FINANCIAL SERVICE GROUP INC.

Partnering with you through life's transitions

State of the Firm Letter

January 2010

Dear clients and friends:

Michael Haubrich, President

This past year marked Financial Service Group's quarter century anniversary of providing our clients with comprehensive financial planning. For me personally, 2009 marked my 30th year in the financial services industry. To say this has been **an unprecedented year** may seem to some to be an understatement. During the past 18 months **we have faced discontinuous change in a magnitude that was unimaginable just a few years ago**.

As I thought about the societal, political, and economic upheaval that we all witnessed, clear messages started to come into focus. I began to recognize that as a society we need to adopt more sustainable practices both in our business and personal lives because **improving financial well-being takes more than just money. We need to develop good personal sustainability habits** around our health, relationships, career and of course, personal finances. Our discussions on this topic with you, your family, friends and many others in our community at workshops and presentations reinforced and buoyed the importance of this message.

We take our business sustainability plan seriously as our firm transitions into what many call the "new normal." This ***State of the Firm Letter*** is intended to provide you with insight into key points of our business plan for 2010 and beyond, and review our firm performance during this past year.

In 2009, we added 7 new retainer clients bringing the total number of clients we serve in full- or limited-service retainer models to 159. We plan to double that number of clients within the next five years. To **better serve your needs and expand our client service capacity**, we will also double our team to 10 to 12 members during that time frame. We will start to add more staff during the next year »

OUR MISSION

Our mission is to help our clients experience peace of mind by offering financial planning that aligns their finances with their lives.

OUR VISION

To be one of the premier fee-only financial planning firms in the nation by offering unbiased advice to a select group of clients.

so you can expect the same quality of personal service which you've become accustomed to and deserve. **With you as informed delegator clients and our current team members, we have the right mix to achieve our business plan**.

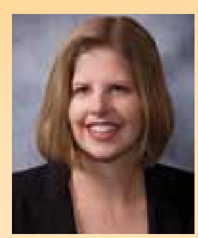
Financial Service Group experienced a revenue decline of 11 percent in 2009 due to the market value decline of the assets we have under management. Compared to other firms, **our business has done well during the biggest stock market decline we have experienced. We remain industry leaders** as we move toward an annual retainer fee model that refocuses **emphasis on comprehensive financial planning rather than an over-emphasis on investment management**. Investment management is important, but we view it in the context of your overall financial planning engagement. **Our priority first and foremost is to understand your goals and values** in order to effectively and efficiently partner with you to manage your money.

Facing unprecedented challenges this past year forced us to further refine our business mission and execution strategy. **We identified and discontinued services and relationships that were not effectively using our core strengths and providing mutually beneficial value**. For example, we decided that we will no longer provide self-directed pension/profit sharing plans to businesses. (We will still provide individual investment planning for retirement plan assets for our individual clients.) This decision allows us to re-focus our resources on **delivering our best and highest value—comprehensive financial life planning for you and your family**.

Our mission is to help our clients experience peace of mind by offering financial planning that aligns their finances with their lives. To fulfill this mission, we increased the amount of communication we had with you. As economic events unfolded, we sent e-mails and letters to provide advice and actions for these turbulent times. While we heard stories of other firms who did not return calls and some who would not even pick up the phone, **we wanted you to know we were here for you**. We asked how you were doing as well as "how are we doing" to better understand how we could best provide you with financial peace of mind.

"Even during the market turmoil throughout the first half of the year, having a solid plan in place helped clients weather the storm and avoid emotional reactions that would have done more damage than good."

—JOY CLADY



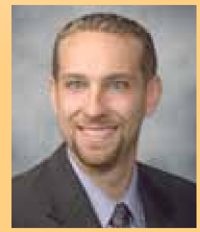
OUR VALUES

Commitment, Compassion, Integrity, Excellence, Shared Responsibility

We are committed to providing you with meaningful information through Client Communication Briefings, To Your Wealth Updates, and client workshops, along with our periodic meetings and reviews. In 2009, we upgraded our client relationship management software and Virtual Client Center. More than 40 percent of clients receive reports, statements and other materials online providing them with secure, anytime access to their important information. **We will continue to invest in technology as a means to efficiently deliver a premier level of service and communication**.

"As we grow and add team members with different backgrounds and skills we will provide an even better experience for clients."

—JUSTUS MORGAN



As we grow, we will continuously check in to learn "how are we doing?" We expect, and welcome, that you hold us accountable to our mission, vision and values as we execute our growth plan.

"2009 was a year to really be appreciative of what you have."—TERRI LARSON

Finally in 2009 we continued to settle into our "new home," which was designed as a place to provide comfort, compassion and warmth as you plan for your financial and life transitions. No one could have imagined how important this setting and atmosphere would become. Our new office building provides a fitting space to serve our clients for the next quarter century and beyond.

In closing, **we are grateful for the opportunity to partner with you through your life transitions** in this world of discontinuous change and uncertainty, and look forward to serving you and the people important in your life.

Appreciatively,
Michael Haubrich, President

FINANCIAL SERVICE GROUP INC.

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FINANCIAL SERVICE GROUP, INC.
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(REGULATION S-P)
ADOPTED BY THE SECURITIES & EXCHANGE COMMISSION

Financial Service Group, Inc. collects nonpublic personal information about you from the following sources:

- Information we receive from you on applications or other forms; and
- Information about your transactions with us or others

We do not disclose any nonpublic personal information about you to anyone, except as permitted by law.

If you decide to close your account(s) or become an inactive customer, we will adhere to the privacy policies and practices as described in this notice.

Financial Service Group, Inc. restricts access to your personal and account information to those employees who need to know that information to provide products or services to you.

Lessons from past year are next year's opportunities

"The financial crisis spurred a lot of conversations about what people find truly important like family and relationships. We can each have a positive impact on what is really important in our lives."

— JOY CLADY, ASSISTANT PLANNER

"After 2009, I more fully appreciate the importance of having loyal and understanding clients, a strong team and a sustainable business model."

— JUSTUS MORGAN, VICE PRESIDENT

"The opportunity is there in 2010 for all of us to make a difference by working together to make sure we provide "premier" service to our clients."

— TERRI LARSON, ADMINISTRATOR

Bob Francour, Justus Morgan, Terri Larson, Joy Clady, Michael Haubrich

Read more in our **State of the Firm Letter 2010** starting on the front page.