Upcoming Events

Lucien, Stirling & Gray invites you to attend our

Fireside Chat

Speaker: Thomas Twombly

February 25, 2010

6:30 - 8:00 pm

General Market Results

	4th Quarter	YTD	One Year	Three Year	Five Year
CPI	0.17%	2.90%	2.90%	2.34%	2.60%
DJI	8.10%	22.68%	22.68%	-3.12%	1.95%
Nasdaq	6.91%	43.89%	43.89%	-2.06%	0.85%
S&P 500	6.04%	26.46%	26.46%	-5.63%	0.41%
Russell 2000	3.87%	27.17%	27.17%	-6.07%	0.51%
MSCI World ex US	3.74%	41.45%	41.45%	-3.49%	5.83%
Barclays Captl Agg Bd	0.20%	5.93%	5.93%	6.04%	4.97%

Lucien, Stirling & Gray Advisory Group, Inc. is a Registered Investment Advisory firm providing fee-based asset management and planning services to individuals, corporations, trusts and foundations.

For more information about our firm, please visit our website at www.lsggroup.com • Model holdings may change due to ongoing management • Sector and style breakdown is constructed with the best available information and therefore is only as accurate as the available information • Past performance is no guarantee of future results • It is impossible to invest directly in indices • Percentages may not equal 100 due to rounding

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Lucien, Stirling & Gray Advisory Group, Inc.

FOURTH QUARTER REPORT 2009

January 2010

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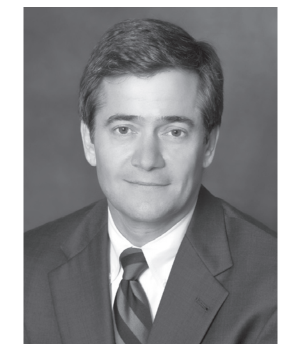
A MESSAGE FROM THE PRESIDENT

Thomas G. Twombly



We are pleased to provide you with our report for the period ending December 31, 2009.

This marks not only the end of a tumultuous year, but the end of a particularly tumultuous decade that has challenged individual investors and investment advisory firms alike. (Trust me, the last ten years have been more challenging than we could possibly have imagined a decade ago.) Therefore, it seems fitting to focus some attention here not on short-term highly transitory events, but on the long-term, largely unchanging principles that we believe have helped lead to our firm's success, and hopefully to earning the lasting trust and confidence of the clients we work so hard to serve.

In a world of breathtaking change, the temptation is to focus solely on the urgent issue of the day, and thereby to run the risk of losing sight of some truly important long-term guideposts. These guideposts often mark the difference between success and failure. Pausing every so often to reaffirm their value is important, and is one of the keys to leading a life of consequence.

In the middle of 2002, during the worst phase of the first major market collapse of this so-called "lost decade," in the months that followed the shock of 9-11, the fear and outrage at the collapse of Enron, and the disgust at the daily revelations of corporate fraud and malfeasance that then made companies like WorldCom and people like Bernie Evers household names, we took such a pause. We invested time, as a team, to discuss, identify, and define the core principles and beliefs that we believe make us who we are. It was one of the most valuable investments we have ever made, and it continues to pay dividends. Not only did it help us to endure that miserable period by allowing us to focus on something we could control (as we have often encouraged our clients to do) it also helped to prepare us for the most recent crisis, and to guide us through some equally trying times with a sense of perspective about what we hold most important.

Out of those discussions, in particular, came a focus on integrity and teamwork. With trust then apparently so lacking in the corporate world, and with high-profile "leaders" so focused on their own selfish aims at the expense of others whom they were supposed to serve (does this sound familiar?) it became clear that we might stand out for adhering to a different set of principles; core beliefs that support the primacy of fiduciary relationships and shared commitment.

> *"In our experience, nothing builds confidence, discipline, and faith in the future as effectively as having a trusted advisor to keep you on track, accountable, and making sure that important things get done in a prudent, systematic manner."*

With much of the financial industry now in a state of turmoil, and with huge numbers of advisors recently changing firms or leaving the profession, our clients take great comfort in knowing that our professional advisors have worked together in a stable, consistent environment for an average of eleven years. Our advisors, in turn, derive a sense of confidence from the fact that the leadership of this firm has worked together since our founding 18 years ago, and that each of our support staff too has been an important part of this team for many years. In short, we know each other and we trust each other. It's not an accident, therefore, that we are trusted by others.

Operationally, we continue to do everything we can to reinforce that sense of integrity. We hold ourselves accountable for addressing issues that can lead people to feel a sense of anxiety and fear about the management of their finances. As a Registered Investment Advisor, Lucien, Stirling & Gray Advisory Group, Inc. is ethically and legally bound to act as a fiduciary – always placing the interests of our clients ahead of our own – and we are proud of that responsibility. We are fee-only, which means we do not sell products, we do not accept commissions, and the only revenue we derive is from the fees paid directly to us by our clients – and we take pains to make sure those fees are fully and regularly disclosed. Additionally, because we have always been a non-custodial fiduciary, our clients have the confidence of knowing that their investment assets are always held by an independent third-party custodian. (With Bernie Madoff and Alan Stanford on people's minds, and with recent revelations of local firms who are alleged to have misappropriated assets, this offers our clients a great deal of comfort.)

While we always strive to provide our clients with good investment results, we are firmly convinced that investment performance alone will never allow our clients to achieve the results they want. Investment performance is only one small part of the overall success equation. More important on the whole is appropriate *investor behavior*, practiced and polished over the lifetime of a well-defined, well-executed plan. This is where we strive to provide our unique value. In our experience, nothing builds confidence, discipline, and faith in the future as effectively as having a trusted advisor to keep you on track, accountable, and making sure that important things get done in a prudent, systematic manner.

As always, if there is anything you need from us that we are not already providing, please let us know.

Thank you for your continued confidence and trust.

Thomas G. Twombly

President

INVESTMENT COMMENTARY

The last twelve months has been at once one of the most challenging and one of the most rewarding periods we can remember, both for financial markets and for our clients.

We began the year under severe stress, as markets shook off the hopes that had been inspired by a late 2008 rally, and resumed the gut-wrenching declines that characterized much of the second half of the previous year. Fear and panic were palpable as banks teetered on the edge of survival, a new presidential administration struggled to find its footing, and the news media relentlessly pounded out the back beat of the coming global depression. By the second week of March, stock markets both here and abroad had fallen to levels not seen in over a decade, down as much as 25% from the beginning of the year, bonds of all but the highest credit quality had dropped precipitously, and portfolios everywhere were again showing breath-taking losses. Unemployment rates were rising sharply, mortgage delinquencies and foreclosure filings were increasing at an alarming pace, and sporting good stores throughout the country were reporting severe shortages of guns and ammunition as petrified people prepared for Armageddon. Even the most sanguine of investors were tested, and reports abound that large numbers of individuals and institutions alike, who either didn't have the benefit of trusted professional advice or had lost complete faith in their long-term strategies, finally gave up and sold many of their holdings to cash.

In what proved to be the cruelest of turns for those who succumbed to panic, markets as a whole suddenly reversed course on March 10th, and have since experienced one of the most powerful rebounds in history. Stock and bond markets throughout the U.S. and the world exploded upwards. By the final quarter of the year, broadly-followed large-cap U.S. indexes had registered gains of 67% or more from their March 9th lows. Traditionally riskier sectors such as high-yield bonds, small-cap equities, and emerging market stocks experienced even more notable results, as worldwide government stimulus programs gained traction and quickly began to restore a willingness among certain investors to re-embrace risk.

Against this backdrop, we continued to maintain broad diversification in portfolios, as we have historically done, but we also took somewhat more active steps

in many of our model portfolios to focus allocations towards various sectors in an effort to adapt to some of the more notable risks and opportunities we observed. Though we will never be proponents of large scale "market timing", and while we prefer to allocate longer term assets to best-in-class money managers and allow them to take primary responsibility for most short-term allocation decisions, this was an environment where we found it beneficial to engage in some more deliberate (though still measured) changes.

Early in the year, as an example, we opted to sell many of the positions we had taken in U.S. Government bonds during 2008, and reposition those assets to managers in the corporate bond arena. Interest rates had dropped significantly in the interim, and high grade debt securities had risen impressively in value while lower rated bonds had fallen to levels not seen in decades on fears of default risk. Starting in the third week of March, as it became evident that market sentiment had begun to change, we also began gradually to reduce the cash positions we had carried in many portfolios through much of 2008, and to add incrementally to allocations we have with various equity managers, especially those who focus in the technology space. Each of these decisions proved to be particularly beneficial, both as to timing and to results, as corporate bond markets subsequently staged one of the most impressive rallies on record, and as equity markets as a whole, and particularly technology stocks, followed suit. Late in the year, after experiencing gains approaching 50% in some of the bond holdings, we took steps to reduce exposure to corporate bonds, and to add back in some U.S. Government bonds, particularly Treasury Inflation Protected Securities (TIPS).

Looking forward, we are cautious and broadly diversified. Though market performance has been impressive, and though we are particularly happy with recent risk-adjusted results, underlying economies are still impaired, and it remains to be seen how they will respond once government stimulus programs begin to wane. Given the speed and power of the recent rebound, and the absence of any notable pull-back in stock markets to date, we suspect we are long overdue. As always, we encourage our clients to maintain a long-term view, to continue to maintain tight controls on personal spending, and to remain as adaptable as possible to an economic climate that continues to undergo substantial change.

Conservative Growth Model

4th Quarter	YTD	1 Year	3 Year	5 Year
3.24%	15.24%	15.24%	-0.40%	3.57%

Inception Date 06/03/1999

Core Growth Model

4th Quarter	YTD	1 Year	3 Year	5 Year
3.53%	21.50%	21.5%	-1.24%	3.41%

Inception Date 05/31/2003

Growth Model

4th Quarter	YTD	1 Year	3 Year	5 Year
4.02%	24.71%	24.71%	0.20%	5.53%

Inception Date 10/16/1992

Specialty Model
Diversified Growth Model

4th Quarter	YTD	1 Year	3 Year	5 Year
4.93%	26.04%	26.04%	-3.92%	2.12%

Inception Date 10/31/00

Education Models
UT ORP

4th Quarter	YTD	1 Year	3 Year	5 Year
3.45%	19.04%	19.04%	-2.00%	2.78%

Inception 08/10/1999

Retirement Growth

4th Quarter	YTD	1 Year	3 Year	5 Year
3.77%	27.04%	27.04%	-2.88%	3.02%

Inception Date 06/03/1999

Growth & Capital Preservation

4th Quarter	YTD	1 Year	3 Year	5 Year
2.83%	22.41%	22.41%	0.85%	3.66%

Inception Date 11/30/2001