

PALM TRAN / A.T.U. LOCAL 1577 PENSION FUND

INVESTMENT PERFORMANCE EVALUATION

For the Quarter Ended September 30, 2006

Presented on November 30, 2006

NOTE: For a free copy of Part II of Burgess Chambers and Associates, Inc.'s most recent Form ADV which details pertinent business procedures, please write or call: 601 North New York Avenue, Suite 200, Winter Park, Florida 32789, 407-644-0111. Part II will be mailed within five (5) business days upon receipt of the request.

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BCA Third Quarter 2006 Market Review ©
Why REITS Have Surprised the Experts
By Burgess B. Chambers

Real Estate Investment Trusts (REITS) have achieved extraordinary returns during the past five years. The low interest rate experience that began in 2002 made this asset class more attractive than bonds. This environment subsidized capital spending which inflated the cost of building replacement.

During the five-year period, ended September 30, 2006 the REIT index earned 21.8% per year. In contrast, the S&P 500 stock and broad-market bond indices earned 6.9% and 4.3%, respectively. REITS earned three times the return of the S&P 500 and bettered bond performance by a factor of five.

BCA began introducing REITS to its clients in the fall of 2002, following a decline in bond interest rates not seen in 40 years. With bond yields well below 4.0%, REITS offered higher yields and the prospect for appreciation with an improving economy. REIT income rises with improving rental incomes from commercial properties. What experts did not anticipate was the high cost of labor and materials resulting from a worldwide building boom. Existing income producing property valuations expanded along with rising replacement costs. In 2005, commercial construction costs increased more than 40%. During the past several years, REITS have been acquired by private investors, pushing up values even further.

Going forward, the investment returns of this asset class will normalize (revert to the mean) as capital flows slow in response to better opportunities elsewhere. Rental incomes should continue improving as leases roll-over and demand for space remains stable. REITS should experience annual returns closer to eight percent during the next five years. This is a significant reduction in expected returns, as compared to the previous five years.

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Investment Summary

- For the quarter ending September 30, the total Fund earned +2.6%. Performance did not achieve the benchmark (+4.2%) due to equity performance.
- For the fiscal year to date period ending 11/20/06, the total Fund had earned +10.0% net. Strong performance has occurred since October 1st. The best performing categories were the REIT (+10.4%), Lotsoff (+7.5%), and the Russell 1000 Growth Index (+5.9%).
- BCA expects the total Fund to achieve +11.0% or better for the fiscal year.

Fourth Quarter Asset Allocation Estimate

	11/20/06 Market Value	Alloc. %	10/1/06 to 11/20/06 Return %
Galliard-Intrm FI	12,838,692.00	31.6	0.7
Galliard- TIPS	1,934,781.00	4.8	-1.3
C.S. McKee-LCCV	5,341,543.00	13.2	4.9
i-Shrs R1000G-LCCG	6,036,384.00	14.9	5.9
Lotsoff-MC	6,344,587.00	15.6	7.5
Fisher-Int'l	4,738,404.00	11.7	2.4
FTI-Cash	231,361.00	0.6	0.5
RREEF-REIT	3,109,809.00	7.7	10.4
TOTAL FUND	40,575,561.00	100.0	3.94

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Investment Performance
Dollars

	<u>Quarter</u>	<u>9 Months</u>	<u>FYTD to 11/20/06 Estimate</u>
Beginning Market Value	37,594,419	36,218,789	36,218,789
Ending Market Value	39,045,534	39,045,534	40,575,534
Net Contributions (+/-)	+482,670	+1,026,364	+1,310,703
Investment Gain (+/-)	+968,446	+1,800,381	+3,191,182
Investment Return (%)	+2.6%	+4.9%	+10.0%
Benchmark Objective (%)	+4.2%	+8.5%	N/A
Value Added	-1.6%	-3.6%	N/A

*Fiscal Year: January 1 – December 31 *FYTD = Fiscal Year To Date 11/20/06*

Total Fund Performance
(Annualized Percent Returns)

	Qtr.	1 Yr.	2 Yr.	3 Yr.	5 Yr.
Ranking ①	80th	69th	74th	74th	99th
TOTAL FUND	2.6	5.8	7.4	7.8	4.1
Benchmark ②	4.2	10.2	10.5	10.6	8.2
<i>Value Added</i>	<i>-1.6</i>	<i>-4.4</i>	<i>-3.1</i>	<i>-2.8</i>	<i>-4.1</i>
60% S&P 500 / 40% LBAB	4.9	7.9	8.2	8.8	6.5
<i>Value Added</i>	<i>-2.3</i>	<i>-2.1</i>	<i>-0.8</i>	<i>-1.0</i>	<i>-2.4</i>
Actuarial % Return Objective	1.9	8.0	8.0	8.0	8.0

① PSN Balanced Moderate Universe

② Benchmark from 1Q06 is 28% Russell 1000/15% MSCI 450/12% MSCI EAFE/10% Wilshire REIT/5% LB Interm TIPS/
 30% Custom (49% LB Mortg/11% LBABS/40% LB Interm Cr); prior from 3Q04 was 25% S&P 500/20% MSCI World/
 15% Russell 2000/40% ML Domestic Master Bond; prior provided by ML.



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Equity Performance
(Annualized Percent Returns)

	Qtr.	1 Yr.	2 Yr.	3 Yr.	5 Yr.
Total Equity ③	1.3	6.7	10.7	11.6	4.3
Total Equity Benchmark ④	3.8	11.3	13.7	13.7	7.8
<i>Value Added</i>	<i>-2.5</i>	<i>-4.6</i>	<i>-3.0</i>	<i>-2.1</i>	<i>-3.5</i>
Domestic Equity	1.2	6.4	10.6	11.6	4.3
Ranking ⑤	94th	N/A	N/A	N/A	N/A
C.S. McKee LC Core Value	2.6	N/A	N/A	N/A	N/A
Russell 1000 Value	6.2	N/A	N/A	N/A	N/A
<i>Value Added</i>	<i>-3.6</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>
Ranking ⑥	40th	N/A	N/A	N/A	N/A
i-Shares Russell 1000 Growth	3.3	N/A	N/A	N/A	N/A
Russell 1000 Growth	3.9	N/A	N/A	N/A	N/A
<i>Value Added</i>	<i>-0.6</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>
Ranking ⑦	86th	N/A	N/A	N/A	N/A
Lotsoff Mid-Cap	-1.7	N/A	N/A	N/A	N/A
MSCI Mid-Cap	1.3	N/A	N/A	N/A	N/A
<i>Value Added</i>	<i>-3.0</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>
Ranking ⑧	99th	N/A	N/A	N/A	N/A
Fisher International	1.3	N/A	N/A	N/A	N/A
MCSI EAFE	4.0	N/A	N/A	N/A	N/A
<i>Value Added</i>	<i>-2.7</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>

- ⑤ Large Cap Core Value Universe ⑥ Morningstar Large Growth Universe ⑦ PSN Mid-Cap Universe
 ⑧ PSN Foreign Large Blend Universe ③ Total Equity from 1/27/06 is CS McKee (LCV), i-Shrs R1000G ETF (LCG), Lotsoff (MC), Fisher (Int'l); prior was Fox (LCV), Fayez Sarofim (LCV), Buckhead (SCV) and Atlantic Capital (SCG).
 ④ Total Equity Benchmark from 1Q06 is 51%Russell1000/27%MSCI MC/22%MSCI EAFE; prior from 3Q04 42%S&P500/33%MSCI World/25%Russell2000; prior provided by ML.



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Real Estate Performance
(Annualized Percent Returns)

	Qtr.
Ranking ⑨	2nd
RREEF REIT ⑩	9.7
Dow Jones Wilshire REIT Index	9.1
<i>Value Added</i>	+0.6

⑨ PSN Specialty - Real Estate Universe



⑩ RREEF purchased 5/1/06.



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Performance of Various Equity Strategies
(Calendar-Year Performance)

Composite	3Q06	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996	10 Yr. Avg.
S&P 500	5.7	4.9	10.9	28.7	-22.1	-11.9	-9.1	21.1	28.6	33.4	23.0	9.1
Russell 1000 Growth	3.9	5.3	6.3	29.7	-27.9	-20.4	-22.4	33.2	38.7	30.5	23.1	6.7
Russell 1000 Value	6.2	7.1	16.5	30.0	-15.5	-5.6	7.0	7.3	15.6	35.2	21.6	10.9
S&P Mid-cap 400	-1.1	12.6	16.5	35.6	-14.5	-0.6	17.5	14.7	19.1	32.3	19.2	14.4
Russell 2000	0.4	4.6	18.3	47.3	-20.5	2.5	-3.0	21.3	-2.5	22.4	16.5	9.3
Russell 2000 Growth	-1.8	4.2	14.3	48.5	-30.3	-9.2	-22.4	43.1	1.2	12.9	11.3	4.7
Russell 2000 Value	2.6	4.7	22.2	46.0	-11.4	14.0	22.8	-1.5	-6.5	31.8	21.4	13.1
Wilshire Real Estate Securities Index	9.1	14.0	33.1	37.1	2.6	10.5	30.7	-3.1	-17.4	19.8	36.9	15.4
MSCI EAFE	4.0	14.0	20.7	39.2	-15.7	-21.2	-14.0	27.3	20.3	2.1	6.4	6.2

 Large-cap Equity
 Small-cap Equity



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Fixed-Income Performance
(Annualized Percent Returns)

	Qtr.	1 Yr.	2 Yr.	3 Yrs.	5 Yrs.
Ranking ❶	44th	88th	68th	62nd	94th
Total Fixed Income ❷	3.2	3.5	2.9	2.8	3.9
Total Fixed Income Benchmark ❸	3.4	3.9	3.4	3.5	4.9
<i>Value Added</i>	-0.2	-0.4	-0.5	-0.7	-1.0
Ranking ❷	22nd	N/A	N/A	N/A	N/A
Galliard Intermediate Fixed Income	3.4	N/A	N/A	N/A	N/A
BCA Custom Benchmark	3.6	N/A	N/A	N/A	N/A
<i>Value Added</i>	-0.2	N/A	N/A	N/A	N/A
Galliard Intermediate TIPS	2.4	N/A	N/A	N/A	N/A
Lehman Intermediate TIPS	2.6	N/A	N/A	N/A	N/A
<i>Value Added</i>	-0.2	N/A	N/A	N/A	N/A

❶ Fixed Income since 1/1/06 Galliard; prior Fox and Faye Sarofim

❷ PSN Intermediate Fixed Income Universe

❸ Total Fixed Income Benchmark: 86%BCA Custom Bond (49%LBMortg/11%LBABS/40%LBIC)/14%LBIT;
prior ML Dom Master Bond.



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GLOSSARY OF TERMS

ACCRUED INTEREST

Bond interest earned since the last interest payment, but not yet received.

ALPHA

A linear regressive constant that measures the manager's expected return independent of Beta.

ASSET ALLOCATION

The optimal division of portfolio asset classes in order to achieve an expected investment objective.

BETA

A measure of portfolio sensitivity (volatility) in relation to the market, based upon past experience.

BOND DURATION

A measure of portfolio sensitivity to interest rate risk.

COMMINGLED FUND

An investment fund, offered by a bank or insurance company, which is similar to a mutual fund in that investors are permitted to purchase and redeem units that represent ownership in a pool of securities.

CORE

A type of investment strategy that has approximately an equal weighting in both growth and value stocks in order to achieve a return that is comparable to the broad market performance (i.e., the S&P 500).

CORRELATION COEFFICIENT

A statistical measure of how two assets move together. The measure is bounded by +1 and -1; +1 means that the two assets move together positively, while a measure of -1 means that the assets are perfectly negatively correlated.

INDEXES

Indexes are used as "independent representations of markets" (e.g., S&P 500 and LBGC).

INFORMATION RATIO

Annualized excess return above the benchmark relative to the annualized tracking error.

GROWTH MANAGER

A growth manager generally invests in companies that have either experienced above-average growth rates and/or are expected to experience above-average growth rates in the future. Growth portfolios tend to have high price/earnings ratios and generally pay little to no dividends.

LARGE CAP

Generally, the term refers to a company that has a market capitalization that exceeds \$5 billion.

MANAGER UNIVERSE

A collection of quarterly investment returns from various investment management firms that may be subdivided by style (e.g. growth, value, core).

MID CAP

Generally, the term refers to a company that has a market capitalization between \$1 and \$5 billion.

RATE OF RETURN

The percentage change in the value of an investment in a portfolio over a specified time period.

RISK MEASURES

Measures of the investment risk level, including beta, credit, duration, standard deviation, and others that are based on current and historical data.

R-SQUARED

Measures how closely portfolio returns and those of the market are correlated, or how much variation in the portfolio returns may be explained by the market. An R2 of 40 means that 40% of the variation in a fund's price changes could be attributed to changes in the market index over the time period.

SHARPE RATIO

The ratio of the rate of return earned above the risk-free rate to the standard deviation of the portfolio. It measures the number of units of return per unit of risk.

STANDARD DEVIATION

Measure of the variability (dispersion) of historical returns around the mean. It measures how much exposure to volatility was experienced by the implementation of an investment strategy.

SYSTEMATIC RISK

Measured by beta, it is the risk that cannot be diversified away (market risk).

TRACKING ERROR

A measure of closely a manager's performance tracks an index; it is the annualized standard deviation of the differences between the quarterly returns for the manager and the benchmark.

UP-MARKET CAPTURE RATIO

Ratio that illustrates how a manager performed relative to the market during rising market periods; the higher the ratio, the better the manager performed (i.e., a ratio of 110 implies the manager performed 10% better than the market).

VALUE MANAGER

A value manager generally invests in companies that have low price-to-earnings and price-to-book ratios and/or above-average dividend yields.



Chart 1 PALM TRAN / A.T.U. LOCAL 1577 PENSION FUND

Total Fund Asset Allocation

Market Value
\$39,045,535

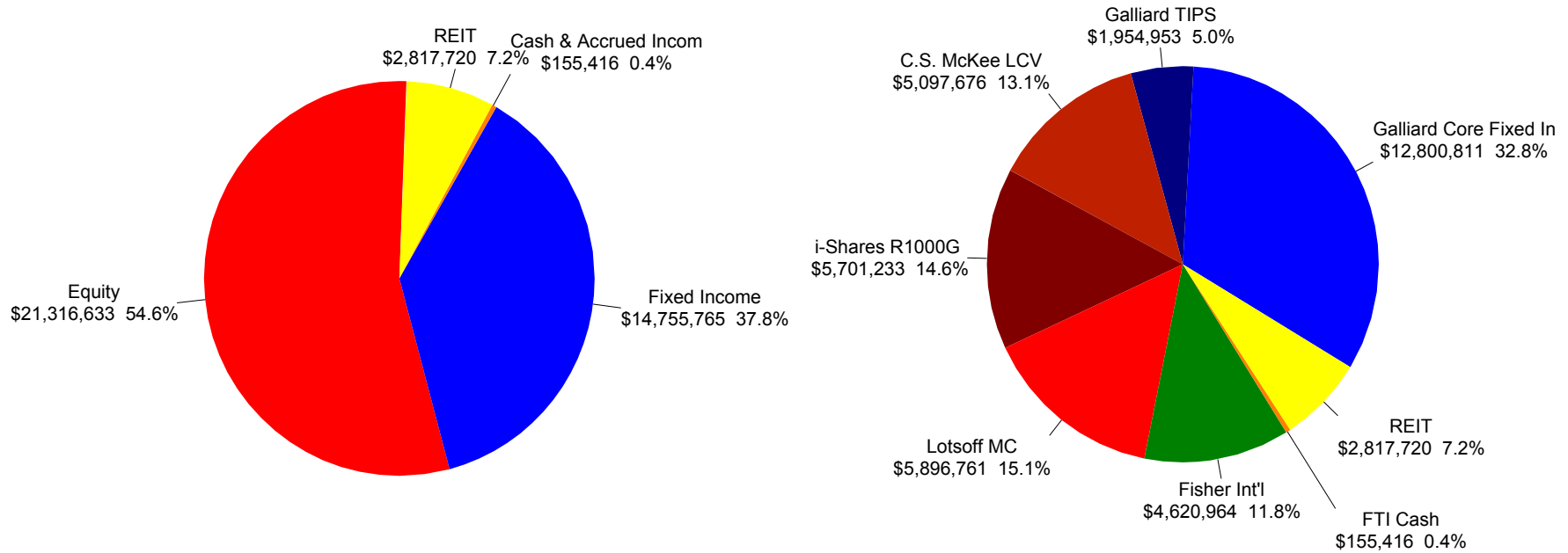


Chart 2

PALM TRAN / A.T.U. LOCAL 1577 PENSION FUND

Total Fund Asset Allocation

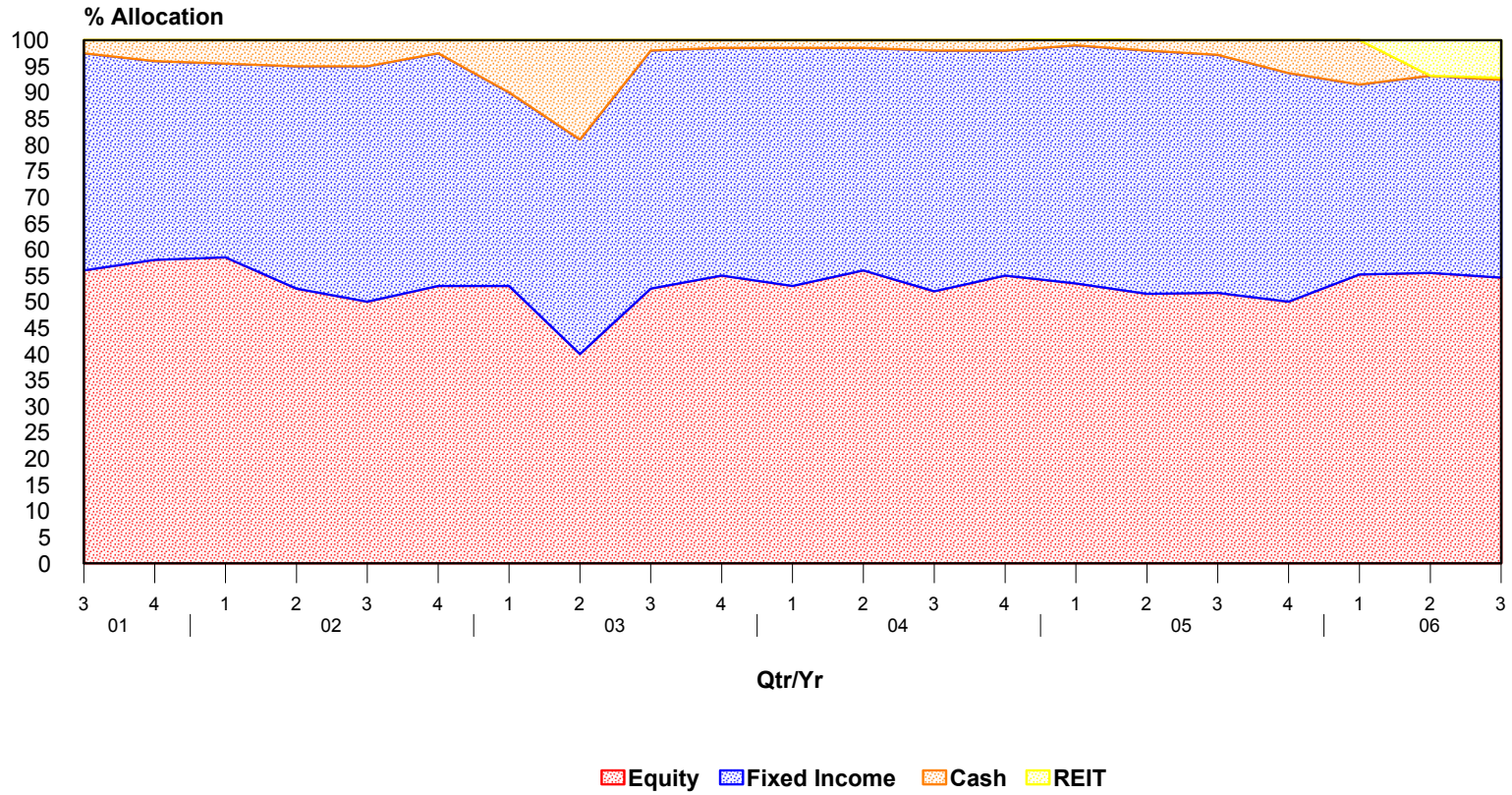
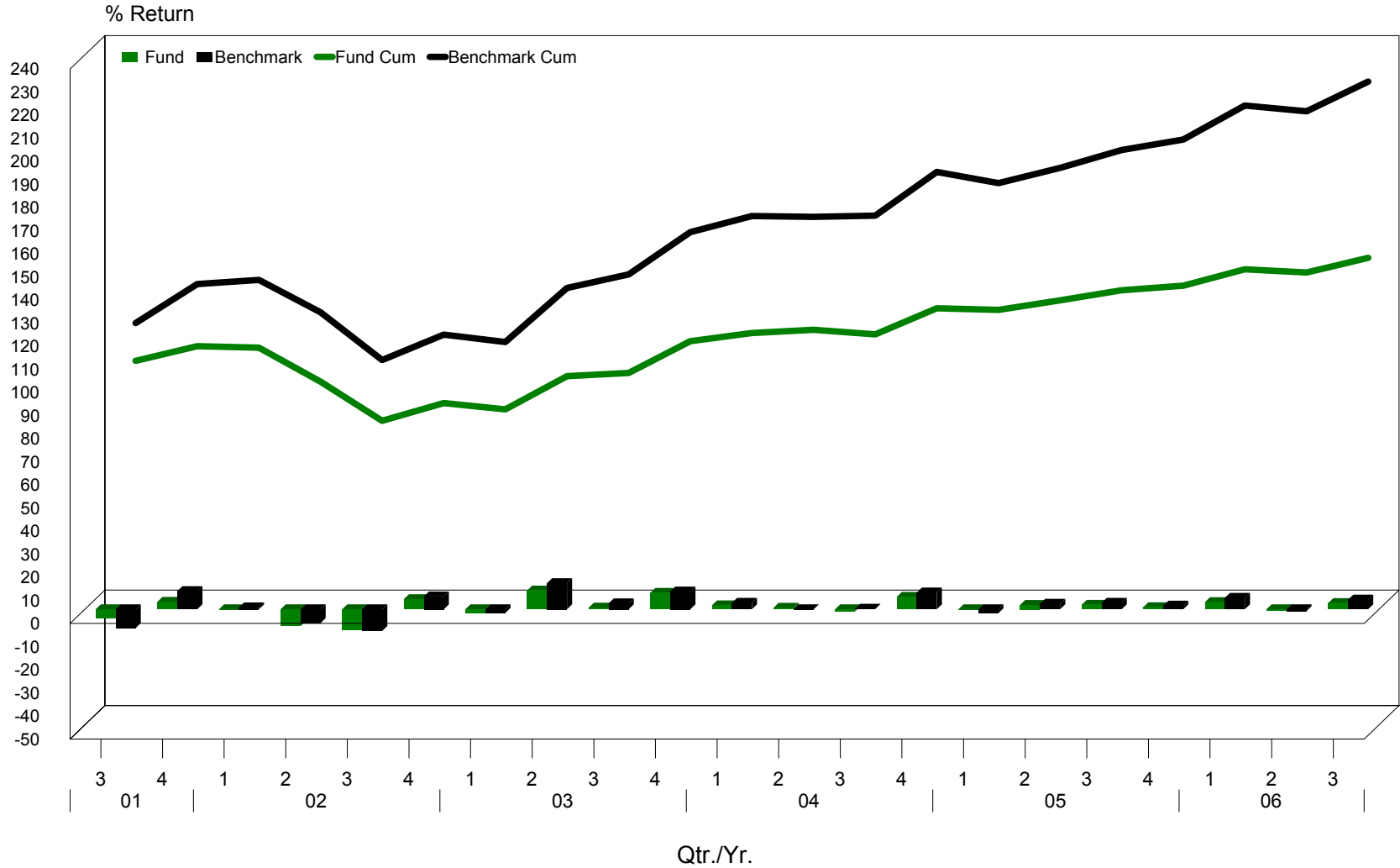


Chart 3

PALM TRAN / A.T.U. LOCAL 1577 PENSION FUND

Total Fund Annualized % Returns

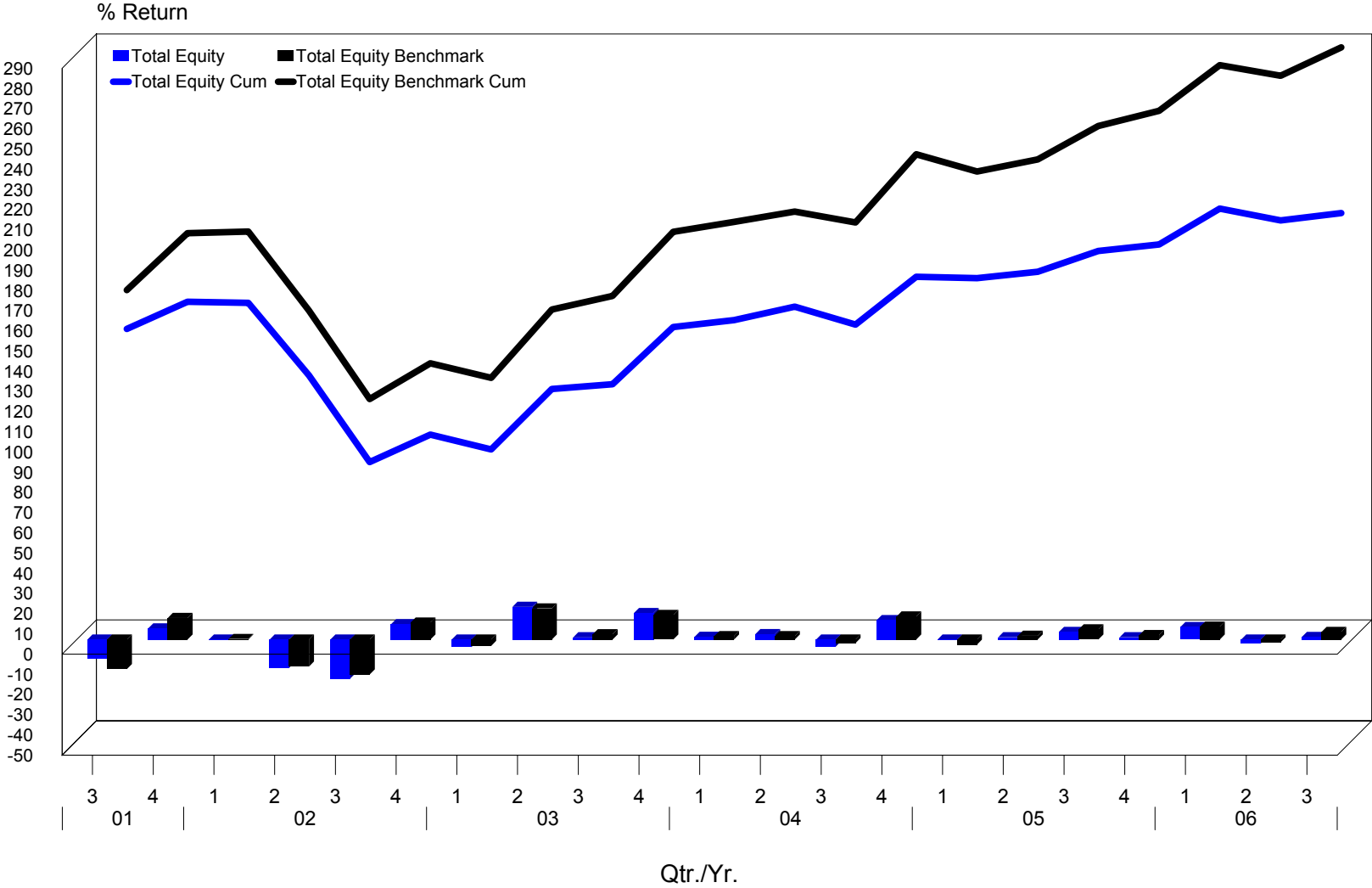


Benchmark:28% Russell 1000/15% MSCI MC/12%MSCI EAFE/10%Wilshire REIT/5%LBIT/30% BCA Custom Bd;
 prior from 3Q04 was 25% S&P 500/20% MSCI World/15% Russell 2000/40% ML Dom Mas Bd; prior
 benchmark data provided by Merrill Lynch (prior consultant)

Chart 4

PALM TRAN / A.T.U. LOCAL 1577 PENSION FUND

Equity Annualized % Returns

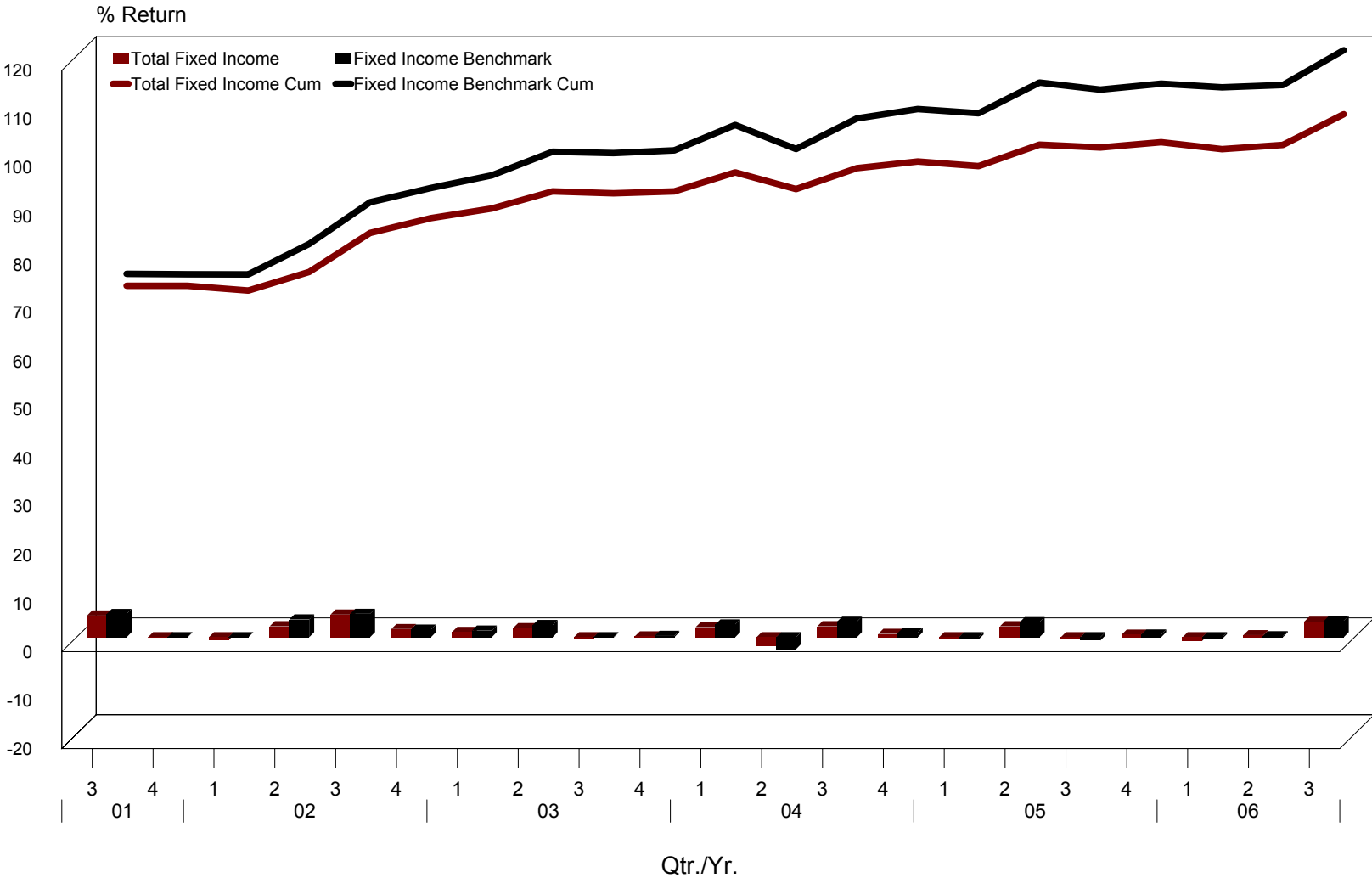


Total Equity Benchmark from 1Q06 is 51%Russell1000/27%MSCI MC/22%MSCI EAFE;prior from 3Q04 42%S&P500/33%MSCI World/25%Russell2000; prior provided by ML.

Chart 5

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Fixed Income Annualized % Returns



Total Fixed Income Benchmark from 1Q06 is 86%BCA Custom Bond/14%LBIT; prior was ML Domestic Master Bond

Chart 6

PALM TRAN / A.T.U. LOCAL 1577 PENSION FUND

Returns vs. Volatility

