



5T Wealth
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Ellumination Newsletter

Too MANY are Still in Denial to Bring an End to this Economic Debacle

February 24, 2009

Lee and I read ourselves to the point of near blindness every day. We are now well into the second year of this economic collapse and it is clear that even today very few people have a real handle on what is going on. If you doubt that just take a look at the statements and actions of our public policy makers. It is extremely clear to me that the Bush administration didn't know how to fix our problems and neither does the Obama administration. That is not a condemnation of either. It is just a sad fact. We are in uncharted territory.

It is also clear that lots of people remain in denial about the depth and breadth of our problems and that may be the reason we can't get to the bottom of all this and find the right solutions.

It is hard to solve a problem when you are in denial that you have a problem. Think about alcohol or drugs if you doubt that statement.

We have admitted in several of these newsletters that we didn't understand how bad the situation was. **But we were open to the idea that things were worse than we understood. That allowed us to alter our behavior enough to prevent a debacle for our clients and for ourselves. It allowed us to adjust sufficiently that we now feel we are well ahead of the curve.**

We have told you that it wasn't until Henry Paulson brought some focus to the issues last September that all the alarm bells really started to ring around the nation and around the world. By that time we were already a year into all this (at least the way we reckon).

A dear friend of mine, who is a very astute businessman, admitted to me today that he has been in denial all the way along. It is my opinion that Jeff Immelt, CEO of GE, is in TOTAL DENIAL. He has put the AAA credit rating of his company at risk through his stubborn refusal to cut GE's dividend. Bankers galore have wasted billions in capital paying out dividends their companies can ill afford.

President Obama, to his credit, says that companies that accept public funds to survive must limit executive compensation to \$500,000 per year. Wall Street sneers and barks that they can't retain talent if they are confined to offering such meager sums.

Then AIG reports that it may have lost as much as \$60 BILLION in the 4th quarter. YEP, THAT'S TALENT ALL RIGHT! By the way, the government of the people, by the people and for the people already own 80% of AIG. If anyone asks me, being one of the PEOPLE, I don't want to own any more.

Citigroup's CEO was testifying before Congress just a few short days ago, and if I recall correctly, offering up a fairly sanguine overview of Citi's prospects. So it shouldn't have been any surprise that Citi apparently approached the government OVER THE WEEKEND saying that it just might need more money. Seems the government (we the people) is now thinking of taking up to a 40% stake in Citi. Hey, things can change a lot in few days. I mean, just how is a CEO supposed to project out a few days to know he is GOING TO BE BROKE? Is Vakrim Pandit, CEO of Citi, the type of talent we are talking about having to pay more to retain? Seems like an outrageous waste of money to me.

Then there is my favorite CEO of all time, Rick Wagoner of GM. This guy has been methodically running GM into the ground for years. Sorry, that is one man's opinion that you can take to the bank (oops, maybe the opinion is good but the bank is not). This guy has been in denial for all the time he has been at GM and no one seems to get it. Maybe he is a shining example of the talent that we need to pay to retain.

Sorry, I don't think any of these guys are worth the money they are being paid and they are just a few that I have focused on for the purposes of this newsletter. Executive suites throughout the banking and financial services industry are full of people in denial that are not worth their salaries and bonuses, let alone \$500k per year. **Rick Wagoner may be the odd man out in that he is in autos and not banking, but he is not talent I want "the peoples" money going to retain. As far as I am concerned GM, Congress, or someone, should show him the door. It should be his job to make sure it doesn't hit him in the A-on the way out.**

In the end "we the people" could wind up owning all their companies. I volunteer to be the czar that sets executive standards of behavior, performance and compensation. Mike Thompson, if you read this, please give the Prez the word that you have a volunteer.

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Disclosure and Disclaimer - Updated last on August 13, 2007 by Paul Krsek:

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5T WEALTH MANAGEMENT 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 5T WEALTH MANAGEMENT, 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 5T WEALTH MANAGEMENT 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 5T WEALTH MANAGEMENT as a portfolio manager. Paul Krsek and Lee O'Dwyer frequently discuss investment ideas, model portfolio strategies and the investment policies of 5T WEALTH MANAGEMENT. 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 5T WEALTH MANAGEMENT.

From time to time 5T WEALTH MANAGEMENT receives requests from clients to purchase securities that are not included in the model portfolio to which they are assigned. Effective May 24, 2006, 5T WEALTH MANAGEMENT has encouraged clients to hold such securities in a separate account for the client. Because 5T WEALTH MANAGEMENT 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.

5T WEALTH MANAGEMENT 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 5T WEALTH MANAGEMENT.

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 5T WEALTH MANAGEMENT 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 5T WEALTH MANAGEMENT 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.

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