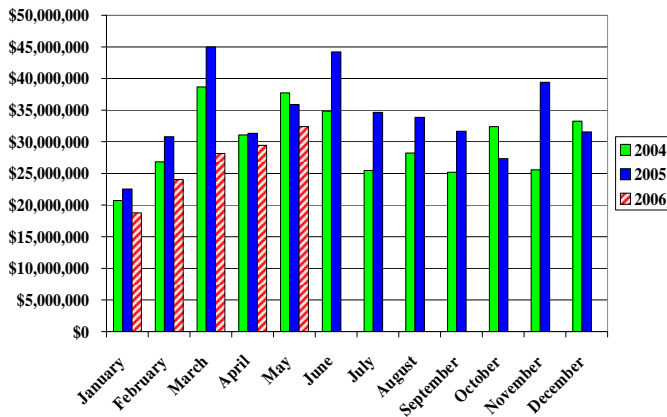


May 2006

In May, municipal bonds were fairly steady with index returns in line with coupon accrual for the month. At the end of April, the yield curve had moved into an unusual pattern of a very flat curve out to five years and a steeper curve longer than five years. This abnormality smoothed out with five year yields rising 2 bp and ten year yields falling 6 bp. Municipal yields have been less volatile this year than Treasuries as yields have gone up. The Merrill Lynch Municipal 3-7 year Index has a total return of 0.583% so far this year versus Merrill Lynch Treasury/Agencies 5-7 year down -1.0776%.

Monthly Supply 2004-2006



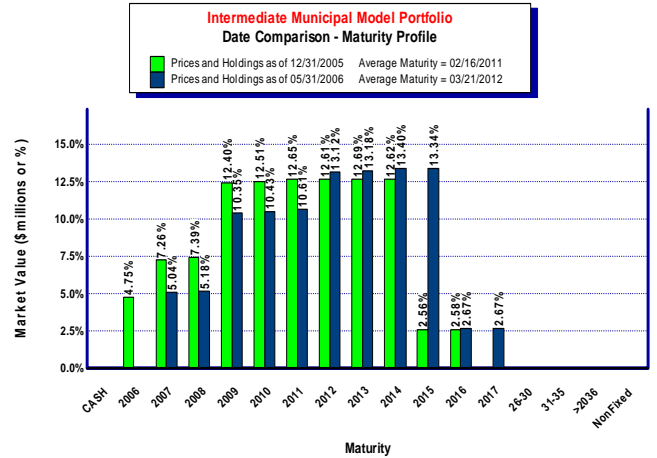
Source: Bond Buyer Decade of Municipal Finance

Municipal supply was a concern early in the year as issuance was off 28% year-over-year through March. Interestingly, the supply has picked up to more than 90% of last year in April and May. The increased supply has been easily absorbed by the market as June and July are traditionally the peak periods for maturities in the municipal market. The high demand should keep municipals stable through the higher supply for the month ahead.

Breckinridge's municipal strategy is to bring the portfolio duration to slightly longer than the index benchmarks with maturities focused in the 2012-2015 maturities. Our increased yield curve exposure in intermediate maturities has helped portfolios as the yield curve moves steeper and adds more value from the steepness of the yield curve over these maturities. Volatility of the municipal market is low and we continue to believe that interest rate markets will be stable. We are focusing on rolling out maturities and swapping bonds purchased as lower yields to extend the portfolios and increase the income flow. Overall, our target is to buy bonds with yields that exceed 4% in the targeted area of the yield curve.

Breckinridge Model Portfolio

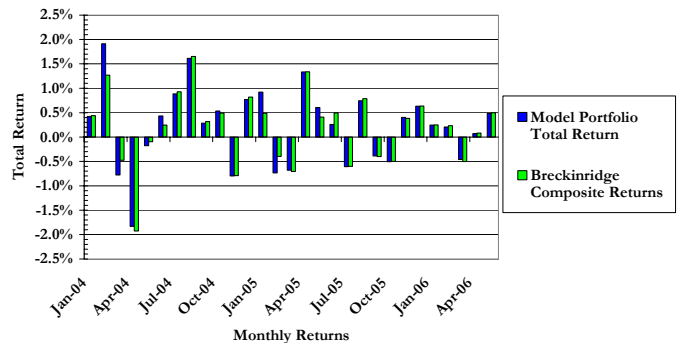
On a weekly basis, we meet with our portfolio managers, traders, and credit analysts to review our current strategy and update our model portfolio. The chart is a comparison of the model as of 12/31/05 (green) and 5/31/06 (blue). The model changes with the current market conditions and our outlook for the next 12-18 months.



Note: Holdings, values and maturities may differ from actual client portfolios.

Since our Outlook is for a long-term investor, there will be a lag in the implementation of our strategies for individual accounts. This is due to the current holdings, tax situation and available investment alternatives. The chart below shows the total return for our model against a representative sample of portfolios. We made major changes in strategy in early 2004 when we implemented a maturity barbell. The returns diverged for about six months as portfolios were moved in line with the strategy in the most tax-efficient manner. The divergence showed up again in early 2005 as we moved to our current more bulleted structure. At Breckinridge, we manage each portfolio to best meet the investor's individual needs while implementing institutional strategies to balance income and capital preservation.

Intermediate Municipal Model Total Return Compared to Representative Portfolios (See Disclosure on Next Page)



**The parameters for an account's inclusion in the composite are as follows:**<sup>1,2,3</sup>

- Contributions or withdrawals are limited to 10% of any portfolio within a given period.
- Accounts must have no restrictions with respect to the states in which they can invest.
- Accounts must have a maximum maturity of at least ten years.

<sup>1</sup> Prior to 12/31/02, a minimum market value of \$1,000,000 was required for inclusion in the composite. The change in composite parameters did not cause a material difference in either performance shown or the value of the assets represented by the composite.

<sup>2</sup> The exclusion of accounts totaling less than \$1,000,000 (as of 12/31/02 there were 284 portfolios under \$1,000,000 that may otherwise have qualified for the composite) did not have a material impact on the composite's results.

<sup>3</sup> Prior to 1/1/02, the composite excluded 21 portfolios managed under a subadvisory agreement where Breckinridge Capital Advisors, Inc. did not provide portfolio pricing and reporting. Subsequently, portfolios existing under such agreements are being priced and are thus eligible for inclusion in the composite where all other criteria have been met.

Performance results do not reflect the deduction of investment advisory fees. Portfolio performance will be reduced by investment advisory fees and any other expenses (such as custodial charges), which may be incurred in the management of municipal bond portfolios. For example, an annual fee of 35 basis points, paid quarterly, would have reduced the composite's cumulative total return over the five year period ending 12/31/04 from 33.976% to 32.335%, or by 1.641%. For a portfolio with a beginning value of \$1,000,000, this equates to a cost of \$16,410. A description of the fees charged by Breckinridge Capital Advisors, Inc. can be found in Part II of the firm's Form ADV.

Past performance is not indicative of future results. All investments involve risk, including the loss of principal.

**Composite Gross of Fees versus Net of Fees**

