
ELLENBECKER INVESTMENT GROUP, INC.

2nd Quarter 2004

News & Notes

I always think of spring fondly, longing for a fresh start in my garden, anticipating warmer weather and longer days. It is easy to forget the drudgery of controlling the weeds all summer, the high electric bills from air conditioning and the difficulty I experience getting my granddaughters, Taelor and Autumn, in bed at a reasonable hour. As is with much of life, I am grateful that I can and do forget most of the unpleasant experiences.

Knowing when to forget and when to remember is what separates the beginners from the seasoned wealth managers.

In 2001 we watched Enron, the seventh largest corporation on the New York Stock Exchange, become the single largest bankruptcy ever. Shortly after the Enron collapse we witnessed the investment company scandals unfold. The last five years with its unprecedented bull run, painful recession and seemingly nonstop stock market volatility has left many investors feeling as if just stepping off a roller coaster; dizzy and wondering where do we go from here? It goes without saying, whatever your situation ... the recovery of the stock market in 2003 was a welcome and long-awaited round of good news.

Again we ask ourselves, "Where do we go from here?" While I believe that the market is in the midst of a long-term recovery, we cannot afford to forget where we have been and how we felt when we were there. I believe this is an ideal time to take stock in the challenges we faced during the last several years and to craft solutions to avoid a similar emotional rollercoaster.

Warren Buffet said, "Be fearful when others are greedy and greedy when others are fearful." Just as trees don't grow to the sky, markets don't continue to go up and up and up. However, markets typically do not go down forever either. Understanding a down

market is difficult... no question about it. The biggest investment challenge is knowing, understanding and *never* forgetting that down markets are part of investing.

If we evaluate the long-term performance of the stock market from 1928 to 2001, the average annual return of the S&P 500 was 10.4%. Compare this to the 17.9% return between 1980 and 2000 that people came to expect as normal.¹ With returns like these, it is easy to understand how people have developed unrealistic expectations.

What have we learned? I have learned that we must establish reasonable expectations with our clients while at the same time providing solid diversification and competitive returns. I have also learned the importance of encouraging a long-term perspective and patience. The first step is to make sure we have an informed view of our client's long term financial goals and their limitations. It is important that we take the necessary time to discuss the last three years and the emotional and financial impact it has had on us as investors. I am confident that 2004 is going to be a terrific year for the American economy in many ways, including a steadily rising stock market. I would be happy if the market ends 2004 slightly higher than it is now. Closing the year with a respectable, high single-digit total return would be considered nice growth. Unfortunately, I have not been hearing those types of expectations from my clients, the public and especially from the media. It seems as if people have wiped clean their memory of the technology bubble and the losses of the last three years and are now touting "performance" mania.

Realistic expectations are based on your specific situation, not the momentum of the market. I have

¹ Putnam Investments – Don Connelly

always believed in the importance of solid diversification. We have implemented several forward-thinking strategies to position our clients' portfolios to have resiliency in down markets and the ability to take advantage of current investment opportunities. Some of those strategies include using Treasury Inflation-Protected Securities (TIPS), dividend paying individual equities and non-correlated assets where appropriate. We are diligent in monitoring the exposure to large, medium and small capitalization equities and recognize the importance of foreign exposure.



Have you ever planted a seed and forgotten to water it? If you answered yes, you realize that there is more work to growing beautiful flowers than just dropping a seed in the ground. When the ground is dry, we water it. When it is cold, we protect it. When the crop becomes abundant, we harvest it. Some advisors will show you a pretty picture of a flower, drop your investment seed in the ground, and then forget about it. We will not get caught in that sticky fly-paper ... fluttering frantically yet immobilized. Our strategies will provide many options not only as the market landscape changes but also as your life changes. There are many products in the market that appear to be perfect for everyone, when in reality they are like a wolf in sheep's clothing and perhaps are not perfect for your individual situation.

You can expect individual wealth consulting that reflects integrity in evaluating different investments and strategies that are designed to enhance your specific financial goals. In addition to financial advice we offer insurance evaluation, estate planning evaluation, mortgage analysis, college financial preparation and much more. If there is a service that could enhance your individual quality of life please do not hesitate to call us. At Ellenbecker Investment Group, Inc. we believe that it is what we do after the seed is planted that matters.

Have a wonderful Easter and enjoy the upcoming spring,

Blessings, Karen



Think "Holiday Season"

We realize that spring is just beginning but we cannot forget that Christmas is only 9 months away! Believe it or not we are already starting to plan for our holiday "Hats and Mittens" project.

Last year we were able to provide hats, mittens and a bag full of goodies to each child in 5 separate classrooms at Kagel Elementary School. That was a total of 102 children whose lives were touched by the generosity of our staff, our clients and other associates!

Our goal for the 2004 holiday season is to increase the amount of children we impact to 150 and we also want to include the 15 teachers on this year's gift list.

If you are interested in contributing to the children or if you have any ideas or contributions towards the teacher gifts please contact Julie, Tina or Mary at (262) 938-9060. If you want to participate but don't want to shop, feel free to make a check payable to Ellenbecker Investment Group and we will do the shopping for you. Now is a great time to get those much needed winter items on sale.

Thank you in advance for your generosity and kindness all year through!



Client Features



Gene Schmitt and his wife Dorothy have lived in Wisconsin all their lives. As an avid fisherman, Gene became involved in Walleyes for Tomorrow (WFT) several years ago. Although Dorothy doesn't fish often, she takes pride in participating in her husband's efforts through this organization. In addition to being involved with WFT, Gene and Dorothy enjoy their three grandchildren. Dorothy also enjoys photography and compiling scrapbooks of her family.

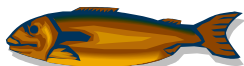
The WFT organization was formed on October 10, 1991 in Fond du Lac, WI. The purpose of the organization is to improve and protect the Walleye habitat and facilitate stocking of Walleye in the rivers and lakes of Wisconsin. In 1992 WFT received non-profit status and in 1996 WFT was incorporated. WFT works with the public, fishing groups, Boy Scout troops and other agencies to provide the needed resources to improve the water systems and fishing in Wisconsin. An important goal of WFT is to educate the public about issues regarding natural resources and the natural environments of fish and other water animals.

There are fourteen chapters operating in the State of Wisconsin with a total of 3,000 members. All projects are paid for with donations and fund raising money and the work is completed by volunteers.

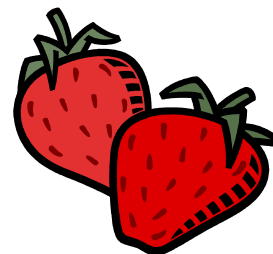
The "Milwaukee River Basin" chapter is the thirteenth chapter to be organized and Gene Schmitt is the chairman. The major project this Chapter will focus on is cleaning up the Milwaukee River Basin and working towards the continuance of walleye stocking. Milwaukee County Boy Scout troops will be participating in the Milwaukee River cleanup. WFT is looking for food donations to feed the Boy Scout Troops after each cleanup session.

Since its inception, WFT has raised over \$1 million for habitat improvement of spawning areas, development of mobile fish hatcheries, and the rearing and stocking of walleyes in Wisconsin. All projects are planned and approved by the Wisconsin DNR.

Please contact Gene Schmitt, Chapter Chairman at (414) 425-4132 if interested in donating money or time to this project. River cleanups will be organized monthly. All donations to WFT are deductible to the full extent of the law. All monies raised in Wisconsin are used for projects in Wisconsin.



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V. Marchese Produce was founded in 1934 by Vito Marchese. Today this family business is owned and operated by Vito's grandchildren, Sal and Jack Marchese and great-grandson Jack Wertz.

When the business began, Sal remembers his Grandfather and Father traveling from corner store to corner store selling fresh fruits and vegetables to the local owners. Vito fondly became known as the "Banana Man" because he would generously give neighborhood children free bananas.

As corner mom-and-pop stores began to close, Sal and Jack recognized the need to make a change. V. Marchese's customers now include schools, restaurants, hotels and a Naval Base. They also deliver to Madison, Beloit, Chicago, South Illinois, and Door County. Sal takes pride in the fact that their products are always fresh and come from all over the world. They deliver seven days a week with over 400 deliveries per day. Sal gives some of the downtown restaurants special treatment by delivering several times a day.

Sal enjoys working in a family-owned business because it is a way to stay connected and close to his loved ones. The company also employs two of Sal's sisters and other family. He envisions his two young children following in his footsteps someday.

Tremendous growth has provided an opportunity for the company to build a state of the art facility in Milwaukee's Third Ward. Taxpayer assistance through Federal, State and City programs helped them complete the environmental cleanup and special construction required due to the type of soil in the area. Milwaukee is encouraging light industrial businesses to create jobs, wealth and property tax revenue in areas filled with vacant and underused properties. In return V. Marchese will continue to grow its business within Milwaukee creating more opportunity for residents. The new facility has gone high tech with a new data base system that will enable its customers to place orders and check invoices online. V. Marchese currently employs more than 85 workers in the Milwaukee area.

REPRESENTATIONS AND WARRANTIES IN THE SALE OF REAL ESTATE

**Attorney Robert M. Koch
Koch, Koch & Clark**

Sales Contracts

The standard real estate purchase contract in Wisconsin contains seller representations and warranties regarding the condition of the property being sold. These representations and warranties are given based upon the seller's notice or knowledge of the condition and include building code violations, improvements made without permits, structural inadequacies, health, safety and environmental hazards and the catch-all, other conditions or occurrences which would significantly reduce the value of the property to a reasonable person.

Property Condition Report

The standard real estate contract also provides for the seller delivering a written property condition report containing specific representations about the property's condition. This report includes representations regarding the electrical and plumbing systems, the heating and cooling systems, the roof, the foundation and all other major components of the property.

Burden of Discovering Defects

Generally, the law leaves it to the buyer to discover defects and other conditions material to the buyer. Case law has slowly been developing that makes it easier to impose liability against a seller for failing to disclose defects. Providing the representations and warranties described above and the property condition report also significantly shifts the burden to the seller to disclose known defects or adverse conditions and those conditions about which the seller simply has some notice. Failure to adequately disclose can result in liability to the buyer when the condition is discovered. Deliberately disguising a known defect or preventing a buyer from discovering it could result in punitive damages being awarded.

Property Inspections

Property inspections conducted by professional inspection services have become commonplace. Such an inspection should not be viewed as a substitute for including proper language regarding representations and warranties. Although such an inspection may help both parties, the buyer, by providing a more knowledgeable opinion about the property's condition, and the seller, by providing

another possible defense regarding reliance upon the seller's representations and warranties, both parties may still look to the contractual representations and warranties to establish liability. Rather than rely solely upon an inspection being performed, it is far better to carefully consider the representations and warranties together with the party's knowledge of the property's condition to fashion the language that accurately set forth the parties' agreement.

"As Is" Clauses

Including a clause in the contract making the sale "as-is, where-is" shifts the burden of discovering defects back to the buyer. Such a clause can be very effective where the seller has not occupied the property. Otherwise, the inclusion of such a clause should be measured against the impact of including such a clause on marketing the property. Further, when including an "as-is" clause, the seller should be careful not to make additional representations, either in writing or verbally, as these representations will bind the seller despite inclusion of the "as-is" clause.

Conclusion

When considering the sale of a parcel of real estate, the seller should make an assessment of the property's condition and should then make an initial determination about whether he will make any representations or warranties and, if so, which ones. If there are defects of which the seller has notice or knowledge, the seller should decide whether they will be corrected prior to marketing or whether they will be disclosed. The seller should determine whether an "as-is" clause will be included and marketing efforts modified to accommodate the inclusion of such a clause. The seller can also anticipate the buyer's discovery of defects and may be able to anticipate price breaks or repairs prior to closing. The seller should consult with an experienced real estate attorney prior to marketing the property to assess the risks associated with the decision regarding representations and warranties. The buyer should have the property carefully inspected and should determine whether an "as-is" clause will be acceptable. The buyer should also consult with inspectors, contractors and a real estate lawyer to be certain that he is receiving all of the necessary representations and warranties or to make certain the proper risk assessment has been done. There should be no surprises if each party has done the proper analysis of the property, committed to writing the risk each is willing to take concerning the property's condition and taken such risks into account in the price.

