

Value Investment Partners

March 10, 2009

To: All VIP Club Members

From: VIP Executive Committee, as modified at 3/2/2009 VIP meeting

Subject: Proposed Stock Candidate Procedure Revisions

As approved at VIP Monthly Meeting, March 2, 2009

The VIP Executive Committee recommended the following Stock Candidate Selection Procedure for VIP, as amended and approved by the members at the March 2, 2009 meeting:

1. This new procedure is to be used by all Members wanting to nominate Candidate stocks to the Portfolio Manager (PM), for his further study and Stock Selection Guide preparation.
2. Manifest Investing (MI), plus stock price chart analysis will be used to screen stocks.
3. Manifest Investing has offered to sell us 8 copies of MI for \$49/yr each, or a total of about \$400. The club would pay this expense from club funds.
4. The 8 copies would be furnished to Members who would commit to using it, and who also would agree to do analysis for those who do not have a copy.
5. Suggested distribution would be: President, Portfolio Manger, Secretary, plus any 5 of the remaining 13 members agreeing to use it regularly for both themselves and to help others. If more than 5 members want MI, there will be a name drawing.
6. The remaining members who do not have a copy of MI could call any member who does have one and ask them to run an MI analysis for the Member. It is assumed that all members have access to a stock charting program such as Yahoo Finance.
7. Candidate requirements would be:
 - a. MI Quality in the Blue or Green range
 - b. MI PAR in the Green or Yellow range (PAR maximum 40%)
(Note: Quality & PAR ranges change numerically, as market conditions change)
 - c. Price Chart – The stock's weekly closing price is above the 50 day MA
 - d. Price Chart – The stock's 50 day MA must be rising (up sloping)
8. This trial procedure would remain in effect for one year, and be re-evaluated then for continuation, before the 8 MI subscriptions were renewed.
9. The Portfolio Manager will organize a class regarding the use of MI, and also cover the criteria to be used in Candidate nomination.
10. The PM would develop a procedure (and form if needed), for reporting the results of any member's analysis of Candidates back to the PM. The data feedback must allow the PM to be able to reconstruct the member's results.
11. The above procedure will be used for a one year Trial period. Adjustments will be made to the procedure as needed. If the procedure remains in effect beyond the one year trial, it will then be incorporated into the club's written Operating Procedure document.

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March 10, 2009

To: All VIP Club Members
From: Charlie Cremin
Subject: "Lessons Learned" or Procedure Revisions for Buying and Selling Stocks
As approved at VIP Monthly Meeting, January 5, 2009

Note: I am attempting to present what I think was the result at the January 2009 VIP meeting, regarding the document that Bob Rubino presented, titled "Lessons Learned".

Items 1. 3. 4. 5. of "Lessons Learned" were adopted as mandatory for the Club to follow, with minor modifications, as presented below.

1. Always sell when the weekly close crosses below the 200 day moving average, and the 200 day MA is falling. (The meeting minutes say "sell when the 15 day MA weekly close - - -" but I believe the 15 day MA was taken out and weekly close was substituted)
3. Always sell when the price exceeds 150% of the 200 day MA. (At the very least place a moving stop at last week's low price.)
4. Accept "trading" as the only reasonable defensive strategy.
5. Be fully invested only when market conditions warrant the risk, and move to cash when market conditions imply defensive play.

A motion was also made and seconded, to "retain items 1. & 4. of the previous Club rules". However, no vote was taken on this and the motion was "tabled until the next meeting".

I believe this motion was intended to refer to items 8.a. & 8.d. of the current VIP Operating Procedures document, which state:

8. Sell Strategy – Must Sell (Any of the following criteria may generate a Sell order)
 - a. The stock price drops to the established "NAIC Low Price" (ie, 1/3 down)
 - d. Credible information of corporate fraud or wrongdoing.

The other two items of the current VIP Operating Procedures document are

- 8.b. Deals with chart pattern for selling and would be changed by "Lessons Learned"
- 8.c. Deals with the blow-off issue which is slightly changed by 3. of "Lessons Learned"

There is also an item 9. in the current VIP Operating Procedures document which deals with other sell criteria that are not mandatory, but should be "considered" in any discussion of selling. These should be discussed for possible retention in the final revision. They are:

9. Sell Strategy – Potential Sell Flags (Criteria for consideration of selling)
 - a. Stock is overweight in the portfolio
 - b. First Call trend is down 3 or more consecutive monthly reports
 - c. Stock has suffered almost a 1/3 price drop
 - d. A large difference between Barons 1 year, and Value Line 5 year projections
 - e. 52 week trend is less than 15%
 - f. Significant negative news regarding the company or the market segment

When VIP has decided what Sell criteria they want to retain and delete, then I will incorporate the revisions into an updated Operating Procedures document for final voting. We agreed that the new Buy criteria would not be incorporated into the Operating Procedure for a year.