Lucien, Stirling & Gray Advisory Group, Inc.

FIRST QUARTER REPORT 2008

April 2008

LUCIEN, STIRLING & GRAY
ADVISORY GROUP

"Smart Decisions About Serious Money"

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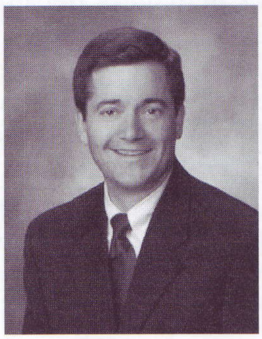
A MESSAGE FROM THE PRESIDENT

Thomas G. Twombly



We are pleased to provide you with our report for the period ending March 31, 2008.

As you will note from the second half of this report, and from the commentary that accompanies your personal portfolio review, the first quarter of 2008 was one of significant challenge for investors around the world. As we had anticipated in previous writings, stock and bond markets across the globe experienced substantial volatility during the period. Further deterioration in real estate values, a slowing U.S. economy, rising inflationary concerns, and further evidence of grossly improper underwriting standards among major mortgage lenders caused investors worldwide to question the value of their holdings, resulting in billions of dollars in write downs by major banks. Broadly followed U.S. equity markets fell sharply during the period, with the S&P 500 declining 9.45%, the DJIA falling 7%, and the NASDAQ falling more than 14%, making this the most dismal quarter for equity investors since 2002. Global markets followed suit, with the widely followed EAFE index declining by more than 8.8%, as evidence that problems that began in U.S. sub-prime mortgages had spread to international financial institutions.

Though our clients also experienced declines in portfolio values, we are grateful to be able to report that the defensive positions we have maintained since mid-2007 served to mitigate downside volatility, often by a fairly wide margin. Though none of us can be expected to be happy about experiencing losses, and we are certainly not, we hope you are appreciative of the efforts we have undertaken to steer through a highly challenging environment.

During a discussion in our most recent "Fireside Chat" in March, we equated the role of a financial and investment advisor to that of a "wilderness guide;" someone who has been hired to take clients on a long trip through unfamiliar territory and potentially challenging terrain. Using this analogy, it's helpful and important to remind one's self of the respective roles and responsibilities that both the client and the guide assume in the process, and to establish reasonable expectations for that journey.

The guide's job is to bring experience, judgment, well-maintained gear and equipment, and leadership. It's also

"Especially during uncertain times, people value unbiased advice and a friendly ear. We will always work hard to provide them."

the guide's responsibility to prepare for the unforeseen or unexpected, and to make sure that clients are properly prepared to respond in appropriate ways to conditions that can, and will, change rapidly. Proper contingency plans and appropriate emergency response procedures should be in place, and every client should be equipped to adapt to the potential for changes in external conditions, such as weather, that are beyond any control. A good guide will also take care to assess both the physical and emotional capacities of each client to undertake a given trip, and will attempt to make sure that a client is not stretched beyond those capacities in taking on too great a challenge.

The client's job is to follow the guide's lead, and to bring with her or him the prescribed list of personal gear and equipment that may be needed during the journey. It's also the client's job to understand that an adventure like this is not a spectator sport, and to be fully prepared to do whatever is necessary to help insure the trip is a success, including the willingness to amend plans or pursue alternate routes. The ability to adapt is crucial, as is the willingness to remain calm, composed, and focused on the long-term objective in the midst of an environment that is in a constant state of flux. Above all, comfort with short-term ambiguity and the ability to improvise are hugely important.

When applied to the investment and wealth management world, it is clear that none of us has the ability to accurately predict, let alone control, external "weather" like interest rates, inflation, the health of major financial institutions, or the overall economic environment. All we have control over is how we prepare, and how we respond to the conditions we encounter.

We'd like to say "Thanks", again, for your on-going confidence and trust. We are grateful to have so many clients who, despite the current turmoil, have remained cheerful and supportive of our efforts, and who work so diligently to help their own plans come to fruition. We also want to say thanks for referring so many friends and colleagues to us. Especially during uncertain times, people value unbiased advice and a friendly ear. We will always work hard to provide them.

Thomas Twombly

President

CORE MODEL COMMENTS

Conservative Growth Model: Against a backdrop of some of the most challenging and volatile market conditions we have experienced in some time, the most conservatively managed of our core model portfolios has shown the value of it's defensive posture. Managed to provide long-term growth in excess of inflation, but with a clear eye towards mitigating short-term volatility, the portfolio has accomplished those objectives. Declines of 5.22% for the quarter, while unpleasant, were considerably less painful than equity markets as a whole, where widely-followed U.S. stock indices such as the S&P 500 and the Wilshire 5000 were down 9.45% and 9.61% respectively. For the trailing twelve months, the portfolio has managed modest gains of 3.2%, again exceeding the most widely followed measure of inflation, and handily outrunning all broadly-followed indices, including the S&P 500 which was down by more than 5%. Overall cash holdings in the portfolio increased during the period from 30% to 38.2%, as select managers became increasingly defensive, while U.S. equity holdings were decreased from 37% of holdings to 29%. International equities, which now comprise 18.2% of assets, were also reduced somewhat. We expect to remain defensively oriented, as the overall economy is clearly in the process of contracting. But we are also mindful that conditions will improve at some point, and if history is any guide, will present opportunities to invest in excellent businesses at very attractive levels.

1st Quarter	YTD	One Year	Lifetime
-5.22%	-5.22%	3.20%	80.33%

Inception Date 06/03/1999

Core Growth Model: Also defensively oriented since the middle of 2007, this portfolio has provided better than expected performance in a challenging environment. With total returns of -4.97% for the quarter, and a modest gain of 1.54% for the trailing twelve months, it too has managed to outrun all widely followed equity indices for the period. The managers we have entrusted with assets have continued to provide better than average risk adjusted results, and several have distinguished themselves. Of particular note, the portfolio's small cap holding was one of only two funds in the entire category to deliver positive results for the period (during a time when small cap funds as a whole were punished severely) and the natural resource holding remains one of the best in its category. Overall cash holdings are at 42% of assets at quarters end, reflecting a fairly significant increase in internal cash holdings in the underlying funds. U.S. equities were reduced during the period, and now comprise 23% of assets. International equities were also reduced somewhat, and currently comprise 25.4% of overall holdings. Bond and convertible securities comprise the remaining 10% of assets. The outlook for the economy remains uncertain as the effects of the mortgage and credit mess work their way through the system, and as inflationary pressures continue to exert a toll on businesses and individuals alike. Though caution remains a dominant theme for the time being, we are beginning to look for opportunities to put assets to work at attractive levels.

1st Quarter	YTD	One Year	Lifetime
-4.97%	-4.97%	1.54%	60.25%

Inception Date 05/31/2003

Growth Model: The most aggressively managed of our core models also performed comparatively well during the period. Total returns of -6.23% for the quarter, and 2.02% for the trailing twelve months place it well ahead of the S&P 500, which declined by 9.45% and 5.08% for the same periods. Though it's never pleasant to experience losses, they are an inevitable part of the investing process. Limiting downside risk is crucial during challenging times, and from that perspective we are pleased with overall results. Large cash positions, which increased from 25.6% to 35.7% during the period, helped to cushion volatility, as did the 12.4% of assets allocated to short-term high-quality bonds. Natural resource holdings also held up well, as inflationary pressures kept prices at or near all-time highs. U.S. equities currently represent 24.5% of assets, down from 34.1% at year-end. International equities now represent 27.4% of assets, which also reflects a reduction from our last report. We expect that investment markets will remain very volatile for much of the remainder of the year, as additional negative news about financial institutions worldwide is digested, and as the effects of a slowing economy on corporate earnings are realized. As opportunities present themselves, we expect to use this volatility to begin putting cash back to work.

1st Quarter	YTD	One Year	Lifetime
-6.23%	-6.23%	2.02%	864.07%

Inception Date 10/16/1992

SPECIALTY MODEL COMMENTS

Diversified Growth Model: As this portfolio is designed to remain fully invested in a broad spectrum of equity funds at all times, it experienced the largest declines of all our models for the quarter. Nevertheless, with total returns of -8.47% for the period, and -4.41% for the trailing twelve months, it has performed notably better than the S&P 500, the Wilshire 5000, The Russell 2000, or the NASDAQ, as the individual fund managers have done a remarkable job in allocating investment assets. Internal cash positions increased slightly during the quarter, rising from 6.4% to 8.3% of overall assets. U.S. equities remained largely unchanged at 63%, while international holdings were reduced somewhat from 27.9% to 26.4%. Though we expect the coming months will continue to produce challenging news for the economy, and while we may experience additional sharp swings in equity prices, we are confident that when the cycle inevitably turns, this portfolio will be well-positioned to take advantage of early trends.

1st Quarter	YTD	One Year	Lifetime
-8.47%	-8.47%	-4.41%	53.46%

Inception Date 10/31/00

EDUCATION MODEL COMMENTS

UT ORP: Total returns of -5.08% for the first quarter of 2008, and 1.58% for the trailing twelve months enabled this portfolio to stay well ahead of almost all broadly followed equity indices for both time periods, while substantially reducing overall volatility. Broadly diversified, and designed specifically for our clients who are participants in the University of Texas Optional Retirement Plan, this portfolio continues to benefit from an increased array of investment options that were made available in late 2006. In particular, management teams at Oakmark, PIMCO, and Lord Abbett have provided better than average downside protection, and have contributed to keeping this portfolio very competitive in a challenging environment. Underlying cash increased during the period, from 17.3% to 25%, reflecting an increasingly defensive posture, while holdings in both U.S. and international equities were reduced to 40.4% and 24.2% of assets respectively. Bonds were increased by slightly more than ½ % to 10.4% of holdings. We expect to remain cautious for the foreseeable future, and prepared for sharp changes in market sentiment as we work through the credit crisis and economic slowdown, but hope to use any declines we may experience in the future to begin to add to selected holdings as opportunities present themselves.

1st Quarter	YTD	One Year	Lifetime
-5.08%	-5.08%	1.58%	55.98%

Inception Date 08/10/1999

Retirement Growth: Declines of 7.03 for the first quarter of 2008 have resulted in twelve month total returns for this model that have only barely remained positive. While this has still kept this portfolio well ahead of broadly followed indices during a difficult period, overall performance has been below that of other similar models. Managed specifically for clients who are participants in various higher-education retirement plans, this portfolio is restricted to a fairly limited list of Fidelity-only funds. Due in part to those limitations, and to more significant overlap in holdings between approved funds, the portfolio was more negatively impacted by downside volatility than our similarly managed Growth Model. Nevertheless, it remains broadly diversified, defensively allocated, and poised to take advantage of investment opportunities once economic conditions become more stable. Cash holdings currently comprise slightly more than one-third of assets, while bonds account for another 6.5%. U.S. equities comprise another 31.4% of holdings, and have remained similarly weighted since our last report. International equities have been reduced somewhat during the quarter, and now account for approximately 28.5% of assets.

1st Quarter	YTD	One Year	Lifetime
-7.03%	-7.03%	-.04%	91.19%

Inception Date 06/03/1999

Growth & Capital Preservation: With declines of -4.21% for the quarter, this model has been our best performer in the short run. Designed to provide conservative long-term growth, with a careful eye towards limiting downside risk, this portfolio is also managed specifically for participants in various higher education retirement programs. Large allocations to cash and equivalents going into the quarter, as well as excellent results from allocations to the Fidelity Canada Fund and the Global Balanced Fund, contributed to this, as did the portfolios 19% bond holdings. During the quarter, managers' internal allocation changes resulted in a slight increase in non-U.S. equity holdings from 16.9% to 20.9%, and a decrease in U.S equity holdings from 29.6% to 19.8%. Cash also increased from 34.5% to 40.3% of assets. While we remain pleased with comparative performance, we understand that it is never pleasant to experience losses. We encourage all of our clients to maintain a long-term perspective, and to recognize that some of the most compelling long-term investment opportunities are created during periods of apparent stress.

1st Quarter	YTD	One Year	Lifetime
-4.21%	-4.21%	0.48%	52.16%

Inception Date 11/30/2001

Upcoming Events

Fireside Chats:

"Market Volatility Got You Jumpy? Learn What You Can Control and What To Let Go."

Speaker: Cass Grange

May 1st, 2008, 6:30 – 8:00 pm

General Market Results

	1st Quarter	YTD	One Year
CPI	0.79%	0.79%	3.09%
DJI	-7.00%	-7.00%	1.59%
Nasdaq	-14.07%	-14.07%	-5.89%
S&P 500	-9.45%	-9.45%	-5.08%
Russell 2000	-9.90%	-9.90%	-13.00%
MSCI World ex US	-9.06%	-9.06%	2.58%
LB Agg Bond	2.17%	2.17%	7.67%

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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