

Central Plains Advisors, Inc

MEMO

To: CPAI
From: T.S. Peters, RPM Equity Consultant

Dear RPM clients:

We believe we have three main obligations regarding our client's investments:

1. Manage market risk in such a way that our clients feel comfortable about their investments.
2. Provide a respectable rate of return on the money invested.
3. Avoid major market losses.

Of these three, we feel our most important duty is to avoid major losses of principle, because such losses could have a catastrophic impact on our client's lives. Our philosophy is that the best way to accomplish this obligation is active asset allocation, rather than passive asset allocation. The key difference between the two styles has to do with the amount and type of supervision. We supervise and manage every client's account on a daily basis. Proponents of passive asset allocation believe they can fit each client to a passive model portfolio that best suits them. Moreover, they also believe once the model portfolio is in place, little or no further supervision is required. Using our approach we strongly believe it will provide better market risk protection and performance versus the passive alternative. In other words, we trust our approach will work all the time, regardless of whether the general market trend is up, down, or sideways. Both approaches will work during market uptrends, as will any other approach. The passive approach has major problems in down or sideways market trends. This is because it's a buy anytime sell never approach, instead of a buy low, sell high approach. The passive approach will earn little or nothing in a sideways market. Therefore, the passive approach during downtrends is to do nothing. The typical end result is to eventually sell out in a bear market, but usually not until the loss of capital exceeds the client's comfort level, or all of the previous gains have been wiped out.

In 1999, we discovered that our methods, which were so successful in 1998, weren't working. Since we require our methods to work all the time, regardless of market conditions, it became clear there were deficiencies. We recognized the problems by the end of April, and moved immediately to correct the problem. This involved major commitment and effort. By the end of September we had new tools in place and assimilated. The benefits and positive results were almost immediate. The new tools enabled us to take advantage of a spectacular market move in the fourth quarter of 1999, while avoiding the non-prudent hysterical approaches other managers felt compelled to indulge in.

Other problems we experienced in 1999 had to do with administration. Many of these problems resulted from the reorganization we underwent in late 1998, and the growth we experienced in 1999, (a result of our excellent 1998 performance.) We solved most of the administrative problems by the end of 1999. We also made major new administrative gains and improvements, essential for the future that would not have been possible if we hadn't reorganized.

In summary, 1999 was a year of transition for us, and a learning experience we are confident will be beneficial to our clients in the future. Unfortunately, the year 1999 was characterized by missed investment opportunities, excessive transactions, transaction fees being assessed and excessive paperwork. The amount of effort it took to solve these problems severely strained our small company. It also prevented us from adequately performing, (up to our normal standards) some basic services we try to always provide our clients.

We are optimistic about the future. We're confident the major problems we had to deal with are now behind us. We feel we're back on track to deliver to our clients what we always intend to: superior market risk management and investment performance all the time, (regardless of market conditions) timely performance reports and market comments, and seamless administration with a minimum of paper work.

We appreciate your confidence in allowing us to be charged with the responsibility of managing your assets. I believe the hard work and desire to better the RPM program will provide positive benefit to you in this New Year and beyond. As your RPM manager, I thank you.

Wishing you a great New Year,

Tim Peters

Past Performance is no Guarantee of Future Results