



Today changed very little

It was another aggravating day. Very little changed relative to what we told you yesterday. The rally in the last half hour today is being attributed to “the U.S. dollar/Japanese yen reversal (yen strengthening).”

Hey, there is always a reason quoted for every rally. The real reason may simply have been because everyone knew it was time for a rally.

We did not buy stocks today. We sold Freeport McMoRan Copper & Gold. We extended our stop loss yesterday, but couldn't keep it today. Amazing.

The Nasdaq Composite Index did challenge its October 10th low and it held—at least for now. For much of the day it looked as if all the major averages would challenge the October 10th lows, but they didn't. We will save that test for another day.



We are still finding some of the most bearish investors turning bullish and that keeps us in the camp that a solid rally could start anytime. These are guys who have been bearish, and/or short all the way down and they are now piling into stocks. These are guys who said to sell at the top and they are now willing buyers. As one of them says, “Makes you say Hmmm!”

Credit conditions do continue to ease and that is good for everyone. We noticed that many of the bonds we own in the models were up in price yesterday and today.

That is good.

Microsoft just reported earnings and so far everyone likes the report. The stock is up after hours. Maybe a good indicator for tomorrow.

Our Option # 1 is still in play.

I'll make one more observation and call it a day. Oil prices clearly overshot on the upside when they got to \$147. Will they overshoot to the downside and get to \$50-\$55? We can't tell you that will happen, but it would not surprise us one bit. That is one reason we have not ventured back into oil stocks quite yet. They were a big part of today's rally. We shall see.

All the best, PK

Paul Krsek
 MANAGING MEMBER & CHIEF INVESTMENT OFFICER
 K&A Asset Management, LLC
 702 Trancas Street, Suite 200
 Napa, California 94558

(707) 603-2672 Office
 (707) 486-7333 Cell
 (707) 224-2521 Fax

paul@kaassets.com
www.kaassets.com

Disclosure and Disclaimer:

ELLUMINATION is the proprietary newsletter written for clients, friends, and affiliates of K&A Asset Management, LLC (K&A).

Paul Krsek is the sole author of ELLUMINATION. While the views and representations found in the newsletter generally reflect the attitudes and opinions of the K&A Asset Management, LLC members and staff, Krsek writes without editing and therefore is solely responsible for the content and opinions contained in ELLUMINATION.

ELLUMINATION does not represent the opinions of Fidelity, Fidelity Institutional Brokerage Group, NFS or anyone employed by Fidelity in any capacity. Neither Fidelity, Fidelity Institutional Brokerage Group, nor NFS, nor anyone employed by Fidelity in any capacity has participated in the creation of ELLUMINATION and they are not responsible for the contents or distribution of ELLUMINATION.

ELLUMINATION is written to provide general information to clients, friends, and affiliates. The contents of ELLUMINATION are not to be taken as individual investment advice. No investment decisions should be made based on the opinions or information offered in ELLUMINATION.

K&A does not represent that the information in ELLUMINATION is accurate or complete and it should not be relied upon as such. Opinions expressed herein are subject to change or modification without notice.

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-Ellumination 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

Disclosure statement updated: August 13, 2007

