

The way to make sex safe is to use a condom, the way to make investing safe is to have other people or institutions, stand between you and the losses. The FDIC, common equity, insurance company guarantees and so on. These condoms can be expensive.

So what does a super smart guy like David Stockman do with his money? Leave it sitting in some condom somewhere (government bonds?) and get no return after tax and inflation, waiting for a collapse that I pose (and hope) won't come?

I want to share with you my "3 condom" approach. If you could wear 3 condoms, and get a higher yield-even if a collapse occurs- and a higher yield if I am right and the collapse doesn't come- would that be better than 2% 10 year treasuries?

The "3 condom" approach is to put the money in Fixed Index Annuities; they have 3 separate and distinct "condoms." Three separate balance sheets support that stand between your money, and the risk you don't want (disease, pregnancy.)

Condom #1: The money goes into bonds, and like I discussed above, the bonds are protected by all the equity of the issuing company. These bonds are bought by the insurance company that issue the annuity contract, so that's condom #1. The bonds the insurance company owns have to fail, before the insurance company loses money it is counting on to make its promise to you good.

Condom #2: The insurance company guarantees to give your money back, pay interest (subject to the details of that contract) and so forth; that promise is backed by the bonds and their own equity. Their equity is condom #2. To be a well rated insurance company, the company must have a lot of it's own money in equity on top of the money you put in, that they buy the bonds with.

Condom #3: In order to collect revenue and insure the safety of the their citizens' money, many states offer guarantee funds that may protect the money should condoms #1 and #2 fail. This is a condom that is written into the law. It can be limited and may not exist in all states.

This all means that your money has three condoms between it and the... well, the object of your desire, and each one of them takes a piece if the process works, and the world survives. But if you are right and the world shudders to a halt, then all three, by design, are totally working to protect your hard earned, book-writing profits.

The only trouble with all this protection is the dilution of the profits, but if you are expecting no profit anyway (10 year treasuries) then the reduction of profits is no big deal. If you are a bull and had all your money in the stock markets and are expecting 15% a year, then the returns on the annuities will probably be a lot less, but if you are happy with 2% for 10 years, then the potential returns that the contracts might offer, could be an attractive trade off- take none of the downside risk (3 condoms) but get some of the upside.

In my business we use these products cautiously and judiciously, as we have a more optimistic outlook. Given your comments and sophistication you might want to go "whole hog."

Sincerely, and good luck with the book!

A handwritten signature in black ink that reads "Charles Stoll". The signature is written in a cursive style with a horizontal line underlining the name.

Charles S. Stoll CPA, CFP™, PFS

PS: I have posted this letter, along with other letters, on my website. Should you be kind enough to answer, tell me if it's OK to post your response.

PSS: Did you get the analogy about the Lysine and Jurassic Park? It was the thing that kept the dinosaurs from breeding. I thought that played well with the condom analogy, but there I go, writing your counter-arguments for you.

PSSS: If you do answer can you put a good story about Ronald Reagan in it? That would be very cool!

One last thought- If you are going to be in Hong Kong between March 19th and the 29th, let me know; we can grab a beer!