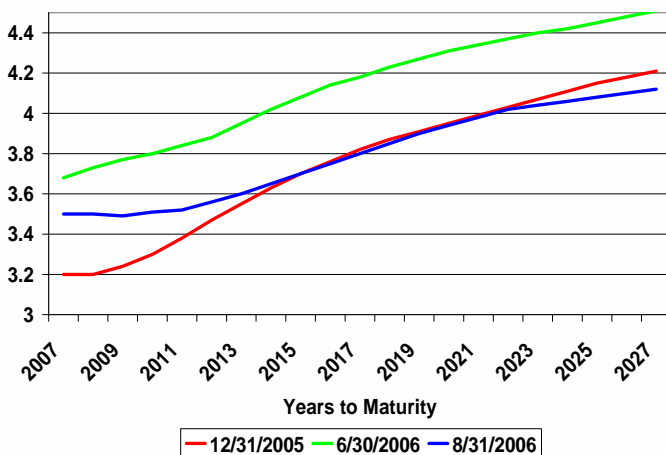


In August, the biggest story was the fact that the Fed did not raise the Fed Funds rate for the first time in 2 years, leaving Fed Funds at 5.25%. The reasons given for the pause in raising rates were a slowing housing market and subdued labor growth. The inventory of unsold homes has risen as building permits and sales slow due to higher mortgage rates. Although the unemployment rate remains low, the percentage of people in the work force is lower than in the 1999-2000 periods. The inflation reports for July remained above the Fed's unannounced target of 2%, with CPI up 4.15%, and CPI without Food and Energy up 2.69% over the last 12 months. The Fed held policy steady to see if the rise in rates over the last two years is sufficient to head off future inflation. Part of the reasoning is that inflation tends to be a lagging indicator, so the full impact of higher interest rates is not reflected in the current reports. The municipal yield curve is back to year-end levels in maturities longer than 10 years. Short yields are still being held up by the high Fed Funds rate.

MMD AAA-rated GO Yield Curve

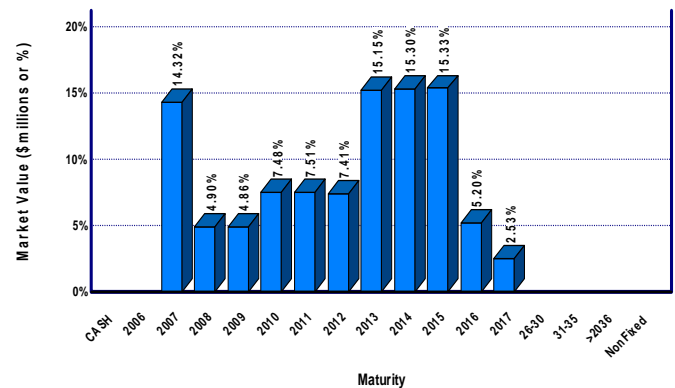


We continue to target our portfolio durations neutral to slightly long of their benchmarks. For the five-year benchmarks, this means a targeted duration .10 to .15 years longer than the benchmark. We are focused on the 2013-2015 maturities because that is where we see the best value on the yield curve and these bonds will be more bulleted to the index going into 2007. The next major yield curve shift should be to a steeper yield curve from the current historically flat curve, but this move may not occur until the FOMC begins to lower the Fed Funds rate; economists are expecting this to happen in 2007. We are also building a larger position in 2007 maturity bonds in most portfolios. The yield curve is very flat from one to five year maturities and we believe it is better to purchase slightly longer maturity bonds with the offset in 2007 to produce a better tax-advantaged yield in the portfolio.

Why take a 12-18 month Outlook?

Breckinridge positions portfolios with an outlook on market conditions out 12 to 18 months. The benefit of this strategy to investors is mostly lower transaction cost and more tax efficiency. In a fixed income portfolio, tax-exempt or taxable, the cost of transactions can wipe out the benefit of even the best market call. In the municipal market, the average trade spread for 2013-2021 maturity bonds traded in the same day in 2006 was \$11.28. In previous periods, Breckinridge demonstrated significantly lower trading cost. Still with this much friction in the market, it is important to plan well ahead for portfolio positioning. In addition, taxation of capital gains turns future tax-exempt income flows into a taxable event.

BCA Municipal Target Portfolio
Maturity Profile
Average Maturity = 04/14/2012 (5.60 years) Market Value (with accrued) \$4,295,013
Holdings as of 08/31/2006 Prices as of 08/31/2006



Our current target portfolio looks for the next major move in the municipal yield curve. By concentrating maturities in the longer range of the benchmarks, we have a portfolio that is slightly longer and more bulleted in bonds that will be within the benchmark by the end of 2007. As opposed to 2003-2004 when the yield curve flattened, over the course of the coming year, we expect the yield curve to begin to steepen. When that happens, a portfolio concentrated in the middle of the curve (bulleted) will move to relatively lower yields than longer maturities and maintain higher income flows than shorter maturities.

There are two ways to a steeper yield curve: short term rates fall or long term rates rise. We believe that a steeper yield curve from lower short term rates would not take place until the Fed begins to lower the Fed Funds rate, which is unlikely until 2007. If the yield steepens because long term rates rise, we have "hedged" by concentrating more maturities in 2007. These maturities will roll off and be invested at the higher long-term yields.