

HART & PATTERSON

FINANCIAL SERVICES, LLP

2010 NEW YEAR'S NEWSLETTER

MARKET COMMENTARY

Looking back on a challenging year, looking forward with enthusiasm.

As is our routine, we take time at the end of each year to look in the rearview mirror and reflect on the year that was. 2009 will certainly be a year we will never forget. We began the year watching the market continue to drop like a rock. On March 9th it finally stalled, then reversed its negative tailspin, and began to climb upwards with gusto. In April, we held our own version of a Town Hall meeting for clients to share their concerns about the market and our economic woes. In June, Lorraine received her diagnosis and now six months later is well on her way to 100% recovery. In July, Vikki Lenhart joined our H&P family and has already proven herself to be invaluable. Finally, in October, we opened our new office in Northampton, a long time goal and dream realized. Challenges seemed to have met us around every corner; it feels very good to be on this side of 2009.

Countless times in these pages we have written about and discussed the many reasons we consistently believe that investors need to have an appropriate game plan and then stick with it, even during some of the market's darkest moments. This most recent year is another compelling example of that strategy paying dividends. If you think back to last year at this time, you'll remember that there was a huge cloud of negativity and pessimism hanging low in the sky. 2009 proved once again that much of successful investing is having the ability to see beyond the immediate pain or euphoria. We discussed many times that we believed that this most recent negative and difficult market presented an amazing buying opportunity for investors. Looking back at the

March 9th lows with a DOW* at approximately 6,500, we believe we may have just witnessed some of the best buying opportunities in our lifetime. The DOW is up approximately 60% from its low on March 9th. We are not yet at the highs that the markets reached during the final months of 2007, but we are certainly headed in a far better direction than we had been during 2008 and the beginning of 2009. The pendulum always swings to the extremes; we want to help guide you through those difficult times with confidence and discipline.

Why we are looking forward with enthusiasm.

There are many reasons for our enthusiasm, but we would like to focus on one very compelling reason - the outflows of cash from stocks and cash inflows to bonds. Through approximately mid-December of 2009, there was a net outflow of stocks of \$5.3 billion. In other words, for the first 50ish weeks of 2009, there was \$5.3 billion more stock sales than purchases. For that exact same period, there was a net inflow of approximately \$315.2 billion into bonds. You are reading the numbers correctly. We firmly believe that many investors continue to make rash and improper investment decisions; these current statistics lead us to believe that once again we will be positioned to capitalize from other investors' mistakes. We believe that many of the investors who fled to bonds for bonds' perceived stability will be rudely awakened when the tide turns on many bond returns. Interest rates are at historic lows and really have no other way to go but up as the economy continues to recover. We believe the worst of the economic woes are behind us and that eventually we will see interest rates start to climb, which in general, does not bode well for bonds. This does not mean that holding an appropriate percentage of bonds is a mistake; it does mean, however, that those investors who invested in bonds in lieu of stocks, will have made two crippling mistakes. In our opinion, as investors regain their confidence and shift assets from current bond holdings and bank-like products (i.e. money markets), this will only continue to benefit all portfolio values by increasing share prices. We are already extremely pleased with the very strong recovery in account values we are observing among client portfolios.

**All indices are unmanaged and investors cannot actually invest directly into an index. Past performance is not indicative of future results. The NASDAQ Composite Index measures all NASDAQ domestic and non U.S. based common stocks listed on the NASDAQ Stock Market. The Dow Jones Industrial Average is a price weighted average of 30 actively traded blue chip stocks. The S&P 500 Index is a broad-based measurement of changes in stock market conditions based on the average performance of 500 widely held common stocks.*

A CHANGE FOR LORRAINE

Though Lorraine continues to recover extremely well from her surgery and radiation and is getting used to her new medication, she continues to tire easily. Unfortunately, one of the side effects of everything that she has gone through recently is that it is just taking her more time to fully recover her previous energy level. Therefore, we have decided to accelerate a change for her that we had planned to make in the next 18 months. Lorraine will continue to be instrumental in the ongoing tasks of running our office and strategizing with myself and Vikki regarding portfolio and financial planning recommendations. However, she will no longer have scheduled in-office or phone appointments. Vikki and I will work together to meet with and work with all of you who have primarily met with Lorraine over the years. We have always worked as a team and will continue to do. We know this represents a very big change, as our relationships with you are very personal and, in many cases, span decades. Lorraine would love to hear from you via phone, email, and/or mail.

We have worked diligently over the years to build our firm with employees who share our values. Our Hart & Patterson family has now grown to nine, all of whom are here to provide you with the best advice and service that we can deliver. We are fortunate to have our H&P family in place so that we can continue the work that we are so very passionate about. We thank you again for all of your support during Lorraine's illness and recovery.

JUST A FUN FOOTBALL FACT

We thought you might find this interesting....

Although we are die-hard Patriots fans, we thought we would share some statistics regarding the Pittsburgh Steelers (we know there are some diehard Steelers fans among you!). A market research publication, BTN Research, in its 2/9/09 issue pointed out that "The Pittsburgh Steelers won their 6th Super Bowl when they defeated the Arizona Cardinals last February 27-23. In the 5 previous years that the Steelers won the Super Bowl (1975, 1976, 1980 and 2006), the S&P 500 has been up an average of +25.6% on a total return basis. The S&P 500 is an unmanaged index of 500 widely held stocks that is generally considered representative of the US stock market." The S&P 500 finished 2009 up 23%.

NEW LOOK



A New Decade, A New Look! We'll begin to integrate this look across all areas of our business; be on the lookout for a website coming soon.

MORE TAX-FREE INCOME IN RETIREMENT

Consider opening a non-deductible IRA then converting to a Roth.

Although the \$100,000 income limits on Roth IRA conversions have been eliminated starting this year, the income limits on Roth IRA contributions have not changed. The income limits are as follows:

Roth IRA Income Limits 2010

Filing Status	Full Contribution	Reduced Contribution
Single /Head of Household	Up to \$105,000	\$105,001 to \$120,000
Married Filing Jointly	Up to \$167,000	\$167,001 to \$177,000

Regardless of income level, an individual may contribute to a non-deductible traditional IRA and then convert that to a Roth IRA. For example, a married couple filing jointly with income above the \$167,000 Roth IRA contribution limit could contribute \$5,000 each (\$6,000 each if 50 or over) to a non-deductible traditional IRA, and then convert these funds into Roth IRAs the next day. No additional taxes would be owed on the amount converted (except on any gains occurring between the date of the contribution and the conversion date – one day in this case) since the initial contributions would be made with after-tax dollars. The couple could utilize this strategy each year. All eligible distributions from the Roth IRA from that point forward would be income tax free. Another key benefit of Roth IRAs is that there are no required minimum distributions, unlike traditional IRAs where distributions must start upon reaching age 70 ½. A Roth

IRA may or may not be advantageous for all clients; however, if you anticipate you'll be in a higher tax bracket when you retire, or if you want to pass money to your heirs tax-free, Roth IRAs may be a terrific investment.

NOTE: If you have a Traditional IRA already (meaning not an active 401(k) or 403(b)), this conversion strategy would result in additional income taxes being owed in the year of conversion as the government treats the conversion of any IRA to a Roth as a proportional conversion. Taxpayers are not allowed to specify that conversions are coming only from non-deductible contributions.

IDENTITY THEFT

Please take the threat of identity theft very seriously. Do not give out your account numbers or social security numbers via email, even to people you know, including to our office. And certainly never give this information to anyone that you cannot identify. Unfortunately, criminal activity can be very difficult to detect – it is always better to be safe than sorry.

Also, please remember that the federal government will never make an initial contact or request for information via email. Unless you have previously started a correspondence with the government via email, do not answer emails that seem to be from the U.S. government; these are attempts to steal personal information. Generally, banks will not contact you and request information via email, either. If you receive any email that seems to be from your bank, call the bank to verify that the email is legitimate before answering or providing information.

Finally, if you forget your social security number, we will not be able to provide it to you via email or by telephone under any circumstances. Keep your personal financial information and social security numbers in a safe and secure place. Please call our office if you have any questions about this policy.

RMDs (Required Minimum Distributions) FROM RETIREMENT PLANS FOR THOSE 70 ½ AND OLDER TO RESUME IN 2010.

Congress passed the Worker Retiree and Employee Recovery Act in 2008 which allowed the suspension of 2009 RMDs for individuals aged 70 ½ and older and for individuals with Beneficiary IRA accounts. This was a free pass for 2009 only. Beginning 1/1/10, RMDs must once again be established for all appropriate accounts (IRAs, IRA Rollovers, SEPs, 403(b)s, 401(k)s) and Beneficiary IRAs. If you have retirement accounts with H&P and if you are going to have your 70th birthday during

2010, we will contact you to discuss your RMD options. As always, please feel free to contact us if you have any questions.

TAX YEAR 2010 RETIREMENT PLAN CONTRIBUTION AMOUNTS

IRAs

IRA contribution limits for the tax year 2010 will be \$5,000 for individuals under age 50. In addition, individuals age 50 and older can make an additional “catch-up” contribution of \$1,000, for a total of \$6,000. Clients who have not yet contributed for tax year 2009 have until April 15th to make their annual contribution.

TSA/403(b), 401(k)

The contribution limit for participants under age 50 is \$16,500. Participants age 50 and older can make an additional “catch-up” contribution of \$5,500 for a total of \$22,000.

Simple IRA Deferral Contributions

Participants under age 50 can contribute \$11,500 in 2010. The “catch-up” contribution provision available for participants age 50 and older allows for an additional \$2,500 for a total of \$14,000.

Profit-Sharing Plan Contribution/Deduction Limits

The employer deduction limit for profit-sharing plans remains at 25%. This continues to allow substantially increased annual contributions for employers who use or allow multiple contribution options, such as profit-sharing, matching, and after-tax contributions.

PLEASE CONTACT US IF YOU RETIRED LAST YEAR OR ARE PLANNING TO RETIRE IN 2010 AND ARE MAKING SYSTEMATIC INVESTMENTS THROUGH OUR OFFICE TO RETIREMENT ACCOUNTS.

We will need to terminate any automatic/systematic investments that you may have had established for your various retirement accounts (i.e. IRAs, Simple IRAs, SEPs) so that contributions are not made in 2010 if you are no longer working.

2010 LIMITS FOR TAX DEDUCTIBILITY OF LONG-TERM CARE INSURANCE PREMIUMS (for “qualified” policies)

Premiums up to these limits are considered unreimbursed medical expenses and are deductible to the extent that they, along with other unreimbursed medical expenses, exceed 7.5% of adjusted gross income.

Amounts above the limits specified here are not considered to be a deductible medical expense.

Attained Age before the Close of 2010	Maximum Deduction
40 or less	\$330
more than 40, but not more than 50	\$620
more than 50, but not more than 60	\$1,230
more than 60, but not more than 70	\$3,290
more than 70	\$4,110

RIDGEWOOD CLIENTS

K-1 Reminder: All clients owning units of Ridgewood during 2009 should wait until the receipt of K-1(s) from those investments before completing income tax returns. K-1s are generally mailed to you at the very end of March.

Just a reminder – revised 1099’s are always a possibility from investment companies.

OUR INCOME TAX SERVICE

The 2009 Tax Organizers for our tax clients will be in the mail by mid-January. Tax information for 2008 will be included in the Organizer for those of you who were tax clients last year. If we have not prepared your income tax returns in the past and you would like us to do so this year, please call our office as soon as possible.**

***Representatives of Cambridge do not offer tax advice. Penny Manners is not affiliated with Cambridge Investment Research, Inc.*

OUR OFFICE HOURS DURING TAX SEASON

Our office will be open Monday through Thursday from 8am – 4pm.

Please note that our office will be closed on

---Monday, February 15th in observance of President's Day

IN THE NEWS

Business West, a local publication serving the Western Mass business community, recently ran an article profiling the culture of our firm. The link to the online version of the article is: <http://businesswest.com/details.asp?id=2179> . If you would like a hard copy, please let us know and we'll put one in the mail to you. Hart & Patterson has generated additional press in numerous local publications including Business West, The Gazette, and the Springfield Republican announcing our new office in Northampton and the addition of Vikki Lenhart to our staff.

ADV ANNUAL OFFER (fee based clients only)

Each year the SEC requires that we offer our Fee Based asset management clients (i.e., SEI and Asset Mark) the opportunity to request a copy of Cambridge Investment Research, Inc.'s ADV filing. If you are interested in receiving this ADV filing, please call our office and we will forward a copy to you.

QUESTIONS/CONCERNS

As always, please contact our office whenever you have questions or concerns.

EMAIL

Please let Barbara know if you would like to receive our newsletters via email. Please email her at Barbara@HartPatterson.com.

With tax season upcoming, we'd like to remind you not to transmit anything to us with social security numbers or account numbers via fax or email. Please black out the social security numbers or account numbers before faxing or emailing.

You'll soon see our new Northampton office address on our letterhead, business cards, and website. Office hours in the Northampton office are by appointment only. Please remember to use the Amherst address for all mail that you send to Hart & Patterson.

One last reminder -- Please do not email any investment instructions to us. Industry regulations do not allow us to accept or act upon any investment instructions via email. However, please feel free to email us with any questions or concerns that you may have. Everyone's email address in our office is their first name followed by @HartPatterson.com.

THANK YOU

As another year begins, we once again want to thank you for the trust you have placed in our firm – we sincerely appreciate it and will work tirelessly to continue to earn it.

All of us at Hart & Patterson wish you a peaceful and healthy 2010

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