

ACTUAL BEHAVIORAL CASE STUDY

1/16/07

August 16, 2005 - November 21, 2006

Investor A purchased our Bison Bond I program August 16, 2005, buying 1,920.861 shares at \$52.06 (\$100,000).^{A-2} His stated policy was to make a total commitment of \$300,000^{A-4} but just wanted to see how we would do, and then add \$200,000^{A-3} later.

Behavioral Mistake: Let the investment advisor make the timing decision.

Investor A then sold Bison Bond I December 7, 2005, 1,920.861 shares at \$49.94 for \$95,927.80.^{C-2}

Behavioral Mistake: The sale was for tax reasons, not economic and/or market reasons.

On January 17, Investor A purchased 1,828,036 shares at \$52.68^{C-3} so as to reinstate his position without being subject to the tax “wash” rule.

Behavioral Mistake: Same as above.

Investor A was contacted by our office May 12, 2006, suggesting that the additional \$200,000 be put in now. The price of Bison Bond I at that time was \$45.21^{A-3}. The answer was no.

Behavioral Mistake: The timing decision again is made by the client, not the advisor.

Behavioral Mistake: A good advisor should be particularly followed when he's down, rather than up.

Investor A, on November 21, 2006, sold 1,828,036 shares at \$52.63^{C-4} and closed his account.

Behavioral Mistake: He sold out when he thought he was at breakeven. Sale was not for economic or market reasons. He must have forgotten about the sale and repurchase. His actual loss was \$4,163.61.^{C-5}

Results: Based on \$

1. If following all our recommendations, he would have **made \$32,868.96.**^A
2. If not making trades for tax purposes, and not adding \$200,000, Investor A would have **made \$1,094.91.**^B
3. Investor A **lost \$4,163.61**^C

The Lesson

Hire an advisor with an excellent long-term record (in this case, 15 years), and get out of the way. Five quarters is not a period long enough to evaluate an advisor.

The Final Result

The entire affair was a lose lose experience for both the client and advisor. It could have been much different.

A *This assumes **no** transactions for tax purposes, **plus** the input of an additional \$200,000.00 when recommended.*

A-1	11/21/06	Sale of 6,324.7 shares @ \$52.68	<u>\$332,868.86</u>
A-2	8/16/05	Purchase of 1,920.861 shares @ \$52.06.....	<u>\$100,000.00</u>
A-3	5/12/06	Purchase of 4,423.8 shares @ \$45.21.....	<u>\$200,000.00</u>
A-4			<u>\$300,000.00</u>
A-5		Potential Profit	<u>\$32,868.86</u>

B *This assumes **no** transaction for tax purposes, **but no** additional input of \$200,000.00.*

B-1	11/21/06	Sale of 1,920.8610 shares @ \$52.63	<u>\$101,094.91</u>
B-2	8/16/05	Purchase of 1,920.8610 shares @ \$52.06.....	<u>\$100,000.00</u>
B-3		Potential Profit	<u>\$1,094.81</u>

C *These are the actual transactions made by the client.*

C-1	8/16/05	Purchase of 1,920.861 shares @ \$52.06.....	<u>\$100,000.00</u>
C-2	12/7/05	Sale of 1,920.861 shares @ \$49.94	<u>\$95,927.80</u>
C-3		Loss to Date.....	<u>\$4,072.20</u>
C-4	1/17/06	Purchase of 1,828.036 shares @ \$52.68.....	<u>\$96,300.94</u>
C-5	11/21/06	Sale of 1,828.036 shares @ \$52.63	<u>\$96,209.53</u>
C-6		Additional Loss.....	<u>\$91.41</u>
C-7		Actual Loss.....	<u>\$4,163.61</u>

Dalbur Associates, one of the leading Boston-based investment research firms, has made several studies comparing individual investor returns compared to mutual fund returns. Their latest was for the 20 years ended 12/31/04. The average fund investor earned 3.5% annually, compared with a market gain of 13.0% annually.

Other recognized experts in this field, including Morningstar and Mark Hulbert, have come to the same conclusion. The average individual investor consistently makes behavioral mistakes that detract greatly from the performance he wishes.

Without going into detail, the following are some of these most recognized mental mistakes:

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|--------------------------------|--------------------------------|
| 1. Overconfidence | 4. Anchoring |
| 2. Fear of Regret | 5. Representativeness |
| 3. Cognitive Dissonance | 6. Myopic Risk Aversion |

This study was done not to embarrass anyone. The sole reason was to hopefully educate one and all (Central Plains Advisors, Inc. included) that certain behavioral patterns have been recognized in the implementation of investment decisions. Human nature rarely changes, and many times we are our own worst enemy. Please accept this in the manner in which it is given.