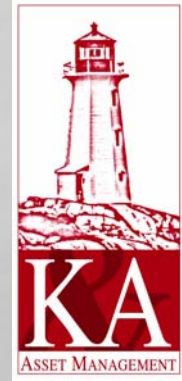


ELLUMINATION

October 22, 2007

A BRIEF UPDATE



Over the past few days we have received a few inquiries from clients asking our view of current economic and market conditions. The inquiries have come from people who are clearly concerned and whose own view is quite bearish, both for the general economy and for investment markets as well. Our experience is that we usually hear from only a few people, but their questions are on the minds of others too. So Lee, Rob and I agreed that I would take the time to offer a brief update on our points of view. Let me break the reply out into several bullet points:

- 1) The current correction in gold prices should not exceed a drop below \$740 per oz. and set the stage for the next leg up. For you skeptics out there, we have been right about the direction of gold prices since we first started covering them in our newsletters in February 2003.
- 2) The current correction in oil prices should not exceed a drop below \$82-\$84 and set the stage for the next leg up. For you skeptics out there, we have been right about the direction of oil prices since we first started covering them in our newsletters in February 2003.
- 3) Consequently we are still very bullish on gold, oil, and gold mining and oil industry related stocks.
- 4) Gold and oil related investments still comprise a large part of the asset allocation of 5 of our 6 model portfolios.
- 5) The U.S. dollar may experience a short lived rally against other major currencies. The operative phrase is "short-lived". The path of the U.S. dollar is down.
- 6) As of this morning Fed fund futures imply a 92% chance for a 25-basis-point cut at the upcoming meeting, up from 70% on Friday and 32.0% one week ago. At K&A we have been a little ahead of the futures market in that we have believed that another 50 basis point rate cut, or cumulative cuts, is "cooked in" before the end of 2007. The futures market now reflects our point of view.
- 7) We suspect that the major U.S. stock market averages may have a little more room to fall, in advance of the Federal Open Market Committee (FOMC) meeting that is scheduled to take place on October 30 & 31. We are not expecting any big down turn in the markets however. This is not October 1987.
- 8) We have gotten a little more defensive in the model portfolios during the past 10 days, but we expect this storm to pass just as the storms in February and July/August passed.

9) Our only significant foreign exposure is currently through investments in stocks and mutual funds featuring investments in China. We feel the bullish story in our investments remains intact and we expect them to keep appreciating.

10) We will be using the current softness in all markets to add to positions we are firmly committed to in order to hopefully continue the significant out-performance of our models over the markets.

11) We will provide you with a much more detailed update after the FOMC meeting at the end of the month.

Sincerely,

Paul Krsek
For K&A Asset Management, LLC

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The investment portfolio models or management services mentioned in ELLUMINATION may or may not be available in some states, and they may not be suitable for all types of investors.

K&A manages accounts with various histories and investment objectives. Various accounts may be managed differently from time to time.

Krsek makes frequent reference to the model portfolios called Hatteras, Mendocino, Halifax, Bonavista, Fresnel and The New World. During 2005 Paul Krsek was appointed Chief Investment Officer of K&A, and as such is responsible to make all trading and management decisions for all client accounts which are being managed according to a specific portfolio model. A description of each of our models can be found on our website at <http://www.kaassets.com/choices.htm>.

Not all accounts managed by K&A are "modeled" accounts. We strongly urge our clients to understand which model, if any, are being used to manage their accounts.

As of July 3, 2007 Lee O'Dwyer joined K&A as a portfolio manager. Paul Krsek and Lee O'Dwyer frequently discuss investment ideas, model portfolio strategies and the investment policies of K&A. But when it comes to the implementation of those policies Krsek is primarily responsible to manage the accounts that fit into each model portfolio description. He generally makes all final investment and trading decisions relative to those accounts that are considered to be "modeled." However, in Krsek's

absence O'Dwyer does have the authority to trade all client accounts. He has been actively trading accounts in the various models since joining K&A.

From time to time K&A receives requests from clients to purchase securities that are not included in the model portfolio to which they are assigned. Effective May 24, 2006 K&A has encouraged clients to hold such securities in a separate account for the client. Because K&A is a "fee only" registered investment advisor" it charges its normal management fee for monitoring such securities in the separate accounts in which they are held.

K&A makes every effort to exclude securities that are 'requested by the client' from the modeled portfolio accounts.

The investment objectives of various accounts and models may be substantially different from one another. Therefore topics or investments mentioned in E-Illumination may or may not apply to specific managed accounts and/or models.

Trades or adjustments to accounts mentioned in ELLUMINATION may or may not happen in every account managed by portfolio managers at K&A.

If you are not satisfied with the investment results in your account it is your responsibility to inform Krsek or Andreae and to discuss possible changes that can be made to the account to accommodate and satisfy your needs.

The assets held in managed accounts at K&A Asset Management, LLC may include stocks, bonds, cash, commodities, foreign exchange or mutual funds or exchange traded funds (ETF's), money market accounts or limited partnerships that represent the same. They are subject to market fluctuation and the potential for losses. The assets are not insured. The value and income produced by these investment products may fluctuate, so that an investor may get back less than they initially invested.

The portfolio managers at K&A Asset Management, LLC do not guarantee results.

Past performance should not be considered an indicator of potential future performance. If you do not consider yourself suitable, either emotionally or financially, to experience volatility and/or losses in financial markets, you should not invest.

From time to time Krsek lists the simple annual returns of the six model accounts in this newsletter. These accounts are "models" and do not represent the actual results accruing to individual accounts. Simple annual return does not represent "time weighted return" as reported individually to clients in their quarterly reports prepared using Centerpiece.

This document is for information purposes only and it should not be regarded as an offer to sell or as a solicitation of an offer to buy any securities or other instruments mentioned in it.

Sincerely,

Paul Krsek

Updated: August 13, 2007