Lucien, Stirling & Gray Advisory Group, Inc.

FIRST QUARTER REPORT 2004

LUCIEN, STIRLING & GRAY ADVISORY GROUP

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A MESSSAGE FROM THE PRESIDENT

Thomas G. Twombly

We are pleased to provide you with our quarterly report for the period ending March 31, 2004.

What a difference 12 months can make! As we began to compile a similar report a year ago, consumer confidence was falling, the war in Iraq was just beginning, SARS was emerging as a potential global epidemic, and the possibility of deflation was being considered a very real threat to global economies. Though stock markets had stopped falling after three of the worst years since the early 1930s, it was unclear if they would regain traction and overcome the growing revelations of corporate malfeasance and breach of fiduciary responsibility that had begun to emerge from the rubble of the bear market. Investor's moods were somewhere between somber and morose.

In the twelve months since then, The Dow has jumped more than 32%, the NASDAQ is up almost 49%, and the small cap Russell 2000 is up a stunning 63%. We now find ourselves in a world where consumer spending is increasing, corporate profits are rising quickly, SARS is hardly more than an afterthought, and the possibility of ***inflation*** and a corresponding increase in interest rates is becoming the primary focus of financial markets. Investor's moods are somewhere between cordial and ebullient. What will come next? The truth is, nobody knows for sure.

During the course of the long bear market, when the only financial news we seemed to get was bad, we encouraged our clients to focus their attention on the things that they could control, rather than obsess about those they couldn't. ***"Investor behavior",*** we said, ***"as opposed to investment performance, is the primary determinant of long-term financial success."*** In other words, what you do (or don't do, as the case may be) rather than what your investments do, is the most crucial factor in achieving long-term success. Consulting with your advisor, adjusting levels of spending and saving, revising and re-affirming long-term plans, making optimal use of tax-deferred retirement plans, making sure that your will and estate plans are designed to leave a lasting personal legacy, and re-balancing your portfolio so as to maximize opportunities and minimize risks are things you can control. The short-term fluctuations of investment markets are not.

"You cannot predict, but you can certainly prepare."

Now that we appear to be in better economic times, it is important to reiterate that message. As much as external circumstances have changed in the last twelve months, the internal keys to success remain the same. What we control, and what we do not, have not changed. The fact that investment markets have rebounded so significantly is great, and many of us who have enjoyed that rebound are allowed to be happy. We should not, however, allow that sense of happiness to become complacency. We live in an uncertain world, where the landscape and the challenges can change on a daily basis. Opportunities abound, but so do dangers. As the old saying goes: " you cannot predict, but you can certainly prepare."

At Lucien, Stirling & Gray we continue to focus our attention on improving our operational systems, our professional capabilities, and our communication with you. We believe that successful wealth management is a complex, and a deeply personal process. We are constantly looking for the most effective ways to bring together the strengths of a diverse professional organization, with the personal attention of a trusted individual relationship.

Thank you for the valuable suggestions and feedback you have given us, and thank you for your continued trust and confidence.

Thomas G. Twombly
President

MARKET COMMENTARY

Robert S. Phipps, III

During the first quarter of 2004, the equity markets finally paused to catch their breath. It was the first negative quarter for the Dow Jones Industrial Average in a year and the first quarterly loss for the NASDAQ since the third quarter of 2002. From our perspective, it was a well-deserved rest, as the markets have moved dramatically higher, without so much as a backwards step, since the first quarter of last year.

It was also a period when many of the stocks that lagged somewhat in 2003 were able to play catch-up with the more aggressive stocks that have lead the markets since the ultimate lows of eighteen months ago. The less than 1% quarterly losses in the NASDAQ and Dow Industrial Average were offset by the greater than 1% gain in the S&P 500 Index and the small cap Russell 2000 Index. In general, smaller stocks out-performed larger ones and value stocks out-paced growth stocks.

As we look forward to the second quarter of 2004, we expect for the potential of terrorism and geo-political unrest to continue to act as a headwind against the equity market advance. Further, we expect that the likelihood of higher interest rates will prove to be another negative influence on share prices. However, when we contrast these negatives to our outlook for strong corporate profits, a global economic recovery and the emergence of China and India as economic powers, we believe that the most probable outcome is for the markets to meander higher.

Specifically, we believe that the general, albeit somewhat modest, up trend in global stock prices is likely to continue for at least the next several quarters, and that equities in general will continue to be among the top-performing asset classes. In particular, we have a significant and growing interest in the equity markets of Japan and many of the world's emerging economies.

In sharp contrast, we are quite concerned about the prospects for the bond markets. While we maintain that bonds will still play an important role as a portfolio diversifier, we also believe that debt positions will need to be selected very carefully, as we consider certain segments of the income markets to be very risky in the present environment.

In general, we believe that we are in the midst of a classic "stock-pickers market", when intelligent geographic, asset class, and stock selection may produce gains in excess of the indexes themselves. For a more detailed overview of our market perspective, please visit the "Market Commentary" section of our web site at www.lsggroup.com.

MODEL PORTFOLIO COMMENTS

We are pleased to report that the first quarter was another period of strong performance for the model portfolios as compared to their performance benchmarks.

Conservative Growth Model: At present, this portfolio is allocated with 48% in domestic stocks, 9% in foreign stocks, 26% in traditional and convertible bonds and the remaining 18% in cash. Mid sized stocks make up the majority of the current equity allocation, but there is also a sizable allocation (28%) to large cap stocks. Over two-thirds of the portfolio's equity holdings are categorized by Morningstar as either "core" or "value" stocks.

This portfolio posted a gain of 2.9% in the first quarter and 22% for the trailing twelve months. This annual return is more than seven times the return of the portfolio's performance benchmark (the tax-adjusted inflation rate). For the past quarter, the portfolio gained 1.7% more than did the S&P 500 and, over the trailing twelve months, it produced 67% of the return of the S&P 500, but with less than 60% of the statistical risk. At this point, we are very pleased with the allocation and do not currently anticipate any changes over the foreseeable future.

Diversified Growth Model: This all-equity portfolio is fairly evenly allocated between value, core and growth stocks with allocation weightings of 31%, 37% and 32% respectively. The current allocation is somewhat slanted towards smaller stocks with a 33% allocation to small caps and a 42% allocation to mid caps. This over-weighting is largely due to our decision to select a small cap international fund to satisfy the portfolio's need for global diversification. Just over 15% of the portfolio is invested overseas.

The portfolio gained 7.0% in the first quarter and 49.2% for the past year. This represents an annual out performance of 16.4% over the portfolio's S&P 500 performance benchmark. The model's out-performance for the quarter was just over 5%. At present, we are very pleased with the portfolio's allocation and do not anticipate making any changes over the foreseeable future.

Core Growth Model: As this portfolio operates as our core asset allocation model, we have kept this portfolio diversified across a variety of asset classes. These include a 56% allocation to domestic stocks (both growth and value-oriented), 19% to international stocks (an increase over the last quarter), and the remaining 25% divided between intermediate-term bonds, convertible bonds, and cash. The equity allocation emphasizes mid cap and large cap stocks.

In the first quarter this portfolio gained 5.3%, which boosted its lifetime performance (since its May 31st, 2003 inception date) to 18.2%. During the first quarter, the average global balanced fund (one which invests in both stocks and bonds) gained 2.1%. We are generally very pleased with the current allocation, and do not anticipate any immediate changes.

Growth Model: This portfolio remains heavily weighted towards small cap stocks (33%) and mid cap stocks (51%) with only a modest 16% invested in large cap stocks. In total, domestic stocks currently make up about 52% of the portfolio in an allocation that very slightly emphasizes growth stocks over value stocks. International stocks make up just over 30% of the portfolio (an increase from the prior quarter) and the remaining 18% is comprised of high yield bonds, convertible bonds, and cash. We are generally pleased with the current allocation, but are considering a move to replace the high yield bond position with a convertible bond fund.

In the first quarter, this portfolio posted gains of 6.7%, which boosted the portfolio's return for the past year to 51.9%. This represents an out-performance by this model, compared to its S&P 500 benchmark, for the past year of over 19%. The out-performance for the past quarter was 5.4%. This was largely attributable to our decisions to overweight small and mid cap stocks and to further build upon the portfolio's international small cap allocation. Performance was also enhanced by the continued use of a high yield bond position to satisfy the portfolio's required debt allocation.

Aggressive Growth Model: At present, 60% of this portfolio is allocated to the foreign markets, with a particular emphasis on international small caps and emerging country stocks (as examples, India, China, Korea, Brazil, etc.). Just over 27% of the portfolio is invested in domestic stocks. The remaining 13% is invested in convertible bonds and cash. The portfolio is fairly evenly divided between value, core, and growth stocks, and strongly emphasizes small and mid cap stocks over large cap ones. While this portfolio benchmarks its performance against the NASDAQ (a technology stock-dominated index), only one-quarter of the portfolio is currently invested in technology stocks.

The aggressive segments of the markets performed very well in January but suffered through much of February and March. As a result, most aggressive asset classes under-performed their more conservative brethren for the quarter as a whole. This portfolio posted gains of 2.7% in the first quarter and 57.8% for the trailing twelve months. This represents an out performance over the portfolio's NASDAQ performance benchmark of just over 3% for the quarter and just over 9% for the past year.

HIGHER EDUCATION MODEL PORTFOLIOS

ORP: This asset class diverse portfolio is currently allocated with 52% to domestic stocks, 17% to international stocks, and the remaining 31% divided between traditional bonds, convertible bonds and cash. This portfolio is emphasizing larger stocks over smaller ones and is slanted somewhat towards growth stocks and "core" stocks.

The portfolio gained 2.4% during the first quarter and 31.7% for the past year, which compares well to the average global balanced fund that returned 2.1% and 34.0% respectively over the same periods.

Retirement Growth: This asset allocation portfolio is currently employing a very diverse allocation strategy with 39% in domestic stocks, 31% in international stocks, and the remaining 30% divided between traditional bonds, convertible bonds and cash. It is also almost equally allocated between management styles (35% growth, 34% value and 31% core stocks) and between market capitalizations (26% small, 41% mid, and 33% large).

This portfolio gained 5.3% in the fourth quarter and 40.9% for the past year, which compares very favorably to the average global balanced fund that returned 2.1% and 34.0% respectively over the same periods.

Growth and Capital Preservation: This conservative asset allocation portfolio has a 45% allocation to domestic stocks and a 9% allocation to international equities. The remaining 46% is divided between convertible bonds, traditional bonds and cash. In general, the equity portion of the allocation emphasizes larger stocks and stocks with lower than average valuations.

The portfolio gained 3.2% during the fourth quarter and 30.1% for the past twelve months, which compares very favorably to the average global balanced fund that returned 2.1% and 34.0% respectively over the same periods.

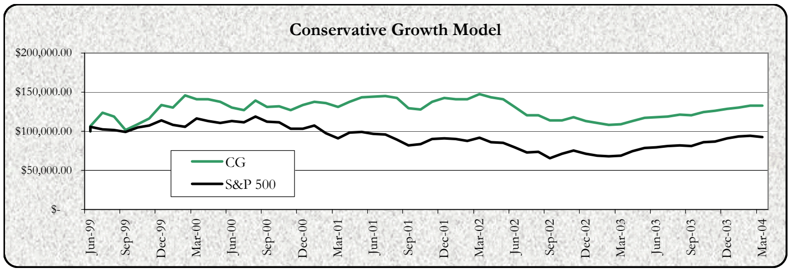
Robert S. Phipps III, CIO
And the Lucien, Stirling & Gray
Asset Management Team

Upcoming Events

Fireside Chats: **6:30 pm - 8:00 pm**
June 3, 2004
September 9, 2004

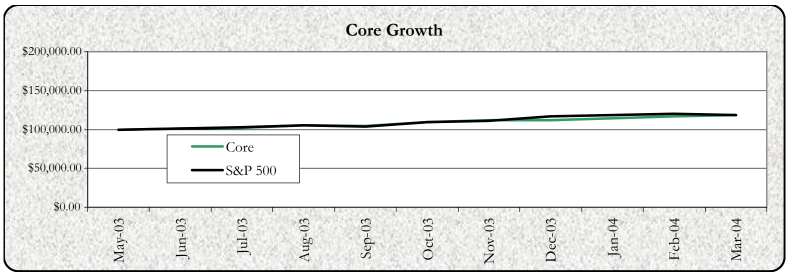
LUCIEN, STIRLING & GRAY ADVISORY GROUP, INC

Model Portfolio Investment Results for the Period Ending March 31st, 2003



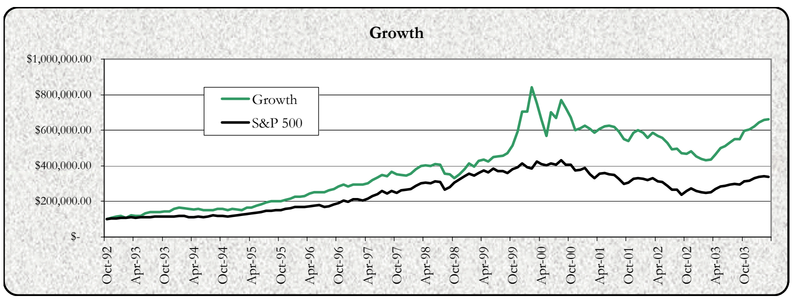
	Conservative Growth	S&P 500
***1999**	34.00%	13.77%
2000	-0.09%	-9.10%
2001	6.62%	-11.88%
2002	-20.55%	-22.10%
2003	13.84%	28.69%
YTD	2.99%	1.70%
Since Inception	32.96%	-7.07%

* This model was opened on 6/3/99, and therefore only partial year results are available



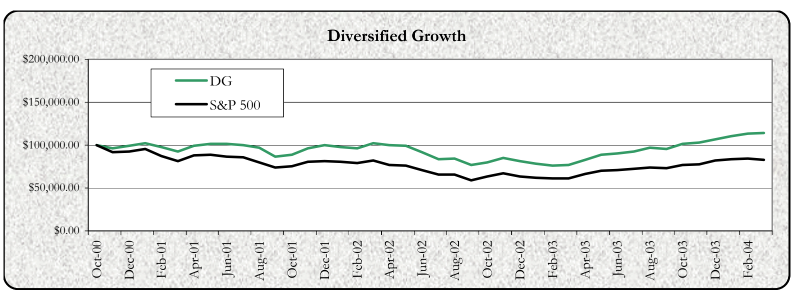
	Core Growth	S&P 500
2003*	12.27%	16.62%
YTD	5.28%	1.70%
Since Inception	18.20%	18.59%

* This model was opened on 5/31/03, and therefore only partial year results are available



	Growth Model	S&P 500
***1992**	15.70%	5.61%
1993	37.58%	10.06%
1994	-1.55%	1.32%
1995	38.08%	37.53%
1996	31.75%	22.96%
1997	21.00%	33.35%
1998	10.44%	28.58%
1999	85.43%	21.04%
2000	-13.28%	-9.10%
2001	-1.72%	-11.88%
2002	-24.56%	-22.10%
2003	36.57%	28.69%
YTD	6.76%	1.70%
Since Inception	562.50%	237.85%

* This model was opened on 10/18/92, and therefore only partial year results are available



	Diversified Growth	S&P 500
***2000**	-0.50%	-7.43%
2001	0.80%	-11.88%
2002	-18.93%	-22.10%
2003	31.36%	28.69%
YTD	7.03%	1.70%
Since Inception	14.30%	-16.83%

* This model was opened on 11/1/00, and therefore only partial year results are available

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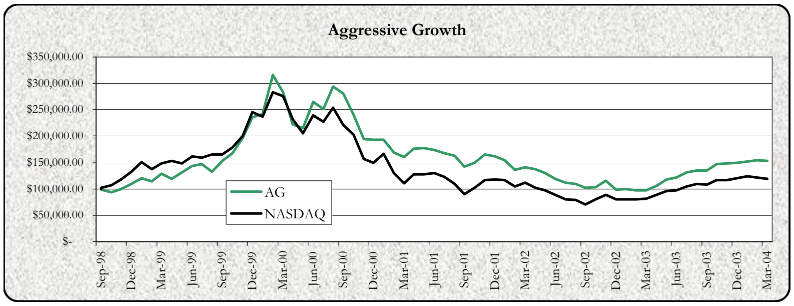
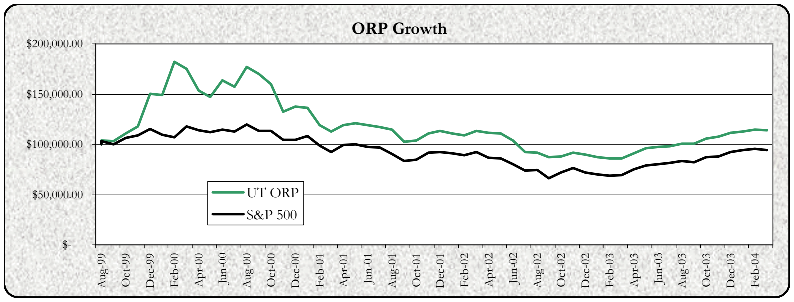
Model Portfolio Investment Results for the Period Ending March 31st, 2003



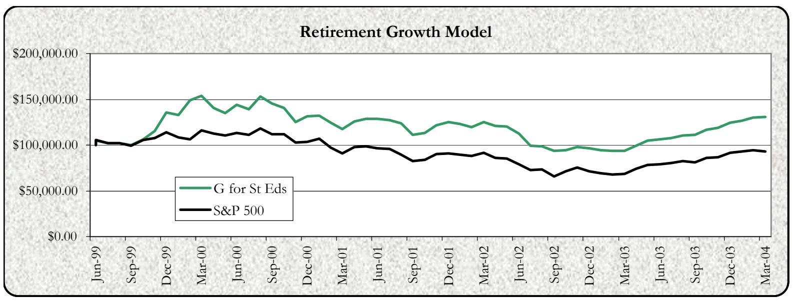
	Aggressive Growth	NASDAQ
***1998**	9.92%	32.00%
1999	123.49%	85.59%
2000	-18.05%	-39.29%
2001	-16.34%	-21.05%
2002	-39.46%	-31.51%
2003	52.25%	48.71%
YTD	2.74%	-0.46%
Since Inception	53.40%	19.16%

* This model was opened on 9/8/98, and therefore only partial year results are available



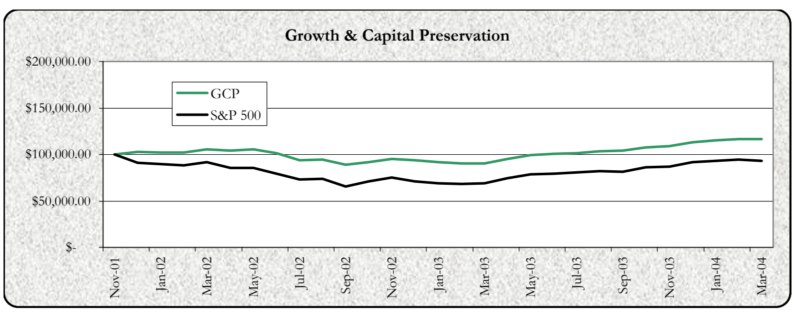
	ORP Growth	S&P 500
***1999**	50.60%	15.13%
2000	-8.69%	-9.10%
2001	-17.51%	-11.88%
2002	-20.75%	-22.10%
2003	23.80%	28.69%
YTD	2.46%	1.70%
Since Inception	14.00%	-5.96%

* This model was opened on 8/10/99, and therefore only partial year results are available



	Retirement Growth	S&P 500
***1999**	35.90%	13.77%
2000	-3.17%	-9.10%
2001	-4.76%	-11.88%
2002	-23.00%	-22.10%
2003	28.97%	28.69%
YTD	5.00%	1.70%
Since Inception	30.67%	-7.07%

* This model was opened on 6/3/99, and therefore only partial year results are available



	Growth & Capital Preservation	S&P 500
2001	2.50%	0.88%
2002	-8.80%	-22.10%
2003	21.26%	28.69%
YTD	2.91%	1.70%
Since Inception	16.65%	2.85%

* This model was opened on 11/30/2001, and therefore only partial year results are available

Past Performance is no guarantee of future results. It is not possible to invest directly in indices. Statistics for indices include reinvestment of dividends. Model results are net of management fees.