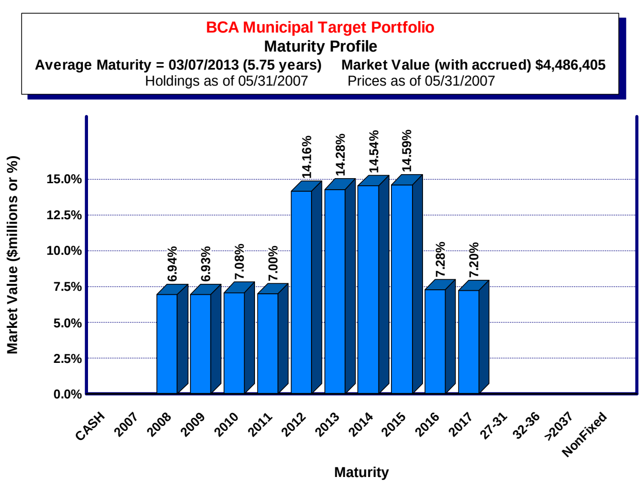
In May, the municipal yield curve was steeper from one to five year maturities with the short end rising 3 bp and longer maturities rising 15 bp. The market continues to react to changing estimates of the FOMC rate activity. After seeing the May Meeting Notes, analysts changed estimates of an easing from September 2007 to March 2008. The Fed Funds futures show traders reducing the odds of a Fed easing in 2007 from 50% in January to 8% in May. The housing sector has not been as great a drag on the economy as expected and Consumer Spending and Business Investment continue to expand. On the inflation front, the Core PCE, the FOMC targeted inflation rate, dropped to 2% in April, in line with the high end of the acceptable range. The steady growth and inflation reports confirm that the FOMC will probably stay on hold through the end of the year.

From a global perspective, economic growth remains strong in Europe and Asia. This is leading international central banks to increase interest rates to curb inflation. The higher global rates should mean the FOMC can remain on hold longer. Yields rose across the curve during the month of May in response to surprisingly strong economic data and increased anti-inflationary rhetoric from several Fed officials. As a result, fixed income returns were negative for the month, although returns year to date remain positive. Spread sectors in general performed well as treasury yields backed up, and taxable municipals and corporate bonds (both investment grade and high yield) out performed as spreads tightened. The treasury yield curve reversed the steepening trend from the first quarter as intermediate yields increased more than longer maturity yields and the yield curve flattened considerably.

Breckinridge Strategy

The tax-exempt portfolios are targeted for a slightly longer duration than their indexes. The maturity structure is targeted to be modestly bulleted by the end of 2007. We are maintaining our portfolio model because the portfolio is really targeted for a stronger steepening in 2008. The graph of our current model reflects the center of our distribution is 2013-14 maturities. This will be in the center of the index range in the 2008-2009 periods.

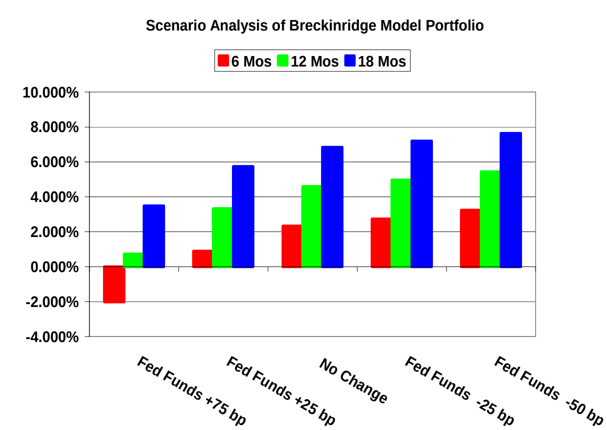


Taxable and Hybrid portfolios are also pursuing a more bulleted structure from 2012 to 2015 for an eventual steepening of the yield curve. We are more focused on Agencies and callable Agencies to take advantage of the additional yield in these bonds. Municipals make up the longer maturities in both taxable and hybrid portfolios, although supply has been very tight in the last month as new issuance dropped. With very low credit spreads, we continue to focus on the highest grade issues. Our performance was negatively affected during the month due to our concentration in the intermediate part of the yield curve which experienced the largest move up in yields. While our outlook for a bullish steepening in the yield curve has been pushed out, we continue to position the portfolios for a steeper yield curve, and are concentrating new purchases in the three to ten year part of the yield curve.

Scenario Analysis of Breckinridge Model Portfolio

The Breckinridge Model has been consistent for the last nine months with our original outlook looking for the FOMC to ease starting in late 2007 and slowly lowering rates through 2008. To prepare for this we have moved portfolios to a long mostly bulleted structure in 2012-2015 maturity bonds. The strategy continues to look at long-term major shifts in the yield curve. As mentioned above, the FOMC will probably be on hold through 2007 and early 2008. At that point, most analysts believe the next move in rates will be to lower yields in the short-end. However, there is an initial signal in thinly traded Fed Funds options that a rate increase may occur in 2008 to slow the economy.

Below we look various scenario returns for the Breckinridge Model Portfolio. The table shows the assumed changes in the yield curve given higher Fed Funds and lower Fed Funds over six- , twelve- and eighteen-month periods. The yield curve shape is assumed to move toward the average historical slope in the municipal bond market. The more slowly the Fed moves benefits the model by accumulating income in a stable interest rate environment.



Scenario	Short-Term	10 Year	30 Year
Fed Funds +75bp	+75	+150	+200
Fed Funds +25 bp	+25	+50	+75
No Change	0	0	0
Fed Funds -25 bp	-25	0	+25
Fed Funds -50 bp	-50	0	+100

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