

Income Securities

BUILDING YOUR WEALTH WITH BONDS, CONVERTIBLES & PREFERREDS

INVESTOR



Richard Lehmann

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ALL PRICING AS OF 6/30/2011

What the Entitlements Debate Means to You

Investors should be aware that the current Washington budget and debt ceiling dispute may represent an inflection point in American history and signals what is to come in the longer term. The economic de-leveraging resulting from the financial crisis combined with the beginning of baby boomer retirement has forced recognition that for decades all levels of government have promised pension and health care payments, collectively called entitlements, which are well in excess of what the economy could ever deliver. No great surprise here, predictions of a crisis have been many, but free societies have great difficulty dealing with unpleasant realities. What is new is that the bill is soon coming due and the weakened economic outlook makes it unlikely, nay makes it impossible, to meet these obligation.

The debate is broken down between those who want to try to meet the obligations anyway, mainly by taxing the wealthy and the next generation; and those

who want to own up to the debacle and redefine the obligations. A solution must clearly be found somewhere in the middle. Certainly, politicians of all stripe

Investors and people with accumulated wealth are going to be primary targets for closing the budgetary shortfalls.

created this problem by making the easy promises to public workers and the public at large, committing to payments which went un-funded and for which no one was ever held to account. In a democracy, this is everyone's fault. It is the fault of politicians, of union leaders, of special interest groups, of the media and of voters. The only innocents here are the future generations who currently look like the ones most likely to bear the brunt of the cost. The solutions to solving the entitlement problem are all unpleasant, it is merely a

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Pick of the Month

One fund we have recommended for several years is the Flaherty & Crumrine/Claymore Preferred Securities Income Fund (FFC). It yields 8.73%, a hard yield to get from a fund that invests mostly in investment grade securities. It is also a fund that should hold up in a rising interest rate environment. Note the fund is part of an acquisition made by Guggenheim Partners so you may see a name change soon.

www.incomesecurities.com

Mid-Year Report

As can be seen below, income investing continues to outperform the general stock market for all categories of risk. Even the high risk portfolio performed well, although it is the low risk portfolio which excelled, growing from 3.83% at the end of the first quarter to 7.93% at mid-year. None of the stock indexes showed meaningful growth in the second quarter and the S&P actually fell for the period. The third quarter

begins with the Fed exiting the long term treasuries market where they were doing 80% of the monthly buying. This does not bode well for interest rates, especially in the light of increasing signs of inflation. July is of particular concern since we have a contentious battle over the debt ceiling which has become the first round of the 2012 presidential battle, i.e. cool heads and common sense will be in short supply, fear mongering is more likely.

	2006	2007	2008	2009	2010	2nd Qtr 2011 YTD	Cumm. Growth of \$1
Model Portfolios							
Low Risk	8.68%	1.59%	-17.86%	20.71%	14.20%	7.93%	1.51
Medium Risk	14.31%	1.81%	-28.94%	56.39%	24.66%	5.76%	1.71
High Risk	5.96%	2.75%	-40.08%	53.62%	25.64%	6.76%	1.34
Multi-Driver				61.26%	15.23%	6.87%	1.99
Market Indexes*							
NASDAQ	10.34%	10.63%	-39.79%	45.06%	17.97%	4.55%	1.31
S&P 500	15.61%	5.48%	-36.55%	25.96%	14.86%	5.00%	1.18
Dow Jones IA	18.79%	8.83%	-31.46%	22.02%	13.77%	7.23%	1.32

*Total return

CORPORATE UPDATES

AES Corp

AES is a global power company operating facilities in 27 countries. AES Generating is a subsidiary of AES Corporation. The company's 7.50% bond of 2014 was recommended for medium to high-risk investors in May 2005 at a price of 98.75 for a then current yield of 7.60% and a yield to maturity of 7.70%. The bond is now trading at 110.43 bid to 111.43 ask for a yield to maturity of 3.44% to 3.08%. At current prices, the current yield of 6.73% is reasonable. However, a yield to maturity of 3.08% is not worth holding, because the yield to maturity is too low. We recommend selling the bond at a price over 110. **Recommendation: Sell over 110**

Kayne Anderson MLP Investment Company

Kayne Anderson MLP Investment Company (KYN) is a closed end fund that invests in energy-related Master Limited Partnerships and other midstream energy companies. The fund was recommended in March 2010 for medium to low-risk investors at a price of \$24.86. The fund had an indicated yield of 7.68% and was trading at a premium to its net asset value of 9.92%. The fund now trades at \$30.25 and has a current yield of 6.55% and trades at a premium to its net asset value of 11.37%. The fund recently increased its quarterly payout to \$0.4975 from the previous distribution of \$0.49, representing an increase of 1.5%. The increase is the third consecutive quarterly increase in the funds quarterly payout. Even though the fund trades at a healthy premium to its net asset value, the fund is performing well in providing tax-advantaged income and has shown a nice increase in price over the past year. The energy sector is likely to continue to do well in the coming months. We recommend continuing to hold this fund. **Recommendation: Hold**

Kraft Foods

Kraft Foods (KFT) is the number one food and beverage company in the US and number two in the world. The company's 6.125% bonds of 2018 were recommended in April 2008 at a price of 99.37 for a then

current yield of 6.16% and a yield to maturity of 6.19%. The bonds are now trading at 114.2 to 114.9 for a yield to maturity of 3.67% to 3.56%. The current yield is around 5.3%. However, the bond is trading at a price that makes the yield to call too poor to hold. Even in a low interest rate environment, investors can do better than these bonds. We recommend selling the bonds over 114. **Recommendation: Sell over 114.**

Liberty Media Corporation

Liberty Media Corporation (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 televised shopping programs on the QVC television network and for its Internet Websites. The company's 5.70% bonds of 2013 were recommended in June 2005 for medium-risk income investors at a price of 92.60 for a then current yield of 6.15%. The bonds are now trading between 103.94 and 105.344, giving the bonds a yield to maturity of 3.49% at the lower price and a 2.72% yield to maturity at the higher price. Looking at the bonds current yield of 5.43% is deceptive since it doesn't take into account the lower price of 100 investors will receive at maturity. We recommend selling the bond at prices over 104 and look elsewhere for better yields. **Recommendation: Sell above 104.**

Model Portfolio Change

Last month we recommended the sale of JPMorgan Chase Capital XXVI (JPM Z) because the Dodd-Frank bill would allow Chase to call the preferred at any time. We recommended the sale at a price over \$26.00. The Chase preferred was in our low-risk model portfolio and we are replacing it with the Flaherty & Crumrine/Claymore Preferred Securities Income Fund (FFC) currently trading at \$17.87. We sold the 400 shares of (JPM Z) and bought 600 shares of Flaherty & Crumrine Fund (FFC). See page 4 for the latest details on the Flaherty & Crumrine Fund, its also our pick of the month.

What the Entitlements Debate Means to You

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question of who is to be hurt the worst. That is the nub of the current debates and it is likely to result in a nation far different from what we had in the past.

One thing clear to me is that investors and people with accumulated wealth are going to be primary targets for closing the budgetary shortfalls. Yes, I know the primary argument of the Republicans is that we must encourage the wealthy to invest more to grow our way out of the problem, but this is a solution that has no traction in a post 2008 de-leveraging economy. Likewise, there is little economic theory supporting the idea that you can tax your way out of problem or that you can cut enough current government services to fund payments to retirees at the promised levels. The easiest solution for politicians of all persuasion is inflation.

Inflation is a tax on wealth while also being a mechanism for devaluing debt. Those who have funded the \$14 trillion of US debt will find that the interest they are earning is not keeping up with the eroding value of their principal. Meanwhile, those un-funded entitlements

are cheapened by inflation while government tax revenues to pay for them will soar, benefiting from being flat or from bracket creep. What politician, mainly concerned with re-election, wouldn't love such a solution. The best part is, they don't have to vote for inflation, they have the Federal Reserve Bank to do the dirty work for them. Now you know why that bank was supposed to have independence! The Fed will keep printing money (by buying long term treasuries) and will keep the short-term interest rates (where most treasuries are sold) below the level of inflation.

Understand that I am making a long-term forecast of how events will play out over the next few years. Yes, I still expect long term interest rates to rise after June 30 provided the Fed really does exit the long-term treasury market. Inflation will build as monetary velocity increases with a pick-up in the economy and as inflation fears then stoke reality. No, don't expect the Fed to raise short-term rates for years to come. This is where most of the \$14 trillion in national debt is financed so every 1% rate increase is \$140 billion increase in the an-

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Preferreds

American International Group Inc., 7.70%; Par \$25.00; Current Price \$25.13; Current Yield 7.66%; Exchange NYSE; Rated Baa2/BBB; Call 12/12 at \$25.00; Yield to Call 7.54%; Pay Cycle 3m; CUSIP 026874859; Family Pet Bonds; Symbol AVF; (no preferred designation)

This security is a Junior Subordinated Debentures issued by American International Group, Inc. (AIG) that will pay a fixed rate of 7.70% until 03/18/48 at which time it will become a floating rate issue tied to the three-month LIBOR plus 3.616%. American International Group is still a major global insurance organization with operations in more than 130 countries. They offer their products and services to commercial, institutional and individual customers through a worldwide network of property-casualty and life insurance insurers. AIG also provides retirement services, financial services and asset management globally. After a \$182 billion bailout the US government held more than 81% of the company but has begun selling its equity. Given the government's sale of the company, we rate this preferred as a medium-risk. Last year's revenue and net income show marked improvement and that trend is continuing as they sell-off assets and consolidate operations. For the first quarter 2011 AIG reported revenue of \$17.44 billion and net income of \$269 million. For the same period last year they posted revenue of \$18.56 billion and net income of \$1.78 billion. I like this issue for medium to high-risk investors. **Buy at or below \$25.70.**

Citigroup Capital XII, 8.50%; Par \$25.00; Current Price \$25.80; Current Yield 8.24%; Exchange NYSE; Rated Ba1/BB+; Call 03/15 at \$25.00; Yield to Call 7.55%; Pay Cycle 3e; CUSIP 17315D204; Family Trust Preferreds; Symbol CJ (need preferred designation)

Citigroup (C), a global financial services holding company has

about 200 million customers in more than 140 countries. They offer a wide range of products and services including consumer banking and credit, corporate and investment banking, securities brokerage and wealth management. The federal government injected \$45 billion and backing for a large number of loans and securities thus giving it a 27% ownership of Citigroup. After the sale of \$10.5 billion of Citigroup stock the US Treasury still holds warrants to purchase 400 million shares and \$800 million of trust preferred securities. First quarter 2011 total revenue was \$19.73 billion and net income was \$2.99 billion. Last year they posted quarterly total revenue at \$25.42 billion and net income at \$4.43 billion. The coupon on this issue stays fixed at 8.50% until 03/30/2015. It then changes to a floating rate based on the three-month LIBOR rate plus 5.87%. Citigroup has had massive problems over the past several years but is now on a strong recovery track. They have sold off more than 40 noncore units since 2008. This issue is only for high-risk growth and income investors. **Buy up to \$26.50.**

Ramco-Gershenson Properties Trust, headquartered in Farmington Hills, Michigan, is a fully integrated, self-administered, publicly-traded real estate investment trust (REIT), which owns, develops, acquires, manages and leases community shopping centers, regional malls and single tenant retail properties. At March 31, 2011, the Company owned interests in 89 shopping center properties and one office building that comprise approximately 20.5 million square feet of gross leasable area, of which 15.6 million square feet is owned by the Company and its real estate joint ventures. The properties are located in Michigan, Florida, Ohio, Georgia, Wisconsin, Illinois, Indiana, Virginia, New Jersey, Maryland, Tennessee and South Carolina.

Master Limited Partnerships

AmeriGas Partners, L.P., Current Price \$45.13; Current Indicated Yield 6.56%; Exchange NYSE; Debt rated at Ba2/NR; Pay Cycle 2m; CUSIP 030975106; Family Master Limited Partner; Symbol APU.

AmeriGas Partners, L.P., a publicly traded master limited partnership, is the nation's largest retail propane marketer, serving approximately 1.3 million customers in all 50 states from approximately 1,200 distribution locations. Their customer markets include residential, commercial, industrial, motor fuel and agriculture. The partnership operates a large storage and distribution network which includes pipelines, barges and rail and truck tankers. The partnership conducts its business principally through their AmeriGas Propane, L.P. subsidiary who is also their general partner. UGI Corporation, through subsidiaries, owns 44% of the partnership. For their second fiscal quarter ending March 31, 2011 AmeriGas Propane, Inc. reported seasonally adjusted revenue of \$906.78 million and net income of \$118.0 million. Last year for the same period they posted revenue of \$886.10 million and a seasonal net income of \$134.48 million. This partnerships revenue and profit numbers are heavily reliant on seasonal temperatures thus their first and second fiscal quarters are very strong but third and fourth usually show lower revenue and a net loss. These units (shares) are best suited for medium-risk portfolios. **Buy at or below \$46.25.**

Copano Energy LLC, Current Price \$34.07; Current Indicated Yield 6.75%; Exchange NYSE; Debt rated at Ba3/BB-; Pay Cycle 2m; CUSIP 217202100; Family Master Limited Partner; Symbol CPNO.

Copano Energy, L.L.C. (CPNO) is a midstream natural gas company with operations in Oklahoma, Texas, Wyoming and Louisiana. Its assets include approximately 6,400 miles of active natural gas gathering and transmission pipelines, 260 miles of NGL pipelines and nine natural gas processing plants, with over one billion cubic feet per day of combined processing capacity and 22,000 barrels per day of fractionation capacity. For their first quarter Copano reported revenue of \$289.93 million, which was a 9% gain over the \$266.67 million posted for the same period last year. For the same time period, the company reported net income increased to \$3.53 million. Copano reported a loss of \$1.26 million for the first quarter 2010. These units (shares) are best suited for medium to high-risk portfolios. **Buy at or below \$36.00.**

Teekay Offshore Partners L.P., Current Price \$29.33; Current Indicated Yield 6.83%; Exchange NYSE; Debt rated at Ba1/BB; Pay Cycle 2m; CUSIP Y8565J101; Family Master Limited Partnership; Symbol TOO.

Teekay Offshore Partners L.P., (TOO) is a publicly traded master limited partnership formed by Teekay Corporation, and is an inter-

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Master Limited Partnerships *(continued)*

national provider of marine transportation and storage services to the offshore oil industry. Teekay Offshore Partners recently acquired the remaining 49% of Teekay Offshore Operating L.P. (OPCO) thus giving them 100% ownership. OPCO is a Marshall Islands limited partnership with a fleet of 33 shuttle tankers (including 5 chartered-in vessels), four floating storage (FSO), nine double-hull conventional tankers and two lightering vessels. In addition, they also have direct ownership interests in two shuttle tankers and two floating production, storage and offloading units. Revenue for the first quarter 2011

was \$233.77 million which is greater than the \$218.80 posted for the same period 2009. Net income for first quarter 2011 was \$23.38 million versus the previous year net income of \$13.86 million. Teekay Offshore Partners L.P. has elected to be taxed as a corporation, thus tax information is provided to each unitholder by way of a Form 1099. About 30% of the partnerships distributions qualify as dividends and the remaining are treated as return of principal. This issue should be considered for medium to high-risk portfolios. **Buy at or below \$31.00.**

Closed End Funds

AGIC Global Equity & Convertible & Income Fund; Current Price \$16.20; Current Indicated Yield 7.41%; Exchange NYSE; Discount from Net Asset Value -4.75%; Pay Cycle 3e; Expense Ratio 1.30%; Leverage None; CUSIP 00119R108; Family Closed-End Fund; Symbol (NGZ)

The fund takes a total return approach, striving to participate in a portion of equity upside potential combined with downside risk management from investments in convertibles. The funds equity portfolio may vary from 40-80% and the Convertible investments may vary from 20-60% of its assets. Its geographic allocation is aimed at investing at least 40% of its total assets in securities of issuers that are tied to countries other than the United States, and to have exposure to at least eight different countries. The fund will enhance yield and reduce risk by employing an option strategy of writing (selling) call options on equity indexes and stocks held in the portfolio. It will ordinarily write call options with respect to 70% of the value of the equity. In addition to being able to invest in several types of securities, the global investment option provides the fund a great deal of flexibility. This fund would fit well in a medium to high-risk growth and income portfolio. **Buy at or below \$16.60.**

Eaton Vance Senior Floating-Rate Trust; Current Price \$16.00; Current Indicated Yield 6.15%; Exchange NYSE; Premium to Net Asset Value 3.72%; Pay Cycle Monthly; Expense Ratio 1.30%; Leverage 35.26%; CUSIP 00119R108; Family Closed-End Fund; Symbol (EFR)

The fund's investment primary objective is to provide a high level of current income and its secondary objective is to preserve capital. The fund invests at least 80% of its assets in senior secured floating-rate loans. Currently the fund is holding 365 senior loans and 112 high yield corporate bonds. All but 3 of the senior loans are below investment grade or non-rated. The funds top 5 loan sectors are health care 11.20, business equipment and services 7.75%, cable and satellite television 6.50%, leisure goods/activities/movies 5.28% and chemicals and plastics 4.48%. Investment in floating rate loans is expected to minimize erosion in the underlying principal value of the senior loans and, therefore, the Fund's net asset value, resulting from raising interest rates. This fund is best suited for high-risk portfolios. **Buy up to \$16.50.**

Flaherty & Crumrine/Claymore Preferred Securities Income Fund; Current Price \$17.87; Current Indicated Yield 8.73%; Exchange NYSE; Premium over Net Asset Value 3.67%; Pay Cycle Monthly; Expense Ratio 1.00%; Leverage Factor 33%; Family Closed-End Fund; CUSIP 338478100; Symbol FFC (no preferred designation).

The Fund's investment objective is high current income consistent with preservation of capital. The fund invests at least 80% of its total assets in investment grade securities which are made up of principally hybrid taxable preferreds. The Fund intends to pursue hedging strategies that it expects will result in income increasing in response to significant increases in long-term interest rates while being relatively resistant to the impact of declines in long-term interest rates. Currently 38% of their assets are in the bank sector, 29% in utilities and 25% in insurance securities. Their top 10 investments represent 30% of their assets. We have recommended this fund several times before for its strong income and the quality of its investments. Claymore Securities, Inc. ("Claymore") officially changed its name to Guggenheim Funds Distributors, Inc. following its acquisition by Guggenheim Partners, LLC in October 2009. This is a good investment for low-risk income investors. **Buy at or below \$18.10.**

Gabelli Global Gold, Natural Resources & Income Trust, Current Price \$17.70; Current Indicated Yield 9.49%; Exchange NYSE; Premium to Net Asset Value 1.45%; Pay Cycle Monthly; Expense Ratio 1.33%; Leverage 14.50%; CUSIP 36244N109; Family Closed-End Fund; Symbol GGN (no preferred designation).

The fund's investment primary objective is high current income, with a secondary objective of capital appreciation. The fund will attempt to achieve these objectives by investing at least 80% of its assets in equity securities of companies principally engaged in the gold industry and the natural resources industries. It will invest at least 25% of its assets in the equity securities of companies engaged in the exploration, mining, processing and distribution or trading of gold or the financing, managing, controlling or operating of companies engaged in "gold-related" activities. In addition, the fund will invest at least 25% of its assets in the stock of companies engaged in the exploration, production or distribution of natural resources, such as natural gas, oil, food and agriculture, forestry products, metals and minerals. This fund offers investors a broad diversification thus it would fit medium to high-risk portfolios best but low-risk investors should also consider small amounts to boost their yield. **Buy up to \$18.90.**

Exch	Issuer	Coupon Rate %	Maturity	CUSIP	Current Price	Current Yield %	Yield to Maturity %	Ratings Moody	Ratings S&P	Call Date	Call Price	Yield to Worst %	Recommend
INVESTMENT GRADE													
N/L	AES Generating Inc	7.50	03/25/14	00105DAB1	110.89	6.76	3.11	Baa3	BBB-	NC	NA	3.11	Sell
NY	BellSouth Telec	7.00	10/01/25	079867AM9	113.20	6.18	5.50	A2	A-	NC	NA	5.50	Hold
NY	Burlington N Santa Fe	3.80	01/01/20	121899CC0	94.95	4.00	4.52	A1	BBB+	NC	NA	4.52	96
NY	Con N Gas (Dom Res)	6.80	12/15/27	209615BS1	108.31	6.28	6.00	Baa2	A-	NC	NA	6.00	Hold
OTC	Eaton Vance Corp	6.50	10/02/17	278265AC7	110.50	5.88	4.55	A3	A-	NC	NA	4.55	Hold
NY	Hanover Insurance Gp	7.63	10/15/25	410867AA3	105.25	7.24	7.03	Baa3	BBB-	NC	NA	7.03	106
OTC	Home Depot Inc	5.88	12/16/36	437076AS1	102.49	5.73	5.63	Baa1	BBB+	NC	NA	5.63	104
OTC	JP Morgan Chase CXV	5.88	03/15/35	46627NAA3	96.64	6.08	5.99	A2	BBB+	NC	NA	5.99	98
OTC	Kraft Foods Inc	6.13	02/01/18	50075NAU8	114.85	5.33	3.51	Baa2	BBB-	NC	NA	3.51	Sell
OTC	Sara Lee Corp	6.13	11/01/32	803111AM5	92.86	6.60	6.66	Baa1	BBB	NC	NA	6.66	95

BELOW INVESTMENT GRADE

NY	Amer & Foreign Power	5.00	03/01/30	023663AB3	58.00	8.62	10.02	B2	B	Any	107.50	10.02	60
NY	Bausch & Lomb INC	7.13	08/01/28	071707AG8	88.50	8.05	8.40	NR	NR	NC	NA	8.40	91
OTC	Cincinnati Bell Inc	7.25	06/15/23	171870AK4	90.00	8.06	8.61	Ba1	BB-	NC	NA	8.61	92
NY	Crown Cork & Seal	7.38	12/15/26	228255AH8	99.61	7.40	7.29	B1	BB-	NC	NA	7.29	102
OTC	GenOn Energy Inc	7.88	06/15/17	74971XAC1	99.58	7.91	7.80	B3	B	NC	NA	7.80	102
NY	Leucadia Natl Corp	7.75	08/15/13	527288AH7	107.11	7.24	3.62	B1	BB+	NC	NA	3.62	Hold
N/L	Liberty Media Corp	5.70	05/15/13	530718AC9	104.61	5.45	2.81	B1	BB-	NC	NA	2.81	Sell
NY	MBNA Capital Sec	8.28	12/01/26	55263BAA9	100.00	8.28	8.28	Baa3	BB+	Any	104.14	8.27	102
OTC	Masco Corp	6.13	10/03/16	574599BD7	102.93	5.95	5.38	Ba2	BBB	NC	NA	5.38	104
OTC	Owens Corning Inc	7.00	12/01/36	690742AB3	102.00	6.86	6.67	Ba1	BBB-	NC	NA	6.67	104
OTC	Pilgrim's Pride Corp	8.38	05/01/17	721467AF5	103.85	8.06	7.54	NR	NR	05/12	104.19	7.20	105
OTC	Sprint Capital Corp	6.88	11/15/28	852060AD4	95.50	7.20	7.28	B1	BB-	NC	NA	7.28	98
OTC	Tesororo Corp	6.50	06/01/17	881609AT8	102.24	6.36	5.95	Ba1	BB+	06/12	103.25	5.72	103
N/L	Union Pacific Resc	7.50	10/15/26	907834AB1	106.50	7.04	6.81	Ba1	BBB-	NC	NA	6.81	Hold

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
(NCZ)	AGIC Conv & Income Fund II	9.45	10.79	12.27	8.41	11.65	10.31	8.08	02/18/11	07/01/10	M	USA	10.00
(NIE)	AGIC Eqty & Conv Income Fd	18.40	6.09	6.09	19.85	-8.21	19.88	14.83	04/06/11	07/01/10	3m	USA	20.00
(AVK)	Advent Claymore Conv Inc Fd	18.68	6.03	8.46	19.78	-5.61	20.47	14.93	03/08/11	07/01/10	M	USA	19.20
(UTF)	Cohen & Steers Infrastrct Fd	17.81	8.09	8.09	19.51	-9.43	18.48	12.60	05/02/11	07/01/10	M	USA	18.70
(ETV)	Eaton Vance T/M Buy-Write Fd	12.66	10.50	11.03	13.87	-8.80	14.23	12.36	09/13/10	06/23/11	3e	USA	13.50
(ECF)	Ellsworth Fund Ltd	7.52	3.24	3.46	8.54	-12.18	7.80	6.30	05/02/11	07/01/10	2e	USA	7.95
(ENDTF)	EnerVest Divfd Incom Tr	14.94	8.16	8.01	0.00	0.00	16.12	11.79	04/29/11	07/01/10	M	USA	16.10
(GGN)	Gabelli Gbl Gold Nat Resc	17.70	9.49	9.49	17.25	1.45	19.50	14.86	02/18/11	07/01/10	M	USA	18.60
(HCF)	Highland Credit Stgies Fd	7.64	7.06	7.88	7.64	-0.79	8.09	6.85	02/03/11	07/01/10	3e	USA	8.25
(NIO)	Nuveen Insud Muni Oppor Fd	13.51	6.40	6.43	14.21	-5.00	15.14	11.96	09/10/10	01/14/11	M	USA	13.95
(PEL)	PIMCO Income Stragy Fd	12.98	6.93	9.32	11.23	15.85	13.07	10.32	06/28/11	07/01/10	M	USA	13.20

CANADIAN ENERGY CORPORATIONS

Symbol	Issuer	CUSIP	Current Price \$	Indicated Yield %	Tax	52 Week High \$	52 Week Low \$	52 Week High Date	52 Week Low Date	Currency	Pay Periods	Country	Recommend
(BTE)	Baytex Energy Corp	07317Q105	54.35	4.49	15%	61.96	28.92	05/02/11	07/01/10	USD	Monthly	Canada	57.20
(ERE)	Enerplus Corporatio	292766102	31.66	7.05	15%	33.29	20.90	01/12/11	07/01/10	USD	Monthly	Canada	33.25
(JSTEF)	Just Energy Group I	48213W101	14.78	8.57	15%	16.48	11.78	04/06/11	06/30/10	USD	Monthly	Canada	16.10
(PGH)	Pengrowth Energy Co	70706P104	12.48	6.84	15%	14.60	8.85	04/08/11	07/01/10	USD	Monthly	Canada	14.00
(PWE)	Penn West Petroleum	707887105	22.96	4.78	15%	28.98	17.71	02/28/11	09/09/10	USD	Monthly	Canada	25.00

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

CONVERTIBLES *previously recommended*

Exch	Issuer	Coupon Rate %	Maturity	CUSIP	Current Price	Current Yield %	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	12/15/35	458140AD2	103.69	2.83	NR	A-	31.7162	22.14	47.67	12/12	100.00	2.72	
OTC	Jefferies Group	3.88	11/01/29	472319AG7	100.57	3.83	Baa2	BBB	25.5076	20.45	92.80	11/17	100.00	3.67	
BELOW INVESTMENT GRADE CONVERTIBLE BONDS															
OTC	Exterran Holdings	4.25	06/15/14	30225XAA1	112.76	3.75	Neg	B+	43.1951	19.90	31.18	NC	NA	-0.22	
OTC	Human Genome Scie	2.25	10/15/11	444903AK1	162.40	1.38	Neg	NR	64.3211	24.95	1.20	NC	NA	-138.45	
OTC	Liberty Media Cor	4.00	11/15/29	530715AG6	55.44	7.22	B1	BB-	11.4743	0.00	****. **	Any	100.00	9.01	
OTC	LifePoint Hospita	3.50	05/15/14	53219LAH2	107.45	3.24	NR	B	19.3095	39.08	42.39	NC	NA	0.66	
OTC	NII Holdings Inc	3.13	06/15/12	62913FAJ1	99.63	3.14	NA	B-	8.4517	42.39	178.09	NC	NA	3.53	
OTC	Bristow Group Inc	3.00	06/15/38	110394AC7	101.88	2.94	NR	BB	12.9307	50.87	54.88	06/15	100.00	2.50	
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 PREFERRED															
APA D	MD	Apache Corp	6.000% D	3.00	OI	037411808	66.07	4.55	NR/NR	0.4582	17.19	123.04	08/13*	Variable	NA
C H	MD	Citigroup Inc	7.500%	7.50	OI	172967416	119.86	6.26	NR/NR	25.3968	-88.65	41.57	12/12*	Variable	NA
GM B	MD	General Motors Co	4.750% B	2.38	15%	37045V209	48.65	4.88	NR/NR	1.2626	26.87	30.37	12/13*	Variable	NA
GXP F	MD	Great Plains Ener	12.00%	6.00	OI	391164803	65.24	9.16	NR/NR	2.9800	5.46	20.76	06/12*	Variable	NA
NEEXU	MD	NextEra Energy, I	8.375%	4.19	OI	65339F309	51.91	8.02	NR/NR	0.7500	20.77	57.31	06/12*	Variable	NA
PPL U	MD	PPL Corp	9.500%	4.75	OI	69351T601	56.01	8.47	NR/NR	1.7361	15.93	27.83	07/13*	Variable	NA
(RVIP	MD	Retail Ventures I	6.625%	3.31	OI	76128Y201	71.06	4.66	NR/NR	1.4306	-1.50	50.43	09/11*	Variable	NA
OPTIONAL CONVERTIBLE PREFERRED															
AES C	OP	AES Trust III	6.750%	3.13	OI	00808N202	49.18	6.85	B3/B	1.4216	171.97	12.72	Any	50.00	53.32
AMGZO	OP	AMG capital Trust	5.100%	2.55	OI	00169X203	47.19	5.25	NR/BB	0.3333	39.56	101.45	Sft C	50.00	NA
AHL	OP	Aspen Insur Hldgs	5.625% AH	2.82	15%	EP0179044	51.64	5.37	Ba1/BBB-	1.7077	17.48	25.74	Sft C	50.00	NA
BACL	OP	Bank of America C	7.250% L	72.50	15%	060505682	1003.00	7.23	Ba3/BB+	20.0000	360.51	10.89	01/13	Variable	NA
BGEPF	OP	Bunge Ltd	4.875%	4.88	OI	EP0237628	100.35	4.79	Ba1/BB	1.0846	34.74	68.67	NC	NA	NA
CHK D	OP	Chesapeake Energy	4.500%	4.50	15%	165167842	91.83	4.90	NR/NR	2.2639	37.08	29.59	Sft C	100.00	NA
GBB B	OP	Cincinnati Bell I	6.750% B	3.38	15%	171871403	41.35	8.18	B3/CCC	1.4420	768.95	3.30	Any	50.67	High
CCIKO	OP	Crown Castle Intl	6.250%	3.13	15%	228227401	58.50	5.25	NR/NR	1.3559	5.54	40.88	NC	NA	NA
EP C	OP	El Paso Egy Cptl	4.750% C	2.38	OI	283678209	44.54	5.33	B2/B /	1.2022	84.14	20.12	Any	50.48	High
EPR C	OP	Entertainment Pro	5.750% C	1.44	OI	29380T402	19.93	7.21	NR/NR	0.3504	21.48	46.82	Sft C	25.00	NA
EPR E	OP	Entertainment Pro	9.000% E	2.25	OI	29380T600	29.27	7.69	NR/NR	0.4512	38.56	46.82	04/13	25.00	NA
HBANP	OP	Huntington Bancsh	8.500% A	85.00	15%	446150401	1152.00	7.36	NR/NR	83.6680	110.21	6.55	NC	NA	NA
KEY G	OP	Keycorp	7.750% A	7.75	15%	493267405	112.00	6.92	Ba1/BB	7.0922	89.58	8.33	NC	NA	NA
NYB U	OP	NY Comm Cap Tr-V	6.000%	3.00	OI	64944P307	48.00	6.20	Baa2/BB-	2.4953	28.16	15.01	Sft C	50.00	NA
NHCA	OP	Natl Healthcare C	0.800% A	0.80	15%	635906209	14.98	5.25	NR/NR	0.2420	24.70	49.64	11/15	15.75	5.88
NEFIO	OP	Newell Fnc'l Tr I	5.250%	2.63	OI	651195307	47.00	5.59	WR/BB	0.9865	202.11	15.77	Any	50.79	High
OCR B	OP	Omnicare Inc	4.000% B	2.00	OI	68214Q200	48.10	4.12	B2/B	1.2248	23.42	31.82	Any	50.00	52.12
(SNCT	OP	Sovereign Capital	4.375%	2.16	OI	846048205	49.50	4.42	Baa3/BBB+	0.5482	685.86	11.49	Sft C	50.00	NA
URIRP	OP	United Rentals Tr	6.500%	3.25	OI	91136H306	45.27	7.18	Caa1/CCC	1.2189	46.62	25.33	Any	51.30	High
WFCL	OP	Wells Fargo Compa	7.500% L	75.00	15%	949746804	1060.00	7.06	Baa3/A-	6.3814	491.55	28.08	NC	NA	NA

1. Symbol: symbols in parentheses require no delimiters, all others require a preferred designation. 2. zero-coupon bonds. 3. maturity or mandatory conversion date. 4. Family: MD=Mandatory, OP=Optional. 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	'Recomm- ment \$
INVESTMENT GRADE																
(AEB)	NYS	Fg	Aegon NV	Flt 1	1.00	15%	3m	007924509	22.53	4.44	Baa2/BBB	Any	25.00	61.09	NA	23.25
(XFP)	NYS	TPTP	Amer Intl Gp (CBTCS)	6.125% AIG	1.53	01	6/12	21988G353	20.29	7.56	Baa2/BBB-	Any	25.00	355.04	12/20	21.25
AGO F	NYS	PB	Assured Guaranty Muni	5.600%	1.40	01	1b	04623A403	21.13	6.63	A3/A+	Any	25.00	788.77	07/03	22.35
AGO E	NYS	PB	Assured Guaranty Muni	6.250%	1.56	01	2b	04623A304	22.95	6.79	A3/A+	Any	25.00	261.94	11/02	23.60
BSC C	NYS	Fg	Barclays Bank PLC	7.750% 4	1.94	15%	3m	06739H511	25.60	7.55	Baa3/A-	03/13	25.00	6.40	NA	26.00
(GJAZ)	OTC	TPTP	BellSouth Corp (STRATS)	6.000% BLS	1.50	01	5/11	784787202	24.50	6.34	A2/A-	Any	25.00	6.81	11/45	25.00
(DUA)	NYS	Perp	Deutsche Bk Cptl Fdg VI	6.375%	1.60	15%	1m	25153U204	24.09	6.61	Baa2/BBB	10/11	25.00	12.25	NA	24.75
ENH A	NYS	Fg	Endurance Specty Hldg	7.750% A	1.94	15%	3m	29267H208	25.93	7.43	Baa3/BBB-	12/15	25.00	6.72	NA	26.10
(PYK)	NYS	TPTP	Goldman Sachs (PPLUS)	6.250% GSC	1.56	01	2/8	73941X759	23.89	6.54	A3/BBB-	Any	25.00	109.69	02/34	24.20
(GYB)	NYS	TPTP	Goldman Sachs Cpt I(CAB)	Flt GS	0.81	01	2m	12679N203	19.80	4.08	A3/NR	Any	25.00	236.31	02/34	20.30
(IPB)	AME	TPTP	IndexPlus Trust	6.050% 03-	1.51	01	6/12	45408V203	23.80	6.36	A3/NR	NC	NA	0.00	05/33	24.00
MET A	NYS	Perp	MetLife Inc	Flt A	1.00	15%	3m	59156R504	24.36	4.10	Baa2/BBB-	Any	25.00	16.00	NA	24.90
NEE F	NYS	PB	Nextera Energy Cptl	8.750% F	2.19	01	3b	65339K506	28.87	7.58	Baa2/BBB	03/14	25.00	2.99	03/69	Hold
PRE C	NYS	Fg	PartnerRe Ltd	6.750% C	1.69	15%	3b	EP0081752	24.70	6.82	Baa1/BBB+	Any	25.00	7.50	NA	25.00
PSA P	NYS	REIT	Public Storage	6.500% P	1.63	01	3e	74460D158	25.73	6.30	Baa1/BBB+	10/15	25.00	5.69	NA	25.90
RNR C	NYS	Fg	RenaissanceRe Hldg Ltd	6.080% C	1.52	15%	3b	EP0112524	23.98	6.33	NR/BBB+	Any	25.00	9.63	NA	24.25
(SCEDO)	OTC	Perp	Southern Cal Ed Co	6.125% B	6.13	15%	3e	842400749	96.50	6.28	Baa2/BBB-	Any	100.00	44.71	NA	98.00
(PJR)	NYS	TPTP	UnumProvident (PPlus)	7.400% UPC	1.85	01	6/12	740434667	25.12	7.32	Baa3/BBB-	Any	25.00	-2.48	12/28	25.25

BELOW INVESTMENT GRADE

AHL A	NYS	Fg	Aspen Insur Hldgs Ltd	7.400%	1.75	15%	M	EP0237453	24.98	7.41	Ba1/BBB-	01/17	25.00	7.44	NA	25.15
BML L	NYS	Perp	Bank of America Corp	Flt 5	1.00	15%	2m	060505583	19.10	5.24	Ba3/BB+	05/12	25.00	37.47	NA	20.10
CJ	NYS	TP	Citigroup Capital XII	8.500%	2.13	01	3e	17315D204	25.80	8.24	Ba1/BB+	03/15	25.00	7.55	03/40	26.00
DFT A	NYS	REIT	DuPont Fabros Tech Inc	7.875% A	1.97	01	1m	26613Q205	25.30	7.77	Ba3/B-	10/15	25.00	7.44	NA	25.90
EPR B	NYS	REIT	Entertainment Prop Tr	7.750% B	1.94	01	1m	29380T303	24.86	7.79	NR/NR	Any	25.00	13.25	NA	25.00
FTB B	NYS	TP	Fifth Third Cptl Tr VI	7.250%	1.81	01	2m	31678V206	25.36	7.14	Baa3/BB	11/12	25.00	6.85	11/67	25.75
(FCY)	NYS	PB	Forest City Enterp	7.375%	1.84	01	2b	345550404	23.86	7.74	B3/B-	Any	25.00	10.78	02/09	24.50
(ISG)	NYS	Fg	ING Groep NV	6.125%	1.53	15%	1m	456837509	21.82	7.01	Ba1/BBB-	Any	25.00	258.11	NA	22.25
(HJV)	NYS	TPTP	J.C.Pemney (SATURNS)	7.000% JCP	1.75	01	3/9	80412E202	24.75	7.05	Ba1/BB+	03/12	25.00	11.99	03/97	25.00
(DKQ)	NYS	TPTP	May Dept Strs (SATURN)	6.250% MAY	1.56	01	1/7	80411E203	24.44	6.33	Ba1/BBB-	Any	25.00	81.09	01/32	24.85
MS A	NYS	Perp	Morgan Stanley Gp	Flt A	1.00	15%	1m	61747S504	20.80	4.80	Ba1/BB+	Any	25.00	354.72	NA	22.00
PFG B	NYS	Perp	Principal Financial Gro	6.518%	1.63	15%	3e	74251V300	25.11	6.47	Baa3/BB	06/15	25.00	6.35	NA	25.95
(PYS)	NYS	TPTP	R.R.Donnelley (PPLUS)	6.300% RRD	1.58	01	4/10	73941X593	22.90	6.84	Ba1/BB+	Any	25.00	8.50	04/29	23.30
(OSM)	NYS	PB	SLM Corp	Flt A	1.39	01	M	78442P403	22.83	6.10	Ba1/BBB-	03/17	25.00	7.56	03/17	23.25
(JZK)	NYS	TPTP	Sprint Corp (CBTCS)	7.000% FON	1.75	01	5/11	21988K404	24.82	7.05	B1/BB-	Any	25.00	31.60	11/28	24.95
(GID)	NYS	TPTP	Sprint Corp (STRATS)	6.500% FON	1.63	01	5/11	784788200	23.35	6.96	B1/BB-	Any	25.00	122.63	11/28	24.25

MASTER LIMITED PARTNERSHIPS

Symbol	Issuer	Price new \$	Curr Yield %	High 52wk \$	Low 52wk \$	High 52dtt	Low 52dtt	Pay months	Exch.	Ex Div Date	Paydate	Recomm \$
(PAA)	Plains All Amer Pipel LP	63.91	6.07	65.96	57.33	03/01/11	07/01/10	Feb,May,Aug,Nov	NYSE	04/29/11	05/13/11	65.20
(STON)	StoneMor Partners LP	27.44	8.53	33.51	19.75	01/24/11	07/01/10	Feb,May,Aug,Nov	OTC	05/04/11	05/16/11	28.40
(CPNO)	Copano Energy LLC	34.07	6.75	37.40	24.49	04/26/11	09/01/10	Feb,May,Aug,Nov	OTC	04/27/11	05/12/11	36.00
(ACC)	American Campus Comm	35.50	3.76	35.93	24.13	04/27/11	05/21/10	Feb,May,Aug,Nov	NYSE	02/10/11	02/25/11	37.00

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, TPTP= Trust Preferreds, TP= 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
Allied World Assuran	S	+	BBB+	Hovnanian Enterpr	S	-	CCC	Pilgram's Pride Corp	M	-	Caa1
Alpha Natural Resour	S	-	B+	Interpublic Grp	M	+	Baa3	Pinnacle West Cptl	S	+	BBB
Amer Axle & Manufact	S	+	B	Kansas City Southern	M	+	Ba3	Pride Intl Inc	M/S	+	Baa1/BBB+
Arizona Pub Svs Co	S	+	BBB	Las Vegas Sands Corp	S	+	BB	Primedia Inc	S	+	B
Bankrate Inc	S	+	BB-	Legg Mason Inc	S	-	BBB	Quality Distribution	M	+	B3
Bed Bath & Beyond	S	+	BBB+	Leucadia Natl Corp	M	+	B2	RailAmerica Inc	S	+	BB-
Cardtronics Inc	M	-	B3	Marathon Petrol Corp	M	-	Baa2	Real Mex Restaurants	S	-	CCC
Commerce Group Inc	S	+	BBB+	Micron Tech Inc	S	+	BB-	Riviera Hldgs Corp	M/S	+	B3/CCC+
Coso Geothermal Pwr	M	-	B2	Midwest Generation	M	-	Ba3	Roper Industries Co	M	+	Baa3
Crown Holdings Inc	S	+	BB	National Retail Prop	S	+	BBB	Toll Corp	S	-	BB+
DynCorp Intl Inc	M/S	-	B2/B-	New Enterprise Stone	S	-	B-	Wynn Resorts Ltd	S	+	BBB-
El Paso Corp	M	+	B2	Norcraft Hldgs LP	S	+	B				
Genzyme Corp	M	+	A2	Oracle Corp	M	+	A1				
Georgia Gulf Corp	M/S	+	B2/B-	Orchard Supply Hdw	M/S	-	B3/B-				
Gymboree Corp	S	-	CCC+	PMI Group Inc/The	S	-	CCC-				

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

Preferred Rating Changes

Issuer	Agency	Action	Rating
Bank of America Corp	M	Alrt+	
Capital One Finl Cor	M	Alrt-	
Citigroup Inc	M	Alrt+	
Cummins Inc	S	+	BBB+
El Paso Corp	M	+	B2
El Paso Engy Cptl Tr	M	+	B2
Freeport-McMoRan Cop	S	Alrt+	
Legg Mason Inc	S	-	BBB
Leucadia Natl Corp	M	+	B2
National Retail Prop	S	+	BB+
RBC Bancorporation	S	+	BBB+
RBC Bank USA	S	+	BBB+
Societe Generale	M	Alrt-	
Wisconsin Energy Cp	S	+	A-

New Preferreds Issued in June

Issuer	Symbol	Issue	Moody/S&P Ratings	Par Value
cv ATP Oil & Gas Corp/U	ATPGP	8.000% B		100.00
CommonWealth REIT	CWH E	7.250% E	Baa3/BB+	25.00
Endurance Specialty	ENH B	7.500% B	Baa3/BBB-	25.00
Gastar Exploration U	GST A	8.625% A		25.00
Maiden Holdings Nort		8.250%	BBB-	25.00
Nuveen California Di	NZH B	2.250%	Aaa/AAA	10.00
PartnerRe Ltd	PRE E	7.250% E	Baa1/BBB+	25.00
Qwest Corp	CTQ	7.375%	Baa3/BBB-	25.00

cv = convertible

Q & A Section

Q. Why are some recommended securities no longer listed on pages 5-7?

A. We have limited space in the newsletter, so when new recommendations are made some of the older recommendations have to be dropped. This does not mean they have been sold; we will always have an explicit sell recommendation on page two before removing a security.

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
AGO E	Assured Guaranty Muni	6.250	22.95	500	05/11
(FFC)	Flrty&Crum/Clay Pfd In	NA	17.87	600	07/11
(GGN)	Gabelli Gbl Gold Nat	NA	17.70	600	07/11
MET A	Metlife Inc	4.000	24.36	500	12/10
NEEXU	NextEra Energy, Inc	8.375	51.91	200	06/10
(PFL)	PIMCO Income Stratg Fd	NA	12.98	1100	01/11
PSA P	Public Storage	6.500	25.73	500	11/10
RNR C	RenaissanceRe Hldg Ltd	6.080	23.98	500	10/10
WFC L	Wells Fargo Company	7.500	1060.00	10	10/10

Summary Statistics

Monthly Payout Average:	\$635
Current yield on portfolio:	7.19%
Inception Value: (1/1/11)	\$100,922
Last month's value:	\$105,779
Current value of portfolio	\$105,112
Current value + year to date income:	\$108,922
Year to Date Total Return	7.93%

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
(NIE)	AGIC Eqty & Conv Incom	NA	18.40	600	06/10
(AEB)	Aegon NV	4.000	22.53	500	05/11
BGEPP	Bunge Ltd	4.875	100.35	100	10/10
FTB B	Fifth Third Cptl Tr VI	7.250	25.36	400	10/10
(GGN)	Gabelli Gbl Gold Nat	NA	17.70	500	07/11
MS A	Morgan Stanley Gp	4.000	20.80	600	01/11
PPL U	PPL Corp	9.500	56.01	200	04/10
(PAA)	Plains All Amer Pipel	0.000	63.91	200	01/11
PFG B	Principal Financial Gr	6.518	25.11	400	12/10
(PYS)	R.R.Donnelley (PPLUS)	6.300	22.90	500	10/10

Summary Statistics

Monthly Payout Average:	\$582
Current yield on portfolio:	6.39%
Inception Value: (1/1/11)	\$106,637
Last month's value:	\$111,152
Current value of portfolio	\$109,292
Current value + year to date income:	\$112,784
Year to Date Total Return	5.76%

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
APA D	Apache Corp	6.000	66.07	200	09/10
BML L	Bank of America Corp	4.000	19.10	500	01/11
C J	Citigroup Capital XII	8.500	25.80	400	07/11
DFT A	DuPont Fabros Tech Inc	7.875	25.30	400	11/10
ENDTF	EnerVest Divfd Incm Tr	NA	14.94	700	06/11
HCF	Highland Credit Stgies	NA	7.64	1200	12/10
JSTEF	Just Energy Group Inc	NA	15.00	700	01/11
(DKQ)	May Dept Strs (SATURN)	6.250	24.44	400	06/11
OCR B	Omnicare Capital Tr II	4.000	48.10	230	07/10
(JZK)	Sprint Corp (CBTCS)	7.000	24.82	500	01/10

Summary Statistics

Monthly Payout Average:	\$628
Current yield on portfolio:	7.07%
Inception Value: (1/1/11)	\$103,357
Last month's value:	\$107,348
Current value of portfolio	\$106,579
Current value + year to date income:	\$110,347
Year to Date Total Return	6.76%

Multi-driver Portfolio

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

Symbol	Issuer	Coupon Series	Price	Qty	Rpt Date
(NCZ)	AGIC Conv & Inc Fdi	NA	9.45	900	11/10
AMGZO	AMG Capital Trust	5.100	47.19	200	06/11
(UTF)	Cohen & Steers Infract	NA	17.81	600	07/10
(CPNO)	Copano Energy LLC	NA	34.07	300	11/10
EPR E	Entertainment Prop Tr	9.000	29.27	500	05/11
(GGN)	Gabelli Gbl Gold Nat	NA	17.70	500	07/11
GM B	General Motors Co	4.750	48.65	200	12/11
GXP F	Great Plains Energy In	12.000	65.24	200	01/11
(PWE)	Penn West Pteroleum Lt	NA	27.50	500	02/11
(STON)	Stonemor Partners LP	NA	27.44	300	01/11

Summary Statistics

Monthly Payout Average:	\$651
Current yield on portfolio:	7.30%
Inception Value: (1/1/11)	\$103,869
Last month's value:	\$108,442
Current value of portfolio	\$107,095
Current value + year to date income:	\$111,001
Year to Date Total Return	6.87%

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

Comparative Current Yields

Security Type	Yields 6/30/11	Net Change Month	Net Change Y.T.D.	Spread 12/31/10	Spread 6/30/11
U.S. TREASURIES & EURO BENCHMARKS					
Ten Year	3.17	12	-13		
Inflation Indexed	0.69	-6	-28	-233	-248
Ten Year Euro(1)	3.02	0	6	-34	-15
Euro Spot Rate	1.452	168	860		

CORPORATE BONDS²					
AAA	2.66	4	-19	-45	-51
A	3.71	16	-28	69	54
BBB	4.45	15	-29	144	128
BB	6.32	46	-16	318	315
B	7.89	44	15	444	472
CCC	10.90	45	-6	766	773

PREFERRED STOCKS³					
AA & A	6.22	-1	-127	419	305
BBB	6.90	2	-5	365	373
BB	7.24	-1	-44	438	407
B	7.96	6	-82	548	479

QUALIFIED DIVIDEND INCOME (QDI) PFDS⁴					
	— Yields —				
Invstmt. Grade	5.38	-4	-13	142%	144%
Below Inv. Grade	5.60	-26	-35	153%	150%

MUNICIPAL BONDS⁵					
	— Yields —				
AAA	2.63	-21	-81	104%	83%
A	4.11	-10	-28	133%	130%
BBB	4.32	-4	-51	146%	136%

¹Rate for ten-year German government bonds.

²Per Bloomberg.

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.

What the Entitlements Debate Means to You

continued from page 2

nual deficit. Imagine what 3% will do.

If you are using CDs and treasuries as your investment vehicle, you need to learn some new tricks. Investing for the safety of a government guarantee is a vow of poverty. Likewise for municipal debt, the tax of inflation on your principal is much more than the tax savings on the interest payment. That warm feeling you get thinking about the taxes you saved will soon be more like the warmth you get from poor bladder control.

One of the new tricks to learn comes out of the financial crisis. The concept of too big to fail, as it relates to the banking industry, is stronger than ever. We now all know which of our banks will never be allowed to fail. Take advantage of this by buying their higher yielding debt, especially the adjustable rate issues, so long as they're tied to the CPI, but not to short-term treasuries or LIBOR.

The road ahead will be long on risk and short on promise, except promises by government officials. The watchword for investors for the coming decade is - 'defense.'

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