

Income Securities

BUILDING YOUR WEALTH WITH BONDS, CONVERTIBLES & PREFERREDS

INVESTOR



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ALL PRICING AS OF 12/31/2009

Looking Into 2010

We enter the new year relieved that the trauma of 2009 is behind us, or is it? While there is limited concern that the problems of the recent past will resurface, there is legitimate concern that the remedies applied in 2009 will come to haunt us. These are the unintended consequences that occur when major policy actions are taken without precedent or thorough planning. Who has forecast that those consequences may well be worse in the long term than the positives gained for the short term? Keep in mind that for politicians, the only term that matters is their term in office. As for the Federal Reserve Bank, we are told they helped precipitate the financial crisis by keeping interest rates too low thereby causing the housing bubble. Are we now to believe that the remedy for the fallout from that crisis is even more low Fed interest rates?

History tells us that all these policy moves will result in inflation. Income investors who believe the happy talk being put out by government spokesmen or media pundits will pay a price. Given the volume of TV ads for gold, I suspect there is significant skepticism out there. We know the Fed cannot control the long-term interest rates and it is these debt holders who will revolt first and demand higher yields. This will pull even more money into long term/short term interest rate arbitrage and thus force up short-term rates as well.

The remedy for this uncertainty is diversification. As I point out in my book, *Income Investing Today*, you want to diversify over a variety of income drivers which are not all sensitive to the same economic factors. For 2010 we make some basic assumptions;

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Model Portfolios

Once again, we take measure of how our model portfolios did for 2009. Despite a strong stock market in 2009, fixed income

more than held its own and finished the decade miles ahead of equities.

A DECADE OF PERFORMANCE

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Cumm. Growth of \$1
Model Portfolios											
Low Risk	10.50%	10.90%	10.99%	16.40%	5.16%	-1.41%	8.68%	1.59%	-17.86%	20.71%	1.95
Medium Risk	11.40%	11.30%	2.40%	32.71%	7.61%	0.79%	14.31%	1.81%	-28.94%	56.39%	2.30
High Risk	5.10%	28.80%	7.10%	45.30%	7.11%	2.74%	5.96%	2.75%	-40.08%	53.62%	2.32
Multi-Driver										61.26%	1.58
Mkt. Indexes											
NASDAQ	-40.20%	-11.74%	-31.61%	50.38%	9.26%	2.77%	10.28%	0.25%	-40.54%	43.90%	0.58
S&P 500	-9.27%	-19.67%	-21.39%	28.00%	10.66%	4.95%	15.41%	0.14%	-38.49%	23.50%	0.88
Dow Jones IA	-5.02%	-16.34%	-15.06%	27.33%	5.13%	1.75%	18.44%	-0.87%	-33.84%	18.80%	0.85

What is evident from these results is that income investing is not only a lower risk approach, it is also a higher return strategy. This was not just a one or two year occurrence, but as can be seen, a truth for most years of the decade. This is good news for the millions of boomers preparing for retirement but still needing to grow their nest eggs.

January is the month we roll out our model portfolios

for 2010. This annual change does not mean the prior year portfolios are no longer valid, it only means new or certain old securities are now a better buy. Note also that many of last year's selections continue in the current year's portfolios. The changes also reflect our aversion to certain industries and preference for other sectors or changes in their weighting in the overall mix.

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Pick of the Month

The pick of the month is a high yielding third party trust preferred with an 8.375% coupon trading about \$5 dollars under par. At a price of \$20.50, it yields an attractive 10.16% and has the extra benefit of a bond's place in the corporate structure. The Frontier Communications (PIY) preferred is callable any time and has a Ba2/BB credit rating. Frontier (FTR) is one of the nations largest rural telecom companies. Since the preferred is issued by Merrill Lynch, don't be surprised if the symbol (PIY) returns a security like ML DEP 8.375% PFDPLUS or Merrill Lynch Depositor, it's the right one. It's been one of our favorites for 5 years. See page 3 for details.

Financial Security Assurance Holdings Ltd/ Assured Guaranty

The continuing saga of the re-listing of the Assured Guaranty (AGO) preferreds writes another chapter. The company had indicated the preferreds (original symbols FSB, FSA) would be re-listed by the end of the year. On December 31, 2009, they announced a delay and the new deadline is March 31, 2009. The problem was the SEC demanding financial records of the Financial Security Assurance Holdings Ltd subsidiary before it was acquired. This has slowed down but not stopped the process. Both the NYSE and the SEC must approve the re-listing. Listing on the NYSE will improve the liquidity of the security and should result in higher prices. We would recommend buying them at current prices, which are between \$16 and \$18, but they are difficult to acquire. In the mean time, the company has repeated its guarantee of these A rated securities and that payments will continue. We recommend holding these preferreds. **Recommendation: Hold**

Enerplus Resources Fund

Enerplus Resources Fund (ERF) is a Canadian Royalty Trust based in Calgary Canada that produces oil and natural gas. The mix is 60% natural gas and 40% oil and natural gas liquids. We last recommended Enerplus in February 2009 at a price of \$20.66 and still like it at its current price of \$22.96. In fact, the company is part of this year's high-risk portfolio. It yields 9.4% and for US taxpayer the distribution is subject to a minimum 15% Canadian withholding tax that is eligible for recovery on US tax returns as a foreign tax credit. The dividend gives some inflation protection because of its oil and gas production and also provides some hedge against a weak dollar since dividends are calculated in Canadian dollars. The lower the US dollar the more valuable the Canadian dividend. **Recommendation: Buy under \$25.00 for high-risk investors.**

Harvest Energy

Harvest Energy (HTE) was bought by Korea National Oil Corporation for \$10.00 Canadian per share. The deal closed December 31, 2009 and unit holders received \$9.47 per shares in U.S. dollars.

Liberty Media Corporation

Liberty Media (LINTA), is a spin off of AT&T. Liberty engages in video and online commerce in the United States and internationally. It is best known for its QVC television networks and owns an interest in Expedia, Inc., a travel services company. Moody's recently downgraded Liberty Media to B1 from Ba2. The downgrade was subsequent to its spin-off of its 57% stake in DIRECTV. The effects of the spin-off include reduced financial flexibility and a greater reliance on cash flow from its QVC television network. According to Moody's the company now has a less diversified asset base, thus increasing the risk. We think their ability to continue making debt payments is unimpaired and the securities are worth holding. Three of their

securities have been recommended; the 4.00% convertible bond of 2029, the 5.70% bond of 2013 and the 7.00% preferred (PYA). **Recommendation: Hold**

Nicholas-Appelgate Convertible & Income Fund II

The Nicholas-Appelgate Convertible & Income Fund II (NCZ) is a closed-end fund that invests in convertible bonds and preferreds. About half the portfolio is in convertibles and half in high-yield bonds. The fund invests about 85% of its assets in below investment grade debt. The top industry sector is Real Estate Investment Trusts (REITs) at 14% followed by Pharmaceuticals at 7.00% and Media at 6.00%. The fund is leveraged at 35% and has an expense ratio of 1.71%. It currently yields 12.00% and trades at \$8.48, a slight 3.66% premium over its net asset value of \$8.20. We have recommended this fund for our Multi-Driver portfolio and it's a buy under \$9.00. **Recommendation: Buy under \$9.00**

Penn West Energy Trust (PWE)

Penn West Energy Trust (PWE) is the largest conventional oil and natural gas producing income trust in North America. We last recommended this Canadian Royalty trust in February 2009 at a price of \$11.30 for a then current yield of 20.18%. The price of oil and natural gas has increased since then and the units now trade at \$17.60 for a current yield of 9.83%. We believe oil and natural gas prices will continue to climb, both because of an improving economy and because of a weakening dollar. Energy is an excellent hedge against inflation. In addition, Canada as a supplier of energy is isolated from political disruption unlike Venezuela and the Middle East. In the event of a global crisis, Canada will remain a stable source of supply, although at much higher prices. The tax advantage that Canada grants these trusts will expire next year, so expect the royalty trusts to convert to a corporate structure this year. In the meantime, the yield is still good and the upside potential will follow oil prices. This security is a good fit in our Multi-Driver Portfolio. **Recommendation: Buy**

Telephone and Data Systems, Inc

Telephone and Data Systems (TDS) is a diversified telecommunications company that provides wireless and wireline telecommunications services. The company's 7.60% preferred (TDA) was last recommended in June 2009 at a price of \$19.70 for a then current yield of 9.56%. The preferred is actually a bond that trades like a preferred and pays quarterly dividends. It is callable at par (\$25.00) at any time. The company recently announced a \$250 million share buy back program and the acquisition of a telephone company in New Hampshire. It seems to be weathering the recession well and has over \$900 million in cash. The preferred is still a good buy for medium risk investors at its current price of \$24.56, which gives it a current yield of 7.73%. **Recommendation: Buy below \$25 for medium risk investors.**

Preferreds

First American Corporation, 7.55% Series FAR; Par \$25.00; Current Price \$19.66; Current Yield 9.57%; Exchange NYSE; Rated Baa3/BBB-; Call Anytime at \$25.00; Yield to Call High; Pay Cycle 4/10; CUSIP 740434659; Family Third Party Trust Preferreds; Acronym PPLUS; Symbol PJS (no preferred designation).

The First American Corporation (FAF) a global company is the countries largest provider of business information. They use their vast data resources along with analytics to supply businesses and individual consumers with information to support major events such as job hunting, renting an apartment, buying a car or house, getting a mortgage and opening or buying a business. First American operates within five primary business segments, including: Title Insurance and Services, (they underwrite almost 25% of all title insurance policies in the US) Specialty Insurance, Information and Outsourcing Solutions, Data and Analytic Solutions, and Business Solutions. For the third quarter 2009 the company reported revenue of \$1.57 billion, slightly higher than the \$1.52 billion posted for the same period in 2008. Net income came in at \$55.4 million compared to a net loss last year of \$8.4 million. First American is planning a spin-off next year of its title and specialty insurance operations thus creating two publicly traded companies. The existing holding company will consist primarily of businesses that offer data on mortgages, properties and credit. This preferred would work well in a medium-risk portfolio. **Buy at or below \$21.00.**

Boeing Company The, 6.05%; Series BA; Par \$25.00; Current Price \$24.89; Current Yield 6.08% Exchange NYSE; Rated A2/A; Call Anytime at \$25.00; Yield to Call 45.49%; Pay Cycle 2/8; CUSIP 21988G262; Family Third Party Trust Preferreds; Symbol XVG (no preferred designation).

This hybrid preferred is a Corporate Backed Trust Certificate, titled Boeing Note-Backed Series 2003-7. The underlying security is a 6.125% note due 2033, issued by The Boeing Company (BA). Boeing is the world's largest aerospace company, the second largest manufacturer of large commercial jetliners and the number two defense contractor. They also design and manufacture rotorcraft, electronic and defense systems, missiles, satellites, launch vehicles and advanced information and communication systems. As a major service provider to NASA, Boeing operates the Space Shuttle and International Space Station. Third quarter revenue increased 9% to \$16.7 billion from last years labor strike affected quarterly revenue of \$15.3 billion. Boeing had a quarterly net loss of \$1.6 billion, attributable mostly to the cost reclassification and delays of the 787 Dreamliner and increased production cost of the 747. Last year the company showed net income of \$1.11 billion. Boeings backlog ended the quarter at \$320 billion. This preferred would be a good addition to a low-risk portfolio. **Buy at or below \$25.25.**

Frontier Communications Corporation (formerly Citizens Communications Company), 8.375% Series CZN1; Par \$25.00; Current Price \$20.50; Current Yield 10.16%; Exchange NYSE; Rated Ba2/BB; Call Anytime at \$25.00; Yield to Call High; Pay Cycle 4/10; CUSIP 740434881; Family Third Party Trust Preferreds; Acronym PPLUS; Symbol PIY (no preferred designation).

Merrill Lynch was the depositor of this hybrid security issued by PreferredPlus Trust Series CZN-1. The underlying securities are the 7.05% debentures due 10/01/2046, issued by Citizens Utilities Co., then Citi-

zens Communications Co., and now Frontier Communications Corp. (FTR). Frontier is one of the nations largest rural exchange carriers. They provide communication services primarily to rural and suburban markets in 24 states. Frontier offers customers local and long-distance telephone service, Internet access, wireless Internet data access, digital phone, DISH satellite TV, security solutions, bundled services and more. They currently provide service to about 3.0 million access lines and High-Speed Internet subscribers. Third quarter 2009 revenue was \$526.8 million slightly lower than the \$557.7 million reported in 2008. Operating income improved to \$176.2 million from \$164.4 million and net income for the third quarter 2009 was up to \$52.2 million from \$47.0 million. Most of the revenue decline is related to a loss of access lines, and reduced long distance revenue. At the same time the company had a 4% increase in data and high-speed Internet revenue. Moody's has a positive ratings watch on this issue. The preferred would fit nicely in a high-risk portfolio. **Buy at or below \$22.00.**

Goodyear Tire & Rubber Company, 8.00%; Series GT; Par \$10.00; Price \$8.61; Current Yield 9.03%; Exchange NYSE; Rated B2/B+; Call Anytime at \$10.00; Yield to Call High%; Pay Cycle 3/9; CUSIP 21988G577; Family Third Party Trust Preferreds; Acronym CBTCS; Symbol XKK (no preferred designation)

The underlying security for this series 2001-34 preferred is a 7% Note due 03/15/28 issued by The Goodyear Tire & Rubber Company (GT). In addition to tires (Goodyear and Dunlop brands), the company produces industrial chemicals, and many other rubber products such as hoses and belts. Goodyear, one of the world's largest tire companies, has 59 facilities in 24 countries around the world. In addition, they operate more than 1,800 tire and auto service center where they offer their products for retail sale and provide automotive repair and other services. Goodyear reported sales of \$4.39 billion for the third quarter of 2009, 15% lower than the \$5.17 billion reported for the same period last year but 11% higher than second quarter sales. Their net income for the third quarter was \$72 million, which is a major improvement over the net income of \$32 million for last year's third quarter. Much of the improvement is attributed to improved market conditions and lower raw material cost. I like this issue for the high-risk investor. Don't chase this security. **Buy at or below \$9.50.**

Morgan Stanley Capital Trust VII, 6.60%; Par \$25.00; Current Price \$21.94; Current Yield 7.51%; Exchange NYSE; Rated A3/BBB; Call 10/11 at \$25.00; Yield to Call 14.35%; Pay Cycle 1m; CUSIP 61750K208; Family Trust Preferreds; Symbol MSZ (no preferred designation).

These capital securities are guaranteed by Morgan Stanley (MS), a bank holding company that is a global financial services firm. It provides a wide range of services including investment banking, securities, investment management and wealth management. The firm serves clients worldwide including corporations, governments, institutions and individuals from more than 1200 offices in 36 countries. Morgan Stanley also owns the mutual fund firm Van Kampen. In 2009 they repaid their \$10 billion US Treasury TARP (Troubled Assets Relief Program) loan. Morgan Stanley reported net revenue in the third quarter 2009 of \$8.68 billion, slightly above the \$8.05 billion posted for last year's third quarter. Net income was \$757 million, about half of the \$1.43 billion reported last year. This issue is in our new low-risk model portfolio. **Buy at or below \$23.25.**

(continued on page 4)

Preferreds *(continued from page 3)*

Motorola, Inc 8.20%; Series MOT; Par \$25.00; Current Price \$22.31; Current Yield 9.08%; Exchange NY; Rated Baa3/BB+; Call Anytime @ \$25.00; Yield to Call High; Pay Cycle 4/10; CUSIP 21988G395; Family Third Party Trust Preferred; Acronym CBTCS; Symbol XFH (no preferred designation)

This hybrid preferred is a Corporate Backed Trust Certificate series 2002-12. The underlying security is a 5.22% debenture due 10/01/2097 issued by Motorola, Inc (MOT). Motorola is the #3 world manufacturer of wireless telephone handsets. They are a leading supplier of communications infrastructure equipment including transmission base stations and signal amplifiers. Other products and services include digital TV set-tops, cable modems, mobile devices and Bluetooth accessories. For the third quarter 2009, Motorola reported sales of \$5.45 billion and net income of \$12.0 million. Third quarter 2008 sales were \$7.48 billion, but the company posted a net loss of \$397 million. This issue is in our medium-risk portfolio. **Buy at or below \$23.00.**

SLM Corporation, 6.00%; Par \$25.00; Current Price \$15.63; Current Yield 9.55%; Exchange NYSE; Rated Ba1/BBB-; Call Anytime at \$25.00; Yield to Call High; Pay Cycle 3e; CUSIP 78442P304; Family Pet Bonds; Symbol JSM (no preferred designation).

SLM Corporation (SLM), commonly known as Sallie Mae, manages about \$188 billion in education loans and serves 10 million student and parent customers thus making it the country's largest source of funding and servicing for U.S. government guaranteed and private student education loans. Through its affiliates, they also manage more than \$19 billion in 529 college-savings plans, and are a major, private source of college funding contributions in America with 11 million members. Originally created as a government-sponsored organization,

SLM privatized in 2004, ending all direct ties to the government. Sallie Mae and its subsidiaries also offer debt management services as well as business and technical products to clients including universities and state and federal agencies. For the third quarter 2009 SLM reported net revenue of \$877.0 million and net income of \$159.11 million. For the same period in 2008 net revenue was \$302.75 million and their net loss was at \$158.54 million. This looks like a good buy at current levels for medium-risk portfolios. **Buy at or below \$17.00.**

Sprint Nextel Corporation, 7.00%; Series FON; Par \$25.00; Current Price \$17.89; Current Yield 9.83 %; Exchange NYSE; Rated Ba3/BB; Call Anytime at \$25.00; Yield to Call High; Pay Cycle 05/11; CUSIP 21988K404; Family Third Party Trust Preferred; Acronym CBTCS; Symbol JZK (no preferred designation).

This hybrid preferred is a Corporate Backed Trust Certificate series 2003-17. The underlying security is the 6.875% Notes due 11/15/2028 issued by Sprint Capital Corp., a subsidiary of Sprint Nextel Corp. (S). This giant wireless communication company is the result of the merger of the #3 carrier Sprint with the #5 carrier Nextel. They offer a wide range of services to individual consumers, businesses and governments. Sprint provides about 48 million subscribers with mobile voice, data, and Web services nationwide. Since the 2005 merger, Sprint has gone through some rough times both from the technical side to the financial business side. For the third quarter 2009, Sprint reported revenue of \$8.04 billion and a net loss of \$478 million. For the same period 2008, revenue was \$8.82 billion and their net loss was posted at \$326 million. The company generated \$664 million in free cash flow this past quarter and showed total liquidity of \$7.5 billion. This preferred is used in our new high-risk model portfolio. **Buy at or below \$18.75.**

Convertibles

Affiliated Managers Group, Inc., 5.10%; (Preferred); Par \$50.00; Current Price \$40.00; Current Yield 6.30%; Exchange OTC; Rated NR/BB; Soft call 04/11 at \$50.00; Conversion Rate 0.3333 Common Stock Price \$67.35; Premium 80.20%; Pay Cycle 1m; CUSIP 00169X203; Family Optional; Symbol AMGZO; (no preferred designation).

Affiliated Managers Group (AMG) is an asset management company with equity investments in a diverse group of boutique investment management firms (Affiliates). As of the end of the third quarter, aggregate assets under management of AMG's Affiliates was \$205 billion in more than 300 investment firms. The company's strategy is to gen-

erate growth through acquisitions as well as growth through existing affiliates. AMG also provides assistance to its affiliates in marketing, distribution, product development, strategic matters and operations. Third quarter 2009 net revenue was \$197.92 million, significantly lower than the \$270.94 million posted for the same periods in 2008. Net income for the quarter was \$17.77 million, slightly higher than the \$16.47 million posted the previous year. This issue trades on the Over-The-Counter pink sheets. This convertible is in our new "Driver" model portfolio because of its unique structure and business plan. **Buy at or below \$41.75.**

Model Portfolios

Interest rates moved higher on a sharp rise in the ten year Treasuries to 3.84% , an increase of 65 basis points or 20.3% in a month. Reports on who is buying all the new Treasury debt attribute over \$500 billion of the purchases to a category called 'Other.' It would be a fair guess to assume that 'Other' means carry trade players including hedge funds and banks. Such purchases are being funded with Fed lending and artificially low short term rates. This is why you are hearing comments about the Fed running a Ponzi scheme. This hot money investing can unravel dramatically once the Fed begins to raise short term rates. That

could mean long term rates could spike upwards almost overnight leading to more international financial drama.

Junk bond yields continue to decline, dropping about 5% for the month. These bonds were the best performers in 2009, but represent an investment with a high risk outlook. A default wave in these securities has been delayed by the banks' distraction with their bad mortgage portfolios. Once they work themselves through their mortgage problems I fully expect them to address their troubled corporate clients. Use the current high prices to reduce your holding.

Exch	Issuer	Coupon Rate %	Maturity	CUSIP	Current Price	Current Yield %	Yield to Maturity %	Moody	S&P	Call Date	Call Price	Yield to Worst %	Recommend
INVESTMENT GRADE													
OTC	American Standard	7.63	02/15/2010	029717AM7	100.06	7.62	6.85	NR	BBB+	NC	NA	6.85	101
NY	Burlington N Santa Fe	3.80	01/01/2020	121899CC0	83.55	4.55	6.02	A2	BBB	NC	NA	6.02	86
OTC	General Electric Co	5.25	12/06/2017	369604BC6	102.59	5.12	4.80	Aa2	AA+	NC	NA	4.80	104
NY	Hanover Insurance Gp	7.63	10/15/2025	410867AA3	96.00	7.94	8.08	Baa3	BBB-	NC	NA	8.08	98
OTC	Home Depot Inc	5.88	12/16/2036	437076AS1	96.52	6.09	6.12	Baa1	BBB+	NC	NA	6.11	99
OTC	Intl Paper Co	7.96	06/15/2018	460146CA9	115.35	6.90	5.59	Baa3	BBB	NC	NA	5.59	Hold
OTC	JP Morgan Chase C XV	5.88	03/15/2035	46627NAA3	89.54	6.56	6.74	A2	BBB+	NC	NA	6.74	92
OTC	Morgan Stanley	6.66	05/16/2018	61745ETB7	97.00	6.87	5.23	A2	AA-	5/11	100.00	5.23	99
OTC	Sara Lee Corp	6.13	11/01/2032	803111AM5	92.85	6.60	6.74	Baa1	BBB+	NC	NA	6.74	95
OTC	Toyota Motor Credit Co	5.50	03/21/2022	89240AFA3	97.80	5.62	5.75	Aa1	AA	3/10	100.00	5.75	99
OTC	Vale Overseas Limited	6.88	11/21/2036	919111TAH6	101.99	6.74	6.69	Baa2	BBB+	NC	NA	6.69	104
OTC	Wyeth	5.50	02/01/2014	983024AE0	110.03	5.00	2.87	A1	AA	NC	NA	2.87	Hold
BELOW INVESTMENT GRADE													
NY	Case Corporation	7.25	01/15/2016	14743RAB	99.71	7.27	7.22	Ba3	BB+	NC	NA	7.22	100
OTC	Cincinnati Bell Inc	7.25	06/15/2023	171870AK4	76.00	9.54	10.65	Ba2	BB	NC	NA	10.65	82
OTC	Clear Channel Comm.	6.88	06/15/2018	184502AD4	56.51	12.17	16.50	Ca	CCC-	NC	NA	16.50	59
OTC	Dycorn Industries Inc	8.13	10/15/2015	267482AC1	91.50	8.88	10.10	Ba3	BB-	10/10	104.06	10.10	93
NY	MBNA Capital Sec	8.28	12/01/2026	55263BAA9	93.72	8.83	9.01	Baa3	BB	Any	104.14	9.01	96
OTC	MGM Mirage Inc	6.75	09/01/2012	552953AL5	89.36	7.55	11.32	Caa2	CCC+	NC	NA	11.31	91
OTC	Owens Corning Inc	7.00	12/01/2036	690742AB3	92.55	7.56	7.66	Ba1	BBB-	NA	NA	7.66	95
OTC	Reliant Energy Inc	7.88	06/15/2017	74971XAC1	97.59	8.07	8.23	B2	B+	NC	NA	8.23	99
OTC	Royal Caribbean Crus	7.00	06/15/2013	780153AQ5	99.86	7.01	6.95	Ba3	BB-	NC	NA	6.95	99
OTC	Sprint Capital Corp	6.88	11/15/2028	852060AD4	83.05	8.28	8.67	Ba3	BB	NC	NA	8.67	86
OTC	US West Comm	7.13	11/15/2043	912920AG0	79.50	8.96	9.08	Ba1	BBB-	11/13	102.74	9.08	81
OTC	Wynn Las Vegas LLC	6.63	12/01/2014	983130AD1	97.49	6.80	7.13	Ba3	BB+	Any	103.31	7.13	97

CLOSED END FUNDS

Symbol	Issuer	Current Price \$	Current Yield %	12 Mo Yield %	Net Asset Value \$	Premium Discount %	52 Week High \$	52 Week Low \$	52 Week High Date	52 Week Low Date	Pay Periods	Country	Recommend \$
(BOE)	Blackrock Gbl Opp Eqty Tr	18.89	12.04	12.04	19.33	-2.28	20.65	11.33	11/09/2009	03/09/2009	2e	USA	19.50
(UTF)	Cohen & Steers Sel Utly	15.95	6.02	6.02	17.39	-8.28	16.78	6.75	12/14/2009	03/09/2009	M	USA	16.50
(GGN)	Gabelli Gbl Gold Nat Resc	16.34	10.16	10.16	15.92	2.64	17.25	9.35	11/19/2009	12/03/2008	M	USA	17.00
(BTO)	J Hancock Bk & Thrift Opp Fd	14.10	1.00	4.03	17.11	-17.59	23.67	8.43	11/14/2007	10/10/2008	3e	USA	14.70
(MGN)	Madison/Claymore Covid Call	8.90	8.82	8.95	9.62	-7.48	8.95	4.26	10/21/2009	03/09/2009	2e	USA	9.25
(NCZ)	Nich-Apple Conv & Inc Fd II	8.48	12.03	15.42	8.13	4.31	8.57	2.92	12/31/2009	03/06/2009	M	USA	9.00
(NIE)	Nich-Apple Eqty & Conv Inc	16.56	6.76	6.76	18.23	-9.16	16.67	9.63	12/16/2009	03/06/2009	3m	USA	17.25
(JPC)	Nuveen Mltri-Stgy Inc & Gw	7.49	9.08	8.34	8.56	-12.50	7.60	2.70	12/28/2009	03/06/2009	M	USA	8.00
(PFL)	PIMCO Fltg Rate Inc Fd	11.29	6.66	18.58	9.88	14.27	12.00	3.28	12/23/2009	03/10/2009	M	USA	12.25

CANADIAN ENERGY/ROYALTY TRUSTS

Symbol	Issuer	Current Price \$	Indicated Yield %	Tax	52 Week High \$	52 Week High Date	52 Week Low \$	52 Week Low Date	Currency	Pay Periods	Country	Recommend \$
(ERF)	Enerplus Resources	22.96	9.04	15%	25.13	06/01/2009	12.85	03/09/2009	USD	Monthly	Canada	24.50
(PGH)	Pengrowth Energy Tr	9.63	8.38	15%	10.61	10/01/2009	4.51	03/03/2009	USD	Monthly	Canada	11.00
(PWE)	Penn West Energy Tr	17.60	9.68	15%	18.48	11/25/2009	6.77	03/09/2009	USD	Monthly	Canada	19.25
(PVX)	Provident Energy Tr	6.72	10.05	15%	6.99	11/10/2009	2.23	03/03/2009	USD	Monthly	Canada	7.00

1. **Recommend:** accumulate at or below this price. NA: not applicable.

CONVERTIBLES *previously recommended*

Exch	Issuer	Coupon Rate %	Maturity	CUSIP	Current Price	Current Yield %	Yield to Maturity %	Moody Rating	S&P Rating	Conversion Rate	Common Price \$	Premium %	Call Date	Call Price \$	Yield to Worst %
INVESTMENT GRADE CONVERTIBLE BONDS															
OTC	Intel Corp	2.95	12/15/2035	458140AD2	97.30	3.03	3.09	NR	A-	31.7162	20.99	46.16	12/12	100.00	3.09
OTC	AudioCodes Ltd	2.00	11/09/2024	050732AB2	99.50	2.01	2.04	NR	NR	53.4474	2.77	High	11/09	100.00	2.04
OTC	Exterran Holdings	4.75	06/15/2014	30225XAA1	116.88	3.62	0.31	NR	BB	43.1951	22.22	21.78	NC	NA	0.31
OTC	Human Genome Scie	2.25	10/15/2011	444903AK1	203.56	1.10	-34.94	NR	NR	64.3211	31.51	0.44	NC	NA	-34.94
OTC	Liberty Media Cor	4.00	11/15/2029	530715AG6	52.00	7.66	9.32	B1	BB-	11.4743	0.00	* High	Any	100.00	9.32
OTC	LifePoint Hospita	3.50	05/15/2014	53219LAH2	94.01	3.70	4.92	NR	B	19.3095	33.19	46.69	NC	NA	4.91
OTC	NII Holdings Inc	3.13	06/15/2012	62913FAJ1	92.00	3.39	6.62	NA	B-	8.4517	36.26	High	NC	NA	6.62
OTC	Trico Marine Svs	8.13	02/01/2013	896106AW1	85.08	9.49	14.07	NR	CCC	71.4286	4.66	High	NC	NA	14.07
OTC	Bristow Group Inc	3.00	06/15/2038	110394AC7	91.50	3.26	3.44	NR	BB	12.9307	39.39	79.64	06/15	100.00	4.68
*** = 11.4743 Sfs(S) & 0.5737 Sfs(EQ)															
Symbol	Family	Issuer	Issue %	Div. \$	Tax	CUSIP	Current Price \$	Current Yield %	Moody/S&P Ratings	Conversion Rate	Premium %	Common Price \$	%Call Date	Call Price \$	Yield to Call %
MANDATORY CONVERTIBLE PREFERREDS															
AIG A	MD	American Intl Gp	8.500%	6.38	OI	026874115	11.33	56.27	Ba2/NR	1.6447	-77.02	29.98	08/11*	Variable	NA
ADM A	MD	Archer-Daniels-Mi	6.250%	3.13	OI	039483201	43.61	7.14	NR/BBB+	1.0000	39.28	31.31	06/11*	Variable	NA
AVY A	MD	Avery Dennison Co	7.875%	3.94	OI	053611307	38.70	10.17	NR/BB+	0.7680	38.09	36.49	11/10*	Variable	NA
FPLZ	MD	FPL Group Inc	8.375%	4.19	OI	302571609	52.15	7.99	NR/NR	0.7500	31.64	52.82	06/12*	Variable	NA
FCX M	MD	Freeport-McMoRan	7.000%	7.00	15%	35671D782	115.01	5.88	NR/BB	1.3605	5.29	80.29	05/10*	Variable	NA
GXP F	MD	Great Plains Ener	12.00%	6.00	OI	391164803	66.00	9.09	NR/NR	2.9800	14.22	19.39	06/12*	Variable	NA
JCI Z	MD	Johnson Controls	11.500%	5.75	OI	478366602	139.28	3.89	Baa3/BB+	4.8579	5.25	27.24	03/12*	Variable	NA
(LMI)	MD	Legg Mason Inc	7.00%	3.50	OI	524901303	34.15	10.23	WR/BBB-	0.8881	27.50	30.16	06/11*	Variable	NA
MRK B	MD	Merck & Co Inc	6.000%	15.00	15%	589333204	258.00	5.81	A2/A-	9.0909	-22.33	36.54	08/10*	Variable	NA
(RVIP)	MD	Retail Ventures I	6.625%	3.31	OI	761282201	44.00	7.53	NR/NR	1.4306	18.84	25.88	09/11*	Variable	NA
CJA	MD	Vale Capital Ltd	5.500%	2.75	15%	91912C208	53.95	5.08	NR/NR	0.8664	High	29.03	06/10*	Variable	NA
OPTIONAL CONVERTIBLE PREFERREDS															
AES C	OP	AES Trust III	6.750%	3.13	OI	00808N202	46.25	7.28	B3/B	1.4216	High	13.31	Any	50.00	High
AMGZO	OP	Affiliated Mangrs	5.100%	2.55	OI	00169X203	40.00	6.30	NR/BB	0.3333	78.19	67.35	Sft C	50.00	NA
AHL	OP	Aspen Insur Hldgs	5.630%	2.82	OI	EP0179044	52.52	5.36	Ba1/BBB-	1.7077	20.84	25.45	Sft C	50.00	NA
BGEPF	OP	Bunge Ltd	4.875%	4.88	OI	EP0237628	91.25	5.33	Ba1/BB	1.0846	31.81	63.83	NC	NA	NA
CEP	OP	Celanese Corp	4.250%	1.06	15%	150870202	40.82	2.60	NR/NR	1.2500	1.73	32.10	Sft C	25.00	NA
CHK D	OP	Chesapeake Energy	4.500%	4.50	15%	165167842	84.25	5.41	NR/NR	2.2639	43.80	25.88	Sft C	100.00	NA
CCIKO	OP	Crown Castle Intl	6.250%	3.13	15%	228227401	59.50	5.27	NR/NR	1.3559	12.40	39.04	NC	NA	NA
CYCCP	OP	Cyclacel Pharmacl	6.000%	0.60	15%	23254L207	2.35	24.59	NR/NR	4.2553	-46.90	1.04	Any	10.42	High
EPRE	OP	Entertainment Pro	9.000%	2.25	OI	29380T600	24.87	9.05	NR/NR	0.4512	56.28	35.27	04/13	25.00	NA
HCN G	OP	Health Care REIT	7.500%	1.88	OI	42217K502	31.99	5.88	NR/NR	0.7157	0.85	44.32	06/10	25.00	-41.56
NHP B	OP	Nationwide Health	7.750%	7.75	OI	638620302	157.00	4.79	Baa3/BB	4.4015	1.39	35.18	Any	103.88	High
NHCA	OP	Natl Healthcare C	0.800%	0.80	15%	635906209	11.18	6.99	NR/NR	0.2420	27.94	36.11	11/15	15.75	11.57
OCR B	OP	Omnicare Inc	4.000%	2.00	OI	68214Q200	36.86	5.33	B3/B	1.2248	24.46	24.18	Any	50.00	High
SPGI	OP	Simon Property Gp	6.000%	3.00	OI	828806802	68.00	4.42	Baa1/BBB	0.7830	8.83	79.80	Sft C	50.00	NA
WFCL	OP	Wells Fargo Compa	7.500%	75.00	15%	949746804	918.00	8.17	Ba1/A-	6.3814	High	26.99	NC	NA	NA

1. Symbol: symbols in parentheses require no delimiters, all others require a preferred designation. 2. *maturity or mandatory conversion date. 3. Family: MD=Mandatory, OP=Optional. 4. Tax: OI=Ordinary Income Rate, 15%=15% tax rate.

'Symbol	Exch.	'Family	Issuer	Issue %	Div. \$	'Tax %	Cycle	CUSIP	Current Price \$	Current Yield %	Moody/S&P Rating	Call Date	Call Price \$	Yield to Call %	Debt Maturity	'Recom- mend \$
INVESTMENT GRADE																
(AEH)	NYS	Fg	Aegon NV	6.375%	1.58	15%	3m	007924301	17.91	8.90	Baa2/BBB	06/15	25.00	14.03	NA	18.75
(DKK)	NYS	TPTP	Aon Corp (SATURN)	8.000% AON	2.00	01	1/7	804103208	23.50	8.44	Baa3/BBB-	Any	25.00	84.74	01/27	24.50
(KTBC)	OTC	TPTP	BellSouth Corp (CorTS)	7.000% II	1.75	01	6/12	22081C208	24.50	7.14	A2/A	Any	25.00	89.80	12/95	25.00
(XVG)	NYS	TPTP	Boeing Corp (CBTCS)	6.050% BA	1.51	01	2/8	21988G262	24.89	6.08	A2/A	Any	25.00	45.49	02/33	25.25
(JZV)	NYS	TPTP	CNA Fnc'l Corp (CBTCS)	7.000% CNA	1.75	01	5/11	21988G122	21.52	8.11	Baa3/BBB-	Any	25.00	244.21	11/23	22.50
(PYI)	NYS	TPTP	Comcast Corp (PPLUS)	6.250% CMT	1.56	01	3/9	73941X775	22.49	6.95	Baa1/BBB+	Any	25.00	191.41	03/33	23.50
(CRP)	OTC	Fg	Credit Suisse Guernsey	7.900%	1.98	15%	3m	225448208	25.68	7.69	Aa3/BBB+	03/13	25.00	7.12	NA	25.75
(PYO)	NYS	TPTP	DaimlerChrysler (PPLUS)	7.250% DCN	1.81	01	1/7	73941X718	23.48	7.79	A3/BBB+	Any	25.00	234.91	01/31	24.50
(PIS)	NYS	TPTP	First Amer Corp (PPlus)	7.550% FAR	1.89	01	4/10	740434659	19.66	9.57	Baa3/BBB-	Any	25.00	414.73	04/28	21.00
(GEC)	NYS	PB	General Elec Cptl Corp	6.100%	1.53	01	2m	369622519	23.98	6.36	Aa2/AA+	Any	25.00	77.73	11/20	24.50
(IPB)	AME	TPTP	IndexPlus Trust	6.050% 03-	1.51	01	6/12	45408V203	19.01	7.62	A3/NR	NC	NA	0.00	05/33	21.00
(MSZ)	NYS	TP	Morgan St Cptl Tr VII	6.600%	1.65	01	1m	61750K208	21.94	7.51	A3/BBB	10/11	25.00	14.35	10/66	23.25
(XFB)	NYS	TPTP	News Amer Hldgs (CBTCS)	8.125% NCP	2.03	01	6/12	21988G437	24.53	8.22	Baa1/BBB+	Any	25.00	35.85	12/45	25.00
PSA Z	NYS	REIT	Public Storage Inc	6.250% Z	1.56	01	3e	74460D521	22.10	7.35	Baa1/BBB	Any	25.00	253.68	NA	23.25
(PYS)	NYS	TPTP	R.R.Donnelle (PPLUS)	6.300% RRD	1.58	01	4/10	73941X593	18.41	8.42	Baa3/BBB	4/11	25.00	33.67	04/29	19.75
RNR C	NYS	Fg	RenaissanceRe Hldg Ltd	6.080% C	1.52	15%	3b	EP0112524	19.57	7.76	Baa3/BBB+	Any	25.00	433.64	NA	21.25
(TDA)	NYS	PB	Telephone & Data	7.600%	1.90	01	1b	879433878	24.56	7.71	Baa2/BBB-	Any	25.00	28.83	12/41	25.25
(GIH)	NYS	TPTP	US Cellular (STRATS)	6.375% USM	0.64	01	6/12	86311Q204	8.15	8.04	Baa2/BBB-	Any	10.00	376.27	12/33	8.60
BELOW INVESTMENT GRADE																
(PKM)	NYS	TPTP	Allmerica Fnc'l (PPLUS)	8.000% ALL	2.00	01	2/8	740434832	22.45	8.91	Ba1/BB-	Any	25.00	214.86	02/27	23.25
BACH	NYS	Perp	Bank of America Corp	8.200%	2.05	15%	2b	060505765	24.17	8.47	Ba3/BB	05/13	25.00	9.89	NA	25.00
BMR A	NYS	REIT	BioMed Realty Trust Inc	7.375% A	1.85	01	1m	09063H206	23.20	7.93	NR/NR	01/12	25.00	11.21	NA	24.25
EPR B	NYS	REIT	Entertainment Prop Tr	7.750% B	1.94	01	1m	29380T303	21.65	8.85	NR/NR	Any	25.00	241.06	NA	23.00
(PIJ)	NYS	TPTP	Ford Motor Co (PPLUS)	7.400% FRD	1.85	01	5/11	740434600	18.43	9.92	Caa1/CCC	Any	25.00	506.16	11/46	19.50
(FCY)	NYS	PB	Forest City Enterp	7.375%	1.84	01	2b	345550404	18.85	9.78	B3/B-	Any	25.00	735.67	02/09	20.50
(PIY)	NYS	TPTP	Frontier Comm (PPLUS)	8.375% CZN	2.09	01	1b	740434881	20.50	10.16	Ba2/BB	Any	25.00	343.44	10/46	22.00
(XKK)	NYS	REIT	Goodyear Corp (CBTCS)	8.000% GT	0.80	01	3/9	21988G577	8.61	9.03	B2/B+	Any	10.00	226.08	03/28	9.25
HCFN F	NYS	REIT	Health Care REIT Inc	7.625% F	1.91	01	1m	42217K403	24.70	7.63	Baa3/BB	Any	25.00	5.30	NA	25.00
(PYA)	NYS	TPTP	Liberty Media (PPLUS)	7.000% LMG	1.75	01	2/8	73941X668	17.73	9.81	B1/BB-	08/09	25.00	623.62	02/30	18.50
(DKQ)	NYS	TPTP	May Dept Strs(SATURNS)	6.250% MAY	1.56	01	1/7	80411E203	18.85	8.24	Ba1/BB	Any	25.00	1597.88	01/32	20.00
(XFH)	NYS	TPTP	Motorola Inc (CBTCS)	8.200% MOT	2.05	01	4/10	21988G395	22.31	9.08	Baa3/BB+	Any	25.00	191.00	10/97	23.25
PFG B	NYS	Perp	Principal Financial Gro	6.518%	1.63	15%	3e	74251V300	21.27	7.65	Baa3/BB+	06/15	25.00	10.10	NA	22.00
(CWZ)	NYS	TPTP	Royal Carib (CBTCS)	8.875% RCL	2.22	01	4/10	21988G650	23.40	9.49	Ba3/BB-	Any	25.00	135.36	10/27	24.25
(JSM)	NYS	PB	SLM Corp	6.000%	1.50	01	3m	78442P304	15.63	9.55	Ba1/BBB-	Any	25.00	777.35	12/43	17.50
(JZK)	NYS	TPTP	Sprint Corp (CBTCS)	7.000% FON	1.75	01	5/11	21988K404	17.89	9.83	Ba3/BB	Any	25.00	589.19	11/28	18.50
(PIR)	NYS	TPTP	UnumProvident (PPlus)	7.400% UPC	1.85	01	6/12	740434667	20.72	8.82	Ba1/BBB-	Any	25.00	281.59	12/28	21.50
MASTER LIMITED PARTNERSHIPS																
Symbol	Issuer	Price new \$	Curr Yld %	High 52wk \$	Low 52wk \$	High 52dt	Low 52dt	Pay months	Exch.	Ex Div Date	Paydate	Recomm \$				
(EPD)	Enterprise Prod Ptns LP	31.41	7.05	31.59	16.21	12/30/2009	11/21/2008	Feb,May,Aug,Nov	NYSE	10/28/2009	11/05/2009	34.25				
(PAA)	Plains All Amer Pipel LP	52.85	6.98	52.95	24.50	12/30/2009	11/21/2008	Feb,May,Aug,Nov	NYSE	10/30/2009	11/13/2009	55.50				

1. Symbol: symbols in parentheses require no preferred designation, all others require a preferred designation. 2. Cycle: denotes dividend payment months. 1: Jan., Apr., Jul., Oct.; 2: Feb., May, Aug., Nov.; 3: Mar., Jun., Sep., Dec.; M: monthly; b: beginning of month; m: middle of month; e: end of month; two numbers, e.g., 5/11: semiannual pay. 3. Recommendation: accumulate at or below this price. NR: not rated. NA: not applicable. 4. Family: Fg=foreign, PB=PET Bonds, TP= Trust Preferreds, TPTP= Third Party Trust Preferreds, PERP= Perpetual, pshp=partnership. 5. Tax: OI=Ordinary Income Rate, 15%=15% tax rate.

RATING CHANGES AND NEW ISSUANCE

Corporate Bond Rating Changes

Issuer	Agency	Action	New Rating	Issuer	Agency	Action	New Rating	Issuer	Agency	Action	New Rating
AIG Capital Corp	M	-	B2	Hanesbrands Inc	M/S	+	B1/B+	Select Medical Hldgs	S	+	CCC+
Amer Axle & Manufact	M	+	Caa3	Highwoods Properties	M	+	Baa3	Sprint Nextel Corp	S	+	BB
Ames True Temper	M	+	B3	JPMorgan Chase & Co	M	-	A2	Stillwater Mining Co	S	+	B
Assurant Inc	S	-	BBB	Marshall & Ilsley Co	M	-	A3	Sunoco Inc	S	-	BBB-
Basic Energy Service	S	-	B+	MetLife Inc	M	-	Baa2	TCF Financial Corp	S	-	BBB
Blyth Inc	M	-	B2	Norcraft Cos LP	M	-	B2	Team Health Inc	S	+	B
Bon-Ton Stores Inc	M	+	Caa2	North Fork Capital	M	-	Baa2	Titan Intl Inc	M	+	B2
Boston Scientific	S	+	BBB-	PMI Group Inc/The	S	-	CCC+	USEC Inc	M/S	-	Caa2/CCC-
Building Materials	M/S	+	Ba3/BB	PPF Funding Inc	M	-	Baa2	Unifi Corp	S	+	B-
CC Media Hldgs Inc	M	-	B2	Panasonic Corp	M/S	-	Aa3/A+	Viskase Cos Inc	M/S	+	B2/B-
Catalina Marketing	M	+	B3	Pemex Project Fdg	S	-	BBB	Wachovia Bank NA	M	+	Baa1
Conseco Inc	S	+	B-	Pinnacle Foods Fince	S	+	CCC+	priceline.com Inc	S	+	B
Dollar General Corp	S	+	B	Rural/Metro Corp	S	+	B				
Ferro Corp	S	+	CCC+	SandRidge Energy Inc	S	+	B+				
General Cable Corp	M	+	Ba3	Sanmina-SCI Corp	M	+	B2				

+ : upgrade; - : downgrade;
Alrt - : possible downgrade; Alrt + : possible upgrade

Preferred Rating Changes

Issuer	Agency	Action	Rating
AIG Capital Corp	M	-	B2
Alcoa Inc	M	Alrt-	
Associated Banc-Corp	M	Alrt-	
Atlantic City Elect	M	-	Ba1
BB&T Corp	M	Alrt-	
Capital One Fincl	M	Alrt-	
Dillard's Inc	S	Alrt+	
Fifth Third Bancorp	M	Alrt-	
First Maryland Cptl	M	Alrt-	
Haven Capital Trust	M	-	Baa2
Highwoods Properties	M	+	Ba1
Huntington Bancshare	M	Alrt-	
JPMorgan Chase & Co	M	-	A2
KeyCorp	M	Alrt-	
M&T Bank Corp	M	Alrt-	
Marsico Capital Mgmt	M	-	Ca
MetLife Inc	M	-	A3
Ocean Spray Cranberry	S	+	BBB
Onb Capital Trust	M	Alrt-	
PNC Financial Service	M	Alrt-	
Sovereign Bancorp	M	Alrt-	
TCF Fincl Corp	M/S	-	Baa1/BB
US Bancorp	M	Alrt-	
Wilmington Tr Corp	S	-	B+

New Preferreds Issued in December

Issuer	Symbol	Issue	Moody/S&P Ratings	Par Value
cv Bank of America Corp	BAC S	10.000%	NR/NR	15.00
Broadway Fncl Corp		5.000%	/	1000.00
cv Citigroup Inc	CH	7.500%	/	100.00
cv Energy XXI Bermuda L	EEXXF	7.250%	/	100.00
JPMorgan Chase Cptl	JPM B	7.200%	A2/BBB+	25.00
Magnum Hunter Rescs	MHR C	10.250% C	/	25.00
cv SandRidge Energy Inc		6.000%	/	100.00
Tortoise Energy Infr	TYG A	6.250%	A1/	10.00

cv = convertible

Q & A Section

Q. What happened to the securities in last year's model portfolios?

A. They are still active recommendations. Many of them can still be seen in the pricing pages of the newsletter and all are visible on the web site. We put together new Models every January to accommodate new investors or those with new funds.

For Investors Seeking Steady Monthly Income

Low-risk Portfolio

This investment-grade portfolio comprises securities with ratings of BBB or better. It will be the lowest yielding, but also the most secure. Capital appreciation is not a goal. Principal protection is primary.

Symbol	Issuer	Coupon Series	Price	Qty	Rpt Date
(KTBC)	BellSouth Corp (CorTS)	7.000	24.50	400	05/09
(XVG)	Boeing Corp (CBTCS)	6.050	24.89	400	01/10
(CRP)	Credit Suisse Guernsey	7.900	25.68	400	10/09
(PYO)	DaimlerChrysler (PPLUS)	7.250	23.48	400	09/08
(GGN)	Gabelli Gbl Gold Nat	NA	16.34	300	12/09
(GEC)	General Elec Cptl Corp	6.100	23.98	500	11/08
(MSZ)	Morgan St Cptl Tr VII	6.600	21.94	500	01/10
(PFL)	PIMCO Fltg Rate Inc Fd	NA	11.29	1000	08/09
PSA Z	Public Storage Inc	6.250	22.10	500	12/09
RNR C	RenaissanceRe Hldg Ltd	6.080	19.57	600	11/09

Summary Statistics

Monthly Payout Average:	\$613
Current yield on portfolio:	7.26%
Inception Value: (1/1/10)	\$101,364
Last month's value:	\$0
Current value of portfolio	\$101,364
Current value + year to date income:	\$101,364
Year to Date Total Return	0.00%

Medium-risk Portfolio

Some of the securities are rated below BBB. Capital appreciation is not a goal in this portfolio, but rather high current income. Safety of principal and yield are given equal weight.

Symbol	Issuer	Coupon Series	Price	Qty	Rpt Date
(AEH)	Aegon NV	6.375	17.91	600	04/07
(JZV)	CNA Fndl Corp (CBTCS)	7.000	21.52	500	09/08
(PJS)	First Amer Corp (PPlus)	7.550	19.66	600	01/10
(GGN)	Gabelli Gbl Gold Nat	NA	16.34	500	12/09
(MCN)	Madison/Claymore Covd	NA	8.90	1000	11/09
(XFH)	Motorola Inc (CBTCS)	8.200	22.31	500	01/10
PFG B	Principal Financial Gr	6.518	21.27	500	12/09
(PYS)	R.R.Donnelley (PPLUS)	6.300	18.41	600	10/08
(JSM)	SLM Corp	6.000	15.63	600	01/10
(TDA)	Telephone & Data Syste	7.600	24.56	400	06/09

Summary Statistics

Monthly Payout Average:	\$753
Current yield on portfolio:	8.82%
Inception Value: (1/1/10)	\$102,410
Last month's value:	\$0
Current value of portfolio	\$102,410
Current value + year to date income:	\$102,410
Year to Date Total Return	0.00%

For Investors Seeking Income and Growth

High-risk Portfolio

These securities are all below investment grade, and some are not rated. High current income is the primary goal, but capital appreciation can also be expected. Safety of principal is secondary to yield.

Symbol	Issuer	Coupon Series	Price	Qty	Rpt Date
(PKM)	Allmerica Fndl (PPLUS)	8.000	22.45	500	12/09
BAC H	Bank of America Corp	8.200	24.17	400	08/09
BMR A	BioMed Realty Trust In	7.375	23.20	500	12/09
(ERF)	Enerplus Resources Fd	NA	22.96	400	02/09
(PIY)	Frontier Comm (PPLUS)	8.375	20.50	500	01/10
(XKK)	Goodyear Tire (CBTCS)	8.000	8.61	1000	01/10
(DKQ)	May Dept Strs(SATURNS)	6.250	18.85	600	12/09
(PWE)	Penn West Energy Tr	NA	17.60	600	02/09
(CWZ)	Royal Carib (CBTCS)	8.875	23.40	400	02/09
(JZK)	Sprint Corp (CBTCS)	7.000	17.89	600	01/10

Summary Statistics

Monthly Payout Average:	\$783
Current yield on portfolio:	9.16%
Inception Value: (1/1/10)	\$102,501
Last month's value:	\$0
Current value of portfolio	\$102,501
Current value + year to date income:	\$102,501
Year to Date Total Return	0.00%

Multi-driver Portfolio

The Multiple Driver Portfolio includes diverse income generating sources (drivers).

Symbol	Issuer	Coupon Series	Price	Qty	Rpt Date
AES C	AES Trust III	6.750	46.25	200	10/09
AMGZO	Affiliated Mangrs Grp	5.100	40.00	300	01/10
ADM A	Archer-Daniels-Midland	6.250	43.61	300	04/09
(UTF)	Cohen & Steers Select	NA	15.95	700	09/09
(GGN)	Gabelli Gbl Gold Nat	NA	16.34	600	12/09
GXP F	Great Plains Energy In	12.000	66.00	200	06/09
HCN F	Health Care REIT Inc	7.625	24.70	500	08/08
(NCZ)	Nichol-Appel Conv & In	NA	8.48	1000	08/05
(PWE)	Penn West Energy Tr	NA	17.60	800	02/09

Summary Statistics

Monthly Payout Average:	\$716
Current yield on portfolio:	8.32%
Inception Value: (1/1/10)	\$103,412
Last month's value:	\$0
Current value of portfolio	\$103,412
Current value + year to date income:	\$103,412
Year to Date Total Return	0.00%

Symbol: symbols in parentheses require no preferred designation, all others require a preferred designation. *15% Taxable Dividend

Comparative Current Yields

Security Type	Yields 12/31/09	Net Change Month	Net Change Y.T.D.	Spread 12/31/08	Spread 12/31/09
U.S. TREASURIES & EURO BENCHMARKS					
Ten Year	3.84	65	163		
Inflation Indexed	1.42	34	-57	-22	-242
Ten Year Euro(1)	3.38	23	43	74	-46
Euro Spot Rate	1.433	-453	258		

CORPORATE BONDS²

AAA	3.70	37	-139	288	-14
A	4.61	24	-283	523	77
BBB	5.49	14	-414	742	165
BB	7.67	-30	-693	1239	383
B	8.68	-40	-944	1591	484
CCC	12.39	-116	-1872	2890	855

PREFERRED STOCKS³

AA & A	6.65	-12	-232	676	281
BBB	7.89	-12	-410	978	405
BB	9.10	-33	-616	1305	526
B	9.20	-57	-1995	2694	536

QUALIFIED DIVIDEND INCOME (QDI) PFDS⁴ — Yields —

Invstmt. Grade	6.11	-6	-170	300%	135%
Below Inv. Grade	7.37	-5	-22	292%	163%

MUNICIPAL BONDS⁵ — Yields —

AAA	3.25	10	-66	177%	85%
A	4.19	8	-33	205%	109%
BBB	4.81	-11	-107	266%	125%

¹Rate for ten-year German government bonds.

²Per Merrill Lynch.

³Per the Income Securities Advisor Index.

⁴Eligible for 15% tax rate. Yields shown at after tax % of US Treasuries rate.

⁵Per Bloomberg. Yields shown at after tax % of US Treasuries rate.

EXPLANATION OF INTEREST RATE TABLE

The monthly table displays **Current Yields** for ten-year maturities of various debt instruments compared to the benchmark ten-year Treasuries. Note that preferred stocks often have no maturity or are callable in less than ten years.

The **Net Change** for the month- and year-to-date shows the change in basis points (100 basis points equals 1% in yield). A change in the U.S. Treasury rate is considered a change in the risk-free interest rate. The changes for the other securities reflect this same change plus whatever other risks investors perceive at the time.

The change in **Spreads** represents the difference between risk-free ten-year U.S. Treasuries and each security. A widening of spreads means an increased concern about credit quality. A sudden widening of spreads is considered a flight to quality. Spreads identify which securities are out of line with historical relationships and represent buying opportunities.

Since **Municipal Bonds** are tax exempt, their **yields** should be looked at in terms of their percentage of Treasury yields. Thus, if a muni yields 87% of Treasuries, it means it should be considered by anyone whose incremental tax rate is higher than the reciprocal of that number, or 13%. Hence, the higher the yield percentage, the lower your incremental tax needs to be, to make munis attractive or to look at them another way, more of their income is retained after taxes.

Looking Into 2010

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inflation will begin, interest rates will rise, the stock market will rise, and commodities will rise. To protect against interest rate rises, buy some adjustable rate bonds and preferreds. You give up about 2% in current yield, but you avoid a capital erosion once rates begin to rise. In fact, if you buy instruments trading below par value, you will actually see them migrate back to par as rates rise in addition to seeing an ever increasing current yield. Convertible securities are the answer to a diversification that provides exposure to the stock market. Stocks are more likely to rise than fall should inflation begin. Commodity stocks are another diversification that should be added, especially energy related oil trusts or limited partnerships. Commodities have a world price which is somewhat independent of economic conditions in the United States. While gold is not an income producing asset, it does provide excellent protection against capital erosion when inflation comes. Investors should build a position in gold over time of at least 10% of their holdings, especially when the inflation threat is so glaring. Don't be discouraged by the current high prices, over time gold will never be your worst investment decision.

Once inflation comes, REITs and other financial and housing related investments become attractive and should be pursued, but wait for events to unfold. Remember that once inflation starts, it lasts quite a while and can run to extremes.

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