

Northstar Investment Advisors, LLC

**FARRELL-NORTHSTAR
RETIREMENT INCOME INDEX**

FNRI Index / S&P Certified

Objectives

The FNRI Index is an investment benchmark designed to reflect the unique investment objectives of investors who must live off the returns on their investment capital.

The index is structured to achieve the following four investment objectives:

1. Current and Stable Income
2. Growing Income
3. Principal Protection
4. Capital Gains.

The index objectives are listed in order of priority and importance, and securities are selected for the index based on their likelihood of meeting those objectives. For instance, having a stream of stable income for the next year is more important to a retired investor than the potential for capital gains 20 years from now. But capital gains are a necessary component and must be incorporated into the index objectives.

For decades, investors have been benchmarking their portfolios against broad market indices like the S&P 500. While broad market indices are appropriate for investors with long-term time horizons and no need for consistent distributions, they are of little value to investors who must live off the returns on their capital.

Other indices are not structured to reflect these investment objectives, and thus do not serve as appropriate or helpful benchmarks for retirees. For instance, during this most recent financial crisis, the S&P 500 was down more than 55% at its low in March 2009. If an investor's portfolio was down 54%, he or she could have taken pride in beating the index, but that result would most likely have proven disastrous for a retired investor. Thus, retirees and their advisors should consider new benchmarks that reflect the objectives of those who must live off the returns on their capital.

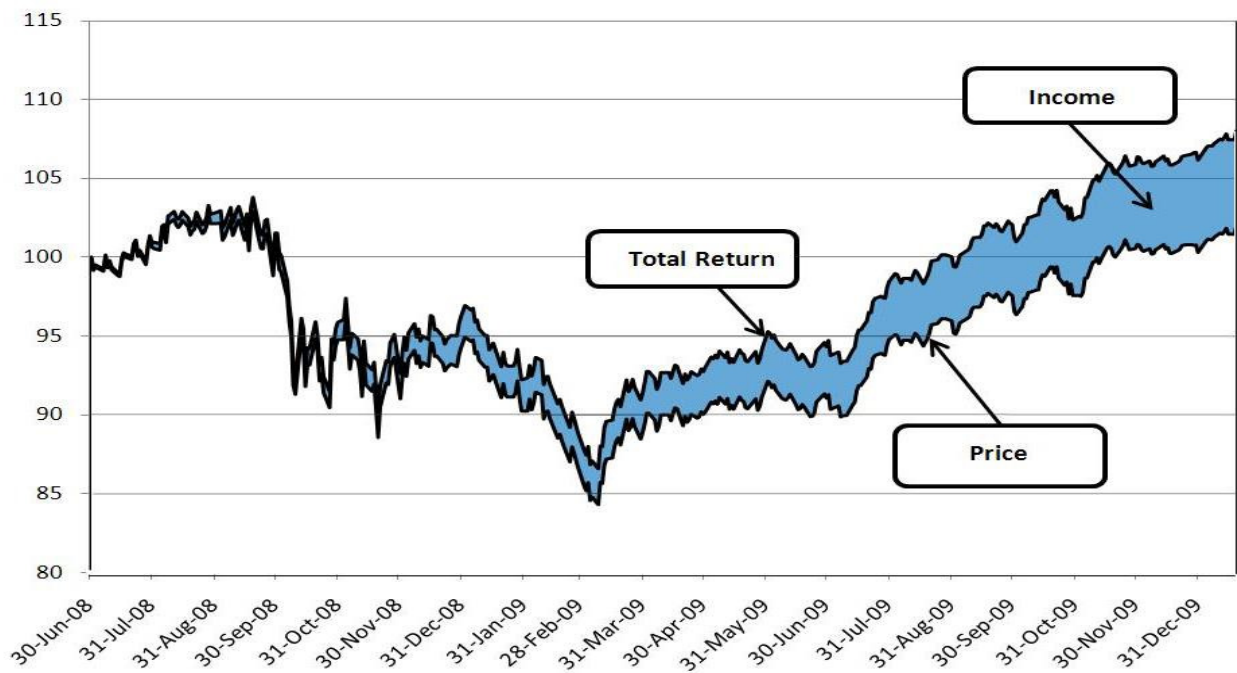
Composition

The index is currently comprised of approximately 55% fixed income securities and 45% equities. In general, the index's target allocation is 40% to 45% in equities and 55% to 60% in fixed income. The allocation will fluctuate within these targets depending on market conditions.

Fixed Income. The fixed income securities are a combination of high-quality corporate debt, agency, and U.S. Treasury bonds. The fixed income holdings provide for guaranteed income even in the most difficult markets, and a healthy dose of principal stability to protect the investor's total portfolio value. The duration of the bond portfolio is approximately 5 to 6 years.

Equities. The equities consist of dividend paying stocks in the 10 major stock market sectors. The stocks are selected for their ability to not only pay a current and meaningful dividend, but for their ability to grow their dividend over the years. The financial strength of these firms provides both a reliable source of current income and a source of growing income to combat the effects of inflation.

Performance



The FNRI Index had a start date of June 30, 2008, just prior to the severe market declines resulting from the credit crisis. Thus, the FNRI Index has been stress tested in one of the most extreme market environments most retired investors will ever see.

The FNRI Index has been certified by Standard & Poor's. S&P updates daily the price and total return value for the index.

The FNRI Index value started at 100 on June 30, 2008, and at the market low of March 9, 2009, the FNRI Index had a value of 86.6, or roughly a 13.4% decline. The modest decline demonstrates the index's ability to provide substantial principal stability in extreme markets.

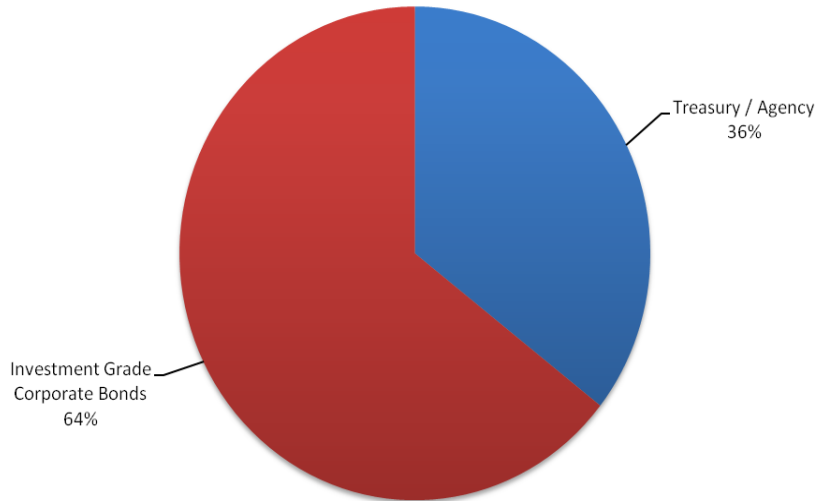
Currently, the FNRI Index value is 105.35 as of January 29, 2010, which is a positive total return of more than 5% over the last 18 months. The price component of the FNRI Index is at 99.45, which indicates that approximately 6% of the total return over this period has been provided from the cash flow.

The cash flow nature of the FNRI Index is what makes it unique. It is designed to hold securities that can provide a steady and reliable source of income in the absence of capital gains. Thus, during periods of declining or stagnating markets, the index continues to provide cash flow, while still providing significant principal protection and the opportunity for long-term capital gains.

Current and Stable Income

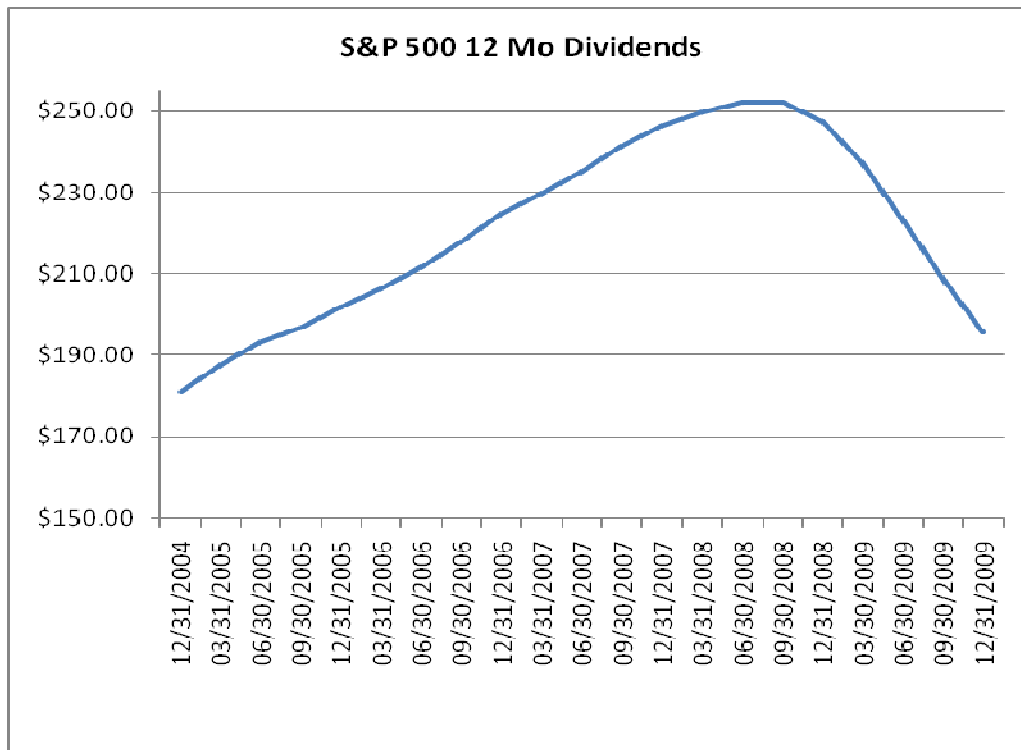
The FNRI Index has delivered cash flow (bond interest and stock dividends) of over 4% per year since its inception (as measured by its yield on cost). Because the bond portion of the index is comprised of high quality fixed income securities, the cash flow on the fixed income portion of the index was consistent throughout the crisis; the FNRI Index is not concerned with total return from the bond components. The index's objective is to secure a stable stream of interest payments that can be made through all market cycles with the appropriate selection of high quality bonds capable of meeting that objective. The chart below indicates the approximate weighting of the bond holdings in the FNRI Index:

Fixed Income: 54.5% of FNRI



The stock portion of the FNRI Index also provided stable income throughout the most recent market crisis. Over 85% of the stocks in the FNRI Index either maintained or increased their dividends over the last 18 months.

Compare that to the S&P 500 which suffered a dividend decline of almost 23% in this most recent crisis, and many of the S&P 500's largest companies either cut or eliminated their dividends.



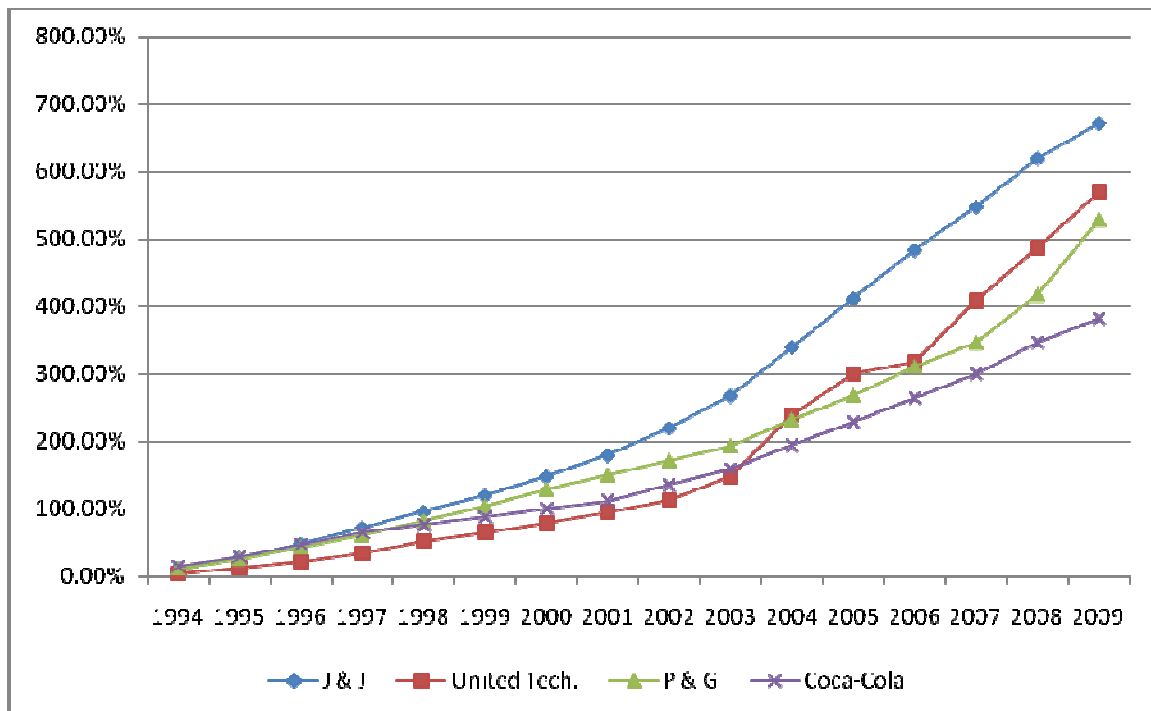
The difference in dividend income between the FNRI Index and the S&P 500 Index illustrates one of the primary differences in their construction. The S&P 500 index is primarily focused on large companies and tracking the performance of such companies. The FNRI Index is not focused on owning large companies, but on owning companies that pay (and have a high probability of continuing to pay) a meaningful and growing dividend. While many of the companies in the FNRI Index are large cap companies, they are selected because they meet the dividend and cash flow criteria for the index.

Growing Income.

In addition to stable income, the FNRI Index is focused on securities that provide a reasonable probability of growing income. The income growth will primarily come from the stock holdings in the portfolio. While we may see interest rates rise, which would constitute an income increase for the bond holdings, the interest payments over the long term are not likely to rise on a real (after inflation adjusted) basis. Thus, we don't anticipate real income increases from the bond portfolio.

We rely on the dividend growth capacities of the companies in the index to provide an income stream that grows at a rate higher than the rate of inflation.

By way of illustration, below is a graph of the actual per share dividend payments for four of the companies in the FNRI Index: Johnson & Johnson, United Technologies, Proctor & Gamble and Coca Cola. As you can see, these firms have been consistently paying and increasing their dividends since the early 1990s. What's interesting is that their dividends grew in the 2000 to 2002 market decline and in the 2007 to 2009 crash. While the price of these stocks may have declined, the cash flow was both reliable and increasing. These characteristics are incredibly important to retired investors who need cash to cover living expenses.



As you can see, the dividend payments increased anywhere from 300% to 600% for these securities, which far outpaced the rate of inflation over those 16 years. This dividend growth would provide investors with an income stream that increased their standard of living each year over the last 16 years.

While we recognize that the dividends from all companies are vulnerable, the diversification of the FNRI Index helps manage the prospects of dividend cuts. The equity holdings in the FNRI Index are well diversified and cover the 10 major sectors of the economy.

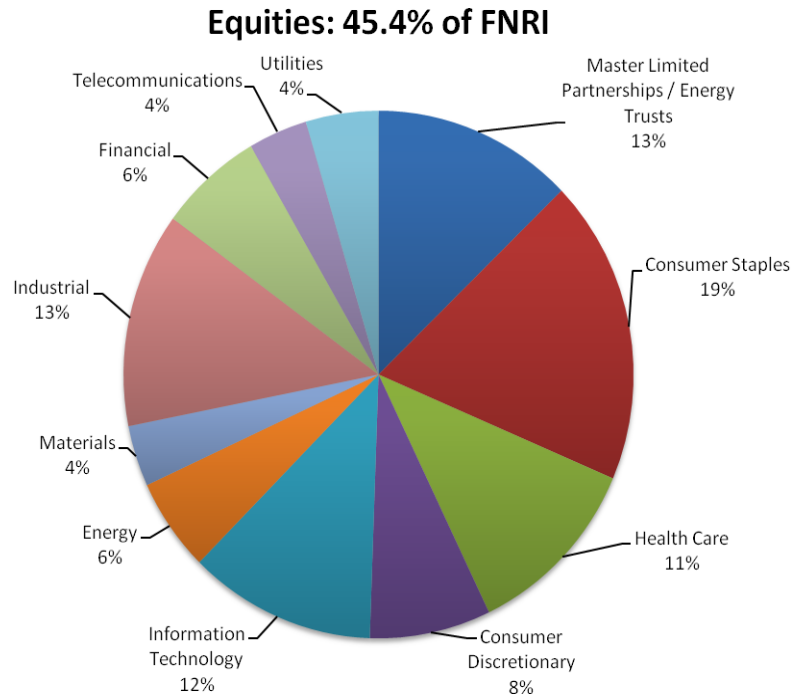
Equally Weighted

One important distinction of the FNRI Index is that the equities are equally weighted. We do this because the FNRI Index focus is on current and stable income. Each equity holding is selected for its individual ability to pay a meaningful dividend, maintain that dividend and grow that dividend. Thus, from a risk management standpoint, it is important to maintain an equal weighting to minimize the cash flow decline that might occur from a dividend cut.

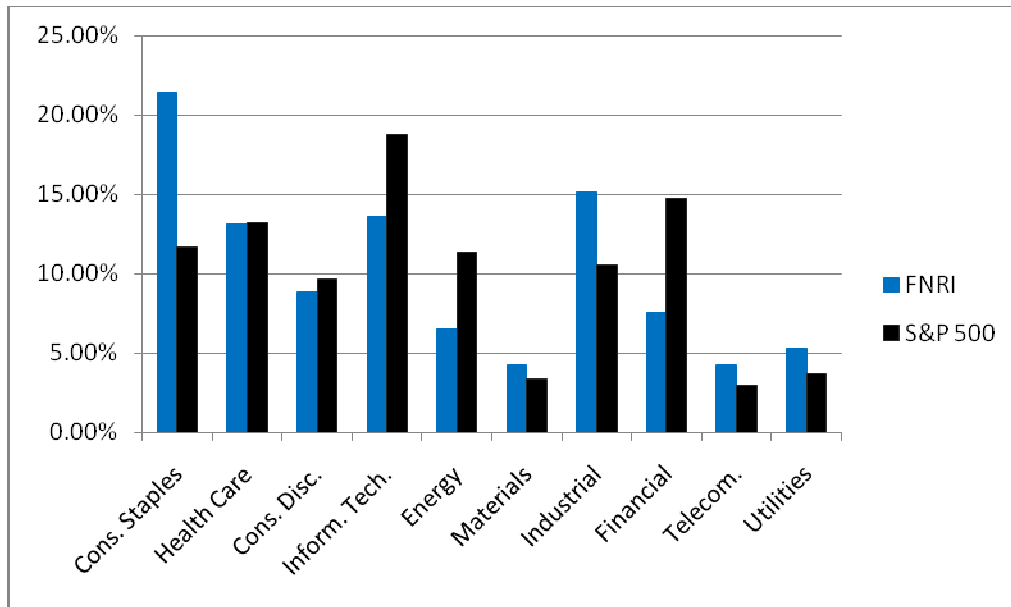
Our equal weighting approach is significantly different than the market capitalization weighted approach taken by most other indices. In a market cap weighted index, the larger companies represent a larger percentage of the index, and thus a larger percentage of the index's cash flow. Consequently, a dividend cut or elimination from one or more large index holdings could significantly damage the index's cash flow. Moreover, dividend increases from smaller index holdings will have little impact on the index's entire cash flow in a market capitalization weighted index.

Because the FNRI Index is primarily focused on stable cash flow and opportunities for growing cash flow (and not price appreciation), we equally weight our holdings, which provides investors with more income protection and stability.

The following chart illustrates the sector weighting for the equities in the FNRI Index. The figures are current as of 1/29/10. Weightings may change given varying sector performance, or at Northstar's discretion.



The next graph illustrates our equity sector ratings relative to the weightings of the S&P 500 as of January 29, 2009 (not including our use of master limited partnerships; see above chart). Our weightings reflect our bias toward securities that meet the stated objectives of the index, including stable and growing dividends. Thus, some sectors will have more representation than others because they are comprised of companies that meet the index objectives. We do, however, believe it is important to have industry diversification, and thus do have holdings in all 10 major stock market sectors.



One danger with certain indices that focus on cash flow from equities is that they tend to be concentrated in a few sectors because they are often chasing high current yields. Thus, prior to 2008, a high dividend focused index may have been heavily concentrated in financial services stocks and REITS. Unfortunately, that concentration would have proven disastrous for not only the price value of the index but the cash flow would have been destroyed.

To meet our objectives for stable cash flow in all market environments, the FNRI Index is diversified and holds securities in each market sector. Thus, if and when another financial crisis emerges and one sector is affected more than others by the crisis, the securities outside that sector offer opportunities for continued and growing dividends. We are willing to sacrifice some current yield for the benefits of income diversification.

As you can see from our FNRI sector holdings, we are currently underweighted in financials simply because not enough financial services companies meet our criteria of having both a meaningful current yield and a high probability of growing that yield. We are actively looking to add securities to that sector, but it may be some time before enough opportunities emerge to significantly increase the weightings of financial services stocks.

The average Price to Earnings Ratio (P/E) for the stocks in the FNRI Index is about 16.5 as of January 29, 2010. And our average dividend yield is approximately 3.6%, with a 5 year historical dividend growth rate of about 11%. These two characteristics are critical

to the FNRI Index's focus on a meaningful current dividend and a meaningful dividend growth rate.

If the current dividend of 3.7% were to grow at 10% a year going forward, then the cash flow on the equities in the portfolio would grow from 3.7% to about 9.6% on the original cost. And after 20 years, the yield on the cost would be almost 25%.

Now, we don't anticipate the same dividend growth rate going forward. If we reduce the assumed rate to 6% per year, that still provides a retired investor with cash flow of about 6.6% on their cost after 10 years and almost 12% after 20 years. Given that many retired investors look for a base distribution of 4%, the growing dividend yield would serve as an excellent source of long-term increasing cash flow.

Yield on cost is an important concept for retired investors because they are working with a static pool of investment capital. They won't be adding to the portfolio going forward. Thus, the retired investor's yield on cost is critical to their ability to live off the returns of their portfolio.

What's also unique about the FNRI Index is that it starts with a meaningful dividend yield in today's markets. Compare that to a high dividend growth rate but with a small dividend yield of say 0.50%. If that dividend doubles, the yield is still only 1% of cost; if it doubles again, it is only 2%, and if it doubles again, it is only 4%. Thus, a high dividend growth rate without a meaningful current dividend yield is not of much use to investors who must live off the cash flow from their portfolios. By the time the dividend reaches any meaningful amount on the investor's original cost, the investor most likely won't be around to enjoy it.

Principal Stability

Because equities represent less than half of the index value, during bear markets, the declining equity values have less of an effect on the investor's portfolio, thus preserving more of the investor's total capital. Yet, there is sufficient equity exposure such that in bull markets the capital gains on the equity side will add to the index's total return.

We anticipate that in a bear market, the equity holdings of the FNRI Index would decline in a manner consistent with the overall market declines. Thus, we do not anticipate that the stocks would provide any greater price stability than the overall market. This requires us to limit the equity holdings because retired investors have a limit to the valuation declines that their portfolios can support. We define a severe bear market as a decline of 50%, which we think all retired investors must be prepared to handle.

By limiting the equity holdings to 40% to 45%, in a severe bear market, the FNRI Index has an expected decline of about 20% to 22%.

While this decline would be uncomfortable, it is manageable. From studying past historical retirement distribution cycles, portfolio failure rates increase significantly once a portfolio experiences declines of greater than 25%. Thus, the FNRI Index is structured to attempt to limit total declines to less than 25% in severe bear markets.

Moreover, the securities in the FNRI Index are selected for their ability to continue to provide income during bear markets. For retired investors, portfolios structured in this manner would help protect the investors from needing to liquidate securities or principal during bear markets, which provides another significant layer of risk management.

Capital Gains

Although the FNRI Index is focused on cash flow, we recognize that capital gains are an important part of maintaining a growing capital base to support a growing income stream. We believe that an allocation of approximately 40% to 45% in equities is sufficient to add 1.5% to 2.5% to the portfolio's long term total return, which should be enough to outpace the effects of inflation once coupled with the growing dividend payments. Our recognition of the need for capital gains is also why we allocate equities to the 10 major sectors of the stock market. We recognize that over time, equity diversification will raise the probability of price increases as the value of a diversified portfolio of stocks benefits from a growing economy.

But, because reaching for capital gains exposes a portfolio to declines of at least 50% in what we would term a severe bear market, we limit the equity exposure to 45% or less of the account.

Consequently, we believe the equity allocation is meaningful enough to add the required capital gains to help offset the effects of inflation over the long term, but small enough to not undermine the stability of the portfolio during severe bear markets.

If you are interested in receiving more detailed information about the Farrell-Northstar Retirement Income Index and its components, please contact us at (303) 832-2300 or email cfarrell@northstarinvest.com

Disclosures

The Farrell-Northstar Retirement Income Index is a list of fixed income and equity securities. The FNRI Index is for informational and educational purposes only. Investors cannot invest in an index and the FNRI Index does not represent an actual security or portfolio. Equity statistics are estimates and were obtained from Ford Equity Research for each individual equity holding in the FNRI Index. Historical dividend payments on the S&P 500 were obtained from Standard & Poor's. Statistics for the master limited partnerships and energy trusts are excluded from the PE calculation as those securities have different financial structures that need to be analyzed under different valuation metrics. Past performance is no guarantee of future returns. FNRI Index returns have been certified by Standard & Poor's. Consult your individual financial advisor prior to making any financial decisions. Investing involves multiple risks, including but not limited to the permanent loss of capital.