



Central Plains Advisors, Inc.
100 North Broadway Street, Suite 130
Wichita, KS 67202-2212
316-682-5148 * 888-735-2724
www.centralplainsadvisors.com

Central Plains Advisors, Inc.

August 16, 2007

Dear Client/Friend:

The following is an internal memo of 7/30/07, to which we have added points 6 and 7. We believe there remains a serious unappreciated risk out there that is still being ignored by many. When it becomes common knowledge it will be too late to act. Any Federal Reserve action will only momentarily calm the waters. The reason: we are not only having a liquidity crisis, but also a possible insolvency meltdown. Market losses across the entire globe are going to be in the billions of dollars—maybe more.

Where will all the losses occur? Nobody knows for sure. There are trillions of dollars of debt in various portfolios that are suspect. Much of it has to do with subprime mortgage issues, which are a substantial portion of the \$6T mortgage backed securities market. We, of course, own none. Please check your other investments.

Sincerely,

Polly Peters, Executive Vice President
Central Plains Advisors, Inc.
www.centralplainsadvisors.com

Enclosure

P.S. As you may recall, we have been concerned about this for several years. The chickens have come home to roost.

“Investing in Your Future”

Fixed Income Management Employing Behavioral
Investment Strategies



DISCONNECT TO RECONNECT 2007.07.30

Profile of a Stock Market Blow Off For the 12 Months Ended 6/30/07

1. S&P 500 +18.4%
2. Year-over-year Real Profits -0.8%
3. Year-over-year Real GDP +1.8%

Conclusion: Move Not Due to Economics

4. Who were the main common stock buyers?
 - a. Hedge Funds (40% of Daily Volume)
 - b. Private Equity Syndicates
 - c. Corporations (Stock Buybacks)
 - d. Pension Funds and Mutual Funds
 - e. Foreign Entities
5. Who were the sellers of common stocks?
 - a. Individuals
 - b. Non-profit Organizations
6. Who are the buyers of bonds (other than governments and municipals)?
 There are trillions of dollars of bonds in pension fund, 401(k), endowment, commercial and investment bank, foreigner, and individual portfolios. Please note below the percentage increase in corporate bonds purchased by individuals since 2000.
7. Who are the sellers?
Wall Street.

Investment Profile—Individuals

Asset	Percentage Increase 2000-2006	Percentage of Total Assets
Real Estate	+81.....	32.9
Equities and Mutual Funds	0.....	15.1
Deposits & MMFs	+52.....	9.5
Corporate Bonds	+186.....	1.7
Municipal Bonds.....	+65.....	1.3
Treasury Securities.....	-12.....	0.8

Summary 2000-2006

Since the stock market crash of 2000-2002, the individual has shunned common stocks and moved to real estate. In an attempt to increase his investment income, he has also moved to corporate bonds. The only category above which was reduced was Treasury Securities.

Real estate and equities represent approximately 50% of the individual's assets. If one were to include pension funds, it would be a much higher percentage.

2000-2006 Observations

1. Wall Street speculators took over the market.
2. They developed financial instruments to satisfy income needs and spread the credit risk to Main Street.
3. The move to real estate by individuals (housing) has created a major bubble, which will be corrected.
4. Debt reduction is on the cusp (deflation).
5. 50% of hedge funds—which participate in a zero sum game—are sure to be in trouble.

2007 and Beyond: Thoughts

1. The most “hated” asset in the world is U.S. Government Securities. They are under owned and under loved. A serious move toward safety and away from yield at any risk is coming, and will work in the favor of U.S. Government Securities.
2. High quality common stocks at the proper level will become extremely attractive.

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