February 2004

In February, municipal market yields continued the trend toward lower rates. Since August, the yield on AAA-rated 10-year bonds has dropped 72 basis points from 4.02% to 3.35%. During this time, we have continued to steadily invest portfolios overweighting 10-year maturity bonds and one- to two-year maturity bonds. The strategy is put in place to take advantage of a very steep yield curve and a potentially higher interest rate environment.

The chart below is a comparison of the spreads between the yield of one-year municipal AAA bonds and the yields of 5-, 10- and 15-year bonds. Since the beginning of the recession in 2000, the municipal curve is steeper by 203 basis points between 1-year and 10-year bonds. This means the yield on ten-year bonds is significantly higher than on shorter-term bonds. However, the spread between the ten-year and fifteen-year is only 24 basis points wider. We believe the 10-year bonds offer the best return for the least risk of rising rates in the current environment. We purchase short-term bonds to offset additional risk of rising rates. These bonds will mature in one to two years and be reinvested at higher rates as the Federal Reserve raises short-term borrowing costs to offset inflationary fears.

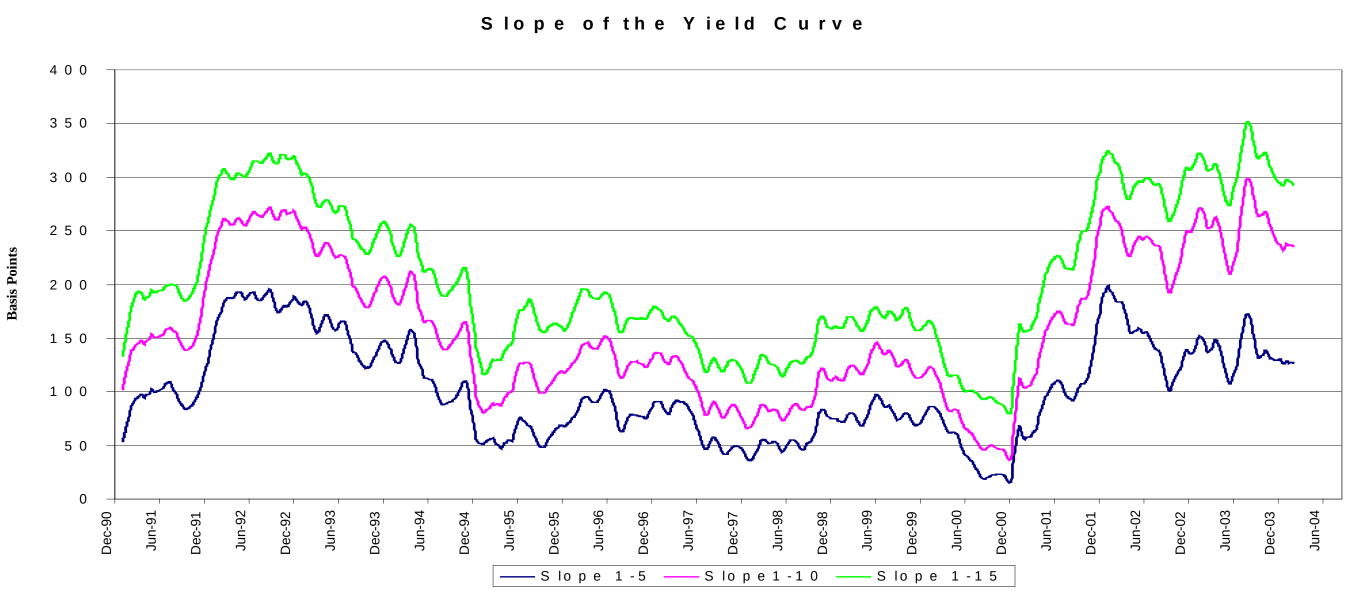
We are working with each portfolio to take advantage of this strategy in the most tax-efficient manner. New money and maturing proceeds are reinvested in the barbell strategy as well as some swap activity depending on the tax situation of the portfolio.

Tobacco on Watch for Additional Downgrade

Moody's Investor Service has reported that it will review the $19 billion in tobacco settlement bonds issued over the last few years for a variety of purposes. State and local governments issue bonds backed by the $246 billion settlement with four tobacco companies. Other tobacco companies are making progress with a suit to prevent state governments from escrowing funds at the same rate in anticipation of future settlements. If they are successful, the payments from the settlement will be lower.

The bonds are subject to the risk of further suits against tobacco companies as well as the risk that cigarette sales will drop. The payments are based on the total sales of cigarettes in each state. If the anti-smoking campaign is successful, the funding of the settlement could stretch years into the future.

BCA has avoided buying these bonds because we believe that the risk of repayment significantly outweighs the higher yield from the securities.



Date	5 yr	10 yr	15 yr	Date	5 yr	10 yr	15 yr
3/12/1992	+ 195 bp	+ 270 bp	+ 315 bp	12/19/2000	+ 10 bp	+ 32 bp	+ 74 bp
1/12/1995	+ 45 bp	+ 80 bp	+ 120 bp	3/1/2004	+ 121 bp	+ 235 bp	+ 291 bp