March 25, 2002

Stock Recommendation

We recommend purchasing Providian Financial Corp. ($6.94NYSE).

It has been many years since I have penned a written stock recommendation. The last one we published was in 1988 and it was Ibis Technology at $6.38 per share and that particular recommendation changed lives. Today's selection is much less complicated and an easier one to decide on as almost no technology is involved.

All individual stocks as well as all mutual funds involve risk. The research and experience that we have had with this particular company does not remove that risk. The securities recommended may decline in value.

Providian Financial ($6.94 NYSE) is a "troubled" credit card issuer. This company specializes in issuing credit cards and credit to the people in this country with relatively poor credit or little credit.

They have approximately 17,000,000 customers.

All was going very well with Providian, showing remarkable growth rates, and participating in the growing economy until about six months ago when Wall Street got wind that perhaps its estimates of uncollectable receivables were inaccurate. To this day, and in spite of some adjustments to those balances it is hard to say if Wall Street was over anticipating the lack of collectability of the portfolio or was just being accurate. In any event, the stock, which once had traded for a high of $61.00, fell to a low of $2.00. This was caused, of course, by the company's capital structure. The company borrows money to loan out by selling Certificates of Deposit to depositors through brokerage accounts and direct mail as well as other channels.

This means the company's cost of capital is roughly equivalent to a six month CD and it is earning money on the money it puts out less costs and collection allowances of probably around twenty percent.

The result of the very low cost capital and the high earnings rate is, of course, rapidly growing earnings in a very inexpensive framework.

The stock got as low as $2.00 on fears that the federal government would remove the company's ability to sell CDs to finance its capital structure and hence, the company without these CDs would become insolvent and would probably be taken over by the FDIC.

Six weeks ago, on February 7, 2002 the Federal Home Loan Bank Board agreed to the changes in the capital structure of the company and allowed the company to accumulate and sell off bad units. By doing this the FHLB gives the company the ability to build its capital structure and from our point of view and others on Wall Street greatly reduces the chance of the company becoming insolvent, if not eliminating that chance altogether.

After those changes as well as certain write-downs in the last part of the year the company was still profitable in spite of the write-downs and indeed the company's book value is quoted by Merrill Lynch, Pierce, Fenner & Smith in their buy recommendation of the security at about $7.50 per share.

During the year before last when the company was growing, its earnings were approximately $2 per share.

Recently the company sold one of its few offshore business enterprises, its Argentinean Operation at a profit. This sale at a modest profit tells us that this is a vastly profitable business. It also tells us the company is not in such great desperation to sell at any price and was able to sell the property at a reasonable price even in troubled Argentina. It may be worth noting, an Argentinean Investment Company purchased the operation.

We believe in a normal world, which is very difficult to find these days, that the company will survive and prosper and easily return to a $2.00 per share bottom line within a year of so from now.

Given that, we feel a normal earnings multiple of ten would be justified, and with some time going by and the wounds healing, the stock should be trading between $15.00 to $30.00 per share, which is less than half of what it traded for about a year ago.

The major risks, of course, are that the government will change its mind regarding the capital plan and the company could, in fact, disappear. Also, interest rates could rise abruptly or that the economy could reverse itself and go back into a recession, which would reduce the credit quality of the company. While such things are possible, we do not anticipate them and while there may be other risks that we do not see, we see the profitability of the holdings outweighing those risks at this time.

Other bright news for the future is the company has been hiring what appears to be pretty good talent from other bank/credit card companies.

Therefore, given the risks as we see them and given the profit potential as has already been exhibited by this company, we think it is a prudent investment to buy this stock short of anywhere up to and including $10.00 per share. As is our customary recommendation, we recommending blending and purchasing the securities over a period of time as each preceding purchase may show a profit.

Winning Points Advisors, LLC, Stoll Financial Corp., as well as various registered principals in the same companies do in fact hold stock in Providian and will likely continue to do so.

Please call us to discuss our ideas concerning your portfolio.

Sincerely,

Charles S. Stoll, CPA, CFP, CEP, PFS