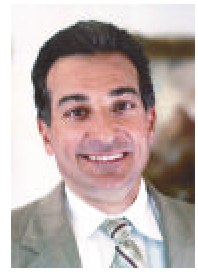
BERNARDI
SECURITIES, INC.

PRESIDENT'S LETTER
BOND MARKET COMMENTARY
OCTOBER 2007



Recent events motivate me to put a pen to paper (fingers to keypad actually) and briefly offer our view and reaction to several events percolating in today's bond market with a Dickensonian "Twist" to it all.

"It was the best of times, it was the worst of times…"
A Tale Of Two Cities, Charles Dickens

1. We believe bond market volatility is good because it tends to magnify market inefficiencies. Often times, bond market volatility results from a factor external to the sectors of the bond market where we focus our energies. Often, the effect is disproportionate to our markets. Volatility fosters uncertainty, often creating exceptional investment values for client portfolios along the way.

The volatility brought by the sub prime credit issue reinforced our view that market inefficiencies can be a good thing for our clients' bond portfolios.

The relevancy of a disciplined separate account management strategy was again underscored.

"…it's a mad world. Mad as Bedlam…"
David Copperfield, Charles Dickens

2. The potential effects on the bond market of unprecedented or unanticipated court decisions continues to cause us to be diligent. We advise that you plan as best as possible to minimize potential negative effects. Kentucky versus Davis, and Strand versus Escambia County serve as two current examples. Over the years, we have seen unanticipated court decisions rock our bond world: in certain instances, the effect was short lived. In others the effect was of a more permanent nature. In either instance, the uncertainty created market anxiety and great opportunity for client portfolios.

The relevancy of portfolio diversity should not be lost on investors given these potential uncertainties.

"Take nothing on its looks; take everything on evidence. There's no better rule."
Great Expectations, Charles Dickens

3. Assessing municipal issuer credit quality accurately continues to be an occasional challenge. We regularly uncover credit conundrums given the variability of municipal issuers' financial reporting standards, occasional cavalier attitudes and differing state and local statutes. These situations give a whole new meaning to the definition of "voodoo economics". The credit assessment is not always a bad one, but often it is a puzzling situation that requires expert analysis after thoroughly delving into the financial matter at hand. The unfunded pension liability issue and the Wisconsin utility taxes in lieu statute serve as two current examples.

The notion that many bond investors have that all municipal bonds are equally secure is at best, a silly one and at worst, a dangerous one. In most instances, municipal bond investors will all be paid promptly. Equally likely, many of them will also pay too high a price (accept too low of a yield) for an inferior credit.

The importance of hands on credit analysis and focus and reliance on traditional municipal issuer credits remains an important component of sound portfolio management.

"It was as true… as turnips is. It was as true… as taxes is. And nothing's truer than them."
David Copperfield, Charles Dickens

4. A Few Portfolio Management Tried and True, Truisms;

None of this is rocket science, as we like to say. All of it makes a lot of sense and has greatly helped our clients for many years. Here are several constants in our approach to managing bond portfolios:

- Minimize income and capital gains tax liabilities.
- Stay fully invested, accelerating or decelerating the process as municipal bond yields exceed historical spreads to taxable alternatives. Extend duration when municipal yields exceed the average and reduce as yields approach historical average. Invest along the portion of the yield curve offering the best relative value.
- Seek market anomalies relying, in part, on a thorough credit review process to find value.
- Invest funds when yield to maturity exceeds national average by a predetermined bogey keeping in mind that market sell offs typically provide great opportunities on investment side.

As always, we welcome your questions and comments. Please forward this commentary to a friend or colleague. Your referrals are always appreciated. For additional information please visit our website www.bernardisecurities.com or contact us at (312) 726-7324.

Thank you for your continued confidence.

Sincerely,
Ronald P. Bernardi
President and CEO