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Forbes *TAX ADVANTAGED INVESTOR*

By MARILYN COHEN

Look, Up in the sky...

It's a bird. It's a plane. Well, no it's actually just a big, fat blimp. This take-off on the classic opening of the 1950's Superman television show is to catch your attention. And to introduce the Federal Reserve's trial balloons they are consistently floating. In fact, these trial balloons have such effect and are launched so frequently by the various Fed presidents that I think they are more like giant blimps in their potential market influence. We all had better pay attention.

The Fed's bloated \$2.2 trillion balance sheet created to save us from financial ruin must be reduced. Liquidity facilities, mortgage-backed securities, excess bank reserves all have to be wound down and mopped up. The Fed presidents are all talking about what they should do. Their words are not just trial balloons. Heed their words and watch their actions because the stimulus party is over. Interest rates (10-30 year Treasury yields) have risen because the Fed can only control short term rates. So prepare yourselves because 2010 will be challenging. Here are some of the signs to monitor while (preferably not after) you rebalance your bond funds or bond portfolio:

- Monitor results of the Treasury auctions. Did they go well?
- Watch when the Treasury shifts and lengthens debt maturities.
- Monitor corporate credit spreads. The difference in basis points in what you can earn on a Treasury versus a corporate bond with the same maturity.
- Follow and monitor the Federal Reserve reducing excess reserves in the system.
- Stay on top of any news items regarding the Fed selling term deposits to absorb the banks' \$1 trillion excess reserves. This will drain reserves in the system.
- When the Fed does reverse repurchase agreements that drains cash from the system.

All these actions will hike short term rates. So be proactive and stay in front of this interest rate freight train to avoid being run over. So how do you monitor and keep on top of these potential land mines? Use these sources: The Wall Street Journal's Credit Markets section; www.bloomberg.com


under "News, Market Data"; also Bloomberg's Caroline Baum column; Barron's "Current Yield" section; and the New York Times business section. Don't overlook CNBC's Rick Santolli's daily reports live from the CBOT floor.

Interest rates have already risen in the Treasury market; look at this 29-year yield chart of the ten-year Treasury:



continued on next page

ASK QUESTIONS...
DEMAND INFORMATION...
TAKE ACTION.



Look, Up in the sky...

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Morgan Stanley recently predicted that yields on 10-year Treasuries will climb about 40% to 5.5% this year. Certainly, higher rates may impair economic growth by pushing up all borrowing costs. The investment to capitalize on higher rates can be an all or none speculation. Or it can be a portfolio hedge. Either way, to insulate your bond positions from significant changes by the Treasury, buy Exchange Traded Inverse Treasury ETFs. Don't buy your entire position all at once. Instead, leg into it.

Buy:

PST: 200% Treasury inverse of 7-10 years

TBT: 200% Treasury inverse of 20+ years



A House is Not a Home

One of the most prolific and successful songwriters, Burt Bacharach and his song writing partner, Hal David, had a modest hit with a song of this same name in 1964 (peeking at just number 7 on the pop charts). It was sung by Dionne Warwick. Many other performers sang this song through the years but it always carried Dionne's persona.

In many states whose economic woes have been well documented, a foreclosed house is now an empty hulk of deteriorated memories. Layoffs, adjustable rate loans, financial imprudence have all added to the housing decline.

The housing bust hit the mortgage companies, banks, securitized bond holders and, of course, the home builders. Few builders had fortress balance sheets (as discussed in my new book Bonds Now! published by John Wiley and available everywhere) to withstand the economic collapse. MDC Holdings, Inc. is one of the very few successful exceptions.

MDC Holdings builds and sells single family homes in Colorado, Virginia, Maryland, California, Arizona and Nevada. The Company has a clean, fortress balance sheet, tons of liquidity and the financial flexibility other builders can now only dream of. Our projections indicate a modest \$1.35 billion of debt and \$1.85 billion of cash as of January 2010, and a small supply of owned and optioned land. MDC's debt distribution is also manageable.

We recommend you buy:

MDC Holdings, Inc.

5.50% due May 15, 2013

CUSIP 552676AN8

Rated: Baa3 by Moody's & BBB- by Standard & Poor's

Maturity size: \$350 million

Price: 101.50 Yield to maturity: 5%

These short term bonds will roll down the yield curve. No matter how well or poorly the economy does MDC is a survivor. ■



SECURITY DESCRIPTION		Page 1 / 1
MDC HOLDINGS INC MDC5 ½ 05/15/13	102.232/102.232	(4.76/4.76) TRMT
ISSUER INFORMATION		IDENTIFIERS
Name MDC HOLDINGS INC	CUSIP 552676AN8	1) Additional Sec Info
Type Bldg-Residential/Commer	ISIN US552676AN89	2) ALLQ
Market of Issue US Domestic	BB Number EC9746875	3) TRACE Trade Recap
SECURITY INFORMATION		RATINGS
Country US	Currency USD	Moody's Baa3
Collateral Type Company Guarnt		S&P BBB-
Calc Typ(1)STREET CONVENTION		Fitch BBB-
Maturity 5/15/2013 Series		Composite BBB-
MAKE WHOLE		ISSUE SIZE
Coupon 5 ½ Fixed		Amt Issued/Outstanding
S/A 30/360		USD 350,000.00 (M)
Announcement Dt 5/12/03		USD 350,000.00 (M)
Int. Accrual Dt 5/19/03		Min Piece/Increment
1st Settle Date 5/19/03		1,000.00/ 1,000.00
1st Coupon Date 11/15/03		Par Amount 1,000.00
Iss Pr 99.03300		BOOK RUNNER/EXCHANGE
SPR @ ISS 119.00 vs T 4 ¼ 11/13		BOCM,CITI
HAVE PROSPECTUS DTC		Multiple
SR. UNSEC'D. CALL @ MAKE WHOLE +30BP. SHORT 1ST CPN. LISTED NYSE EFF 05/21/03		
ADD'L \$200MM ISS'D 12/8/03 @ 100.235. EFF 12/16/03.		
Australia 61 2 9777 8600 Brazil 5511 3048 4500 Europe 44 20 7330 7500 Germany 49 69 3204 1210 Hong Kong 852 2977 6000		
Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000 Copyright 2010 Bloomberg Finance L.P.		
6407-87-1 15-Jan-10 9:34:13		

Note that this does not include the \$250 million January 12, 2010 new issue of senior notes 5.625% due February 1, 2020.

Score Yield with Kicker Bonds

By Alex Anderson

The rally in the bond market has compressed yields dramatically. It's gotten to the point that investors are now struggling to capture attractive yields without sacrificing too much in the way of credit quality or maturity extensions. However, there is a category of bonds that can provide exceptional yield benefits, so long as investors are flexible and willing to accept some uncertainty regarding call dates. These types of bonds are called 'kickers,' and they can provide incremental returns to both taxable and tax free portfolios. Below we explain what "kickers" are, why they can be excellent additions to most bond portfolios, and how adding them to portfolios makes sense now.



KICKERS DEFINED

A 'kicker' bond is a callable, premium bond that is priced assuming it will be redeemed at an upcoming call date in advance of its final maturity. However, should the call feature not be exercised by the issuer at the call date, the yield the investor will receive increases, or 'kicks up', based on holding the high coupon bond to the later maturity date. 'Kickers' most often offer higher market yields relative to non-callable bonds of similar maturity. Buyers receive higher yields because they must be compensated for the uncertainty of the call. Therefore, 'Kicker' bonds can be a great addition for fixed income investors seeking extra yield. This is especially the case in an environment when interest rates begin to pick up, which is likely to occur during 2010.

For an investor in 'kicker' bonds, a turn in interest rates is an ideal situation. Bonds purchased now, carrying the possibility of a call one or two years out, are significantly less likely to be redeemed should rates move up prior to the call date. So in other words, the attractive 'kick up' in yield, which occurs as 'yield to call' transforms to 'yield to maturity', becomes much more likely once rates begin their rise.

XEROX 'KICKER' RECOMMENDATION

An attractive kicker bond we recommend is the Xerox 7.625's of 6/15/2013. This bond has a very short call: 2/16/2010. Because of the uncertainty of the short call, the bond is priced attractively and provides a big potential kick in yield. These bonds can be purchased with a 3.86% yield to the 2010 call, but kicking to a whopping 6.70% if the bonds are held to final maturity in 2013. The real value of this bond can be seen when it is compared to non-callable Xerox bonds with

similar maturity dates in 2010 and 2013. Non-callable Xerox bonds that mature in 2010 yield 2.13%, while a 2013 bond yields 3.40%.

Clearly the investor is compensated for the uncertainty of the call date. The kicker bond provides 183 more basis points than a similar 2010 bond, and 332 basis points more than a non-callable 2013 bond. In short, the payoff in incremental yield is worth the uncertainty of the potential call. The yields for the Xerox Kickers versus non-callable XRX bonds:

	To 2010	To 2013
XRX Kicker Bond Yield	3.86%	6.70%
Non-Call Bond Yield	2.13%	3.40%

Xerox Corp.

7.625 due June 15, 2013, callable 2-16-2010
CUSIP: 984121BM4
Rated: Baa2 by Moody's & BBB by Standard & Poor's
Issue Size: \$550 million
Price: 102.74 YTW: 3.86% YTM: 6.70%

MUNICIPAL 'KICKER' RECOMMENDATION

A tax-exempt 'kicker' we recommend is Allendale, South Carolina School District General Obligation 3.0% due 4/1/2015. This very safe bond is rated AA by Standard & Poor's because it receives top payment priority as a general obligation of the municipality. It is also backstopped by South Carolina's Education Finance Program, which would provide funding (guaranteed by the State) in the unlikely event the municipality defaults. The bond provides an above average yield because of the uncertainty of its call provisions. It is attractively priced at a 2.00% to its call date at 4/1/2013. If the call is not exercised, the bondholder will receive 2.36% to the April 2015 maturity. This bond's kick is much more attractive than the non-callable bond equivalent. The non-callable equivalents would yield around 1.70% and 2.10% for 2013 and 2015, or 30 basis points less than the kicker bond! As always, if you can't find this exact bond being offered, look for something similar.

Allendale County School District, South Carolina

3.00 due April 1, 2015, callable 4-1-2013
CUSIP: 018163CV5
Rated: AA by Standard & Poor's
Issue Size: \$2 million
Price: 103.08 YTW: 2.00% YTM: 2.37%

Time to take profits

Our December issue established our case for taking some profits off the table. This goes for bond funds too. Page 13 gives all the SELL recommendations to be sure you take those profits you've earned. Bond fund inflows have gotten way overdone. According to industry watcher, Trim Tabs Research, \$421 billion stampeded into bond funds in 2009. What happened to stock funds? US equity funds had net outflows of \$35 billion. A little lopsided, don't you agree? All the investment lemmings jumped in together. That's why we want out.



Did You Know?

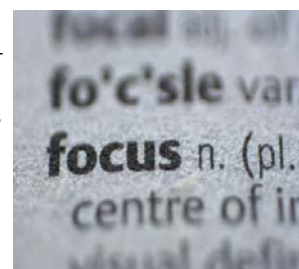
Item: Fixed income is all the rage. Part of the reason for fixed income's popularity is last year's spate of stock dividend reductions. Last year over \$58 billion in dividends was wiped out entirely and 804 companies cut their dividends. Naturally, the financial companies were a great part of the problem.

Item: Deeply distressed bonds on the brink of bankruptcy can trade without accrued interest but with a "Due Bill Attached." Brokers commonly call this "trading without" (that is, without accrued interest payable). Here's what trading without means and how it works: If you sell a bond that trades without and, perchance, the next coupon payment is actually paid it will be credited to you, the seller, because you have the "Due Bill Attached." This means the bond is delivered to the new owner with a Due Bill that notifies all parties that you, the seller, is entitled to get any accrued interest if the coupon payment is made even though you no longer own the bond. The buyer accepts a due bill and acknowledges the coupon payment is payable to you, the seller. Bonds with Due Bills are more valuable than bonds not having any means of returning missed interest payments.

An Idea Whose Time Has Not Come

While on a short book tour for Bonds Now!, an Associated Press reporter asked me what I thought about the emergence of "focused high yield bond funds". These hold a small number of bonds rather than the usual several hundred. Third Avenue Focused Credit Fund (TFCVX) is one such fund. Fairholme also has one in the hopper. We have seen focused equity funds that hold 30 positions--during its heyday, Clipper Fund was one. But focused bond funds? And high yield focused bond funds at that? Now, after high yield indices were up 57% in 2009? What are they thinking?

The sales pitch for bond funds has always revolved around: Professional management, a diversified portfolio and liquidity. Concentrated high yield /distressed "focus funds" only fulfill the professional management criteria. When money floods in or out of a focused fund, your net asset value will be dramatically affected. And your dividend? Your dividend potentially will be like a cat on a hot tin roof: Screeching up or down. Sorry...I don't see any redeeming value in the focused fund idea.



How to Look For Bond Ideas

By Chris Malburg

This publication provides a number of new bond ideas every month. We explain why we believe particular bonds are a buy. We track our bonds monthly and tell you when to sell. That's our job and our commitment to our subscribers. Nevertheless, we realize that even the best newsletters, this one included, cannot satisfy all public demand for more, far-reaching bond investment ideas. Therefore, if you're looking for bond ideas as the New Year begins in earnest, I have a search methodology for you. At the very least, these will tickle your memory and jog your imagination perhaps beyond what we already provide here.

TRACE IS YOUR BEST FRIEND

By now all you regular readers of this newsletter know that the TRACE system is great for finding the market price of a bond in which you're interested. But there's another use for this investor-friendly tool. Go to www.investinginbonds.com. If you want to know the most actively traded corporates for that day follow these steps:

1. Roll the cursor over Bond Markets and Prices at the top
2. From the drop down menu, select Corporate Market At-A-Glance
3. Under the center left menu select either Most Active Bonds During the Last Trading Day or Most Active Bonds During the Last Five Days

Up will pop a chart of the most actively traded corporates for your selection period. You'll see their price range, yields, trading volumes and more information than you probably ever wanted. You'll also see the CUSIP number so you can look closely at that particular bond. Essentially, this shows you what the market thinks is hot. You may think so too.

For municipal bonds you can do a similar search-- though not quite so precise. On the Home page, roll your cursor over Bond Markets and Prices at the top. From the drop down menu, select Municipal Market At-A-Glance. Under the center left menu, you can select either bonds traded today or yesterday. You can specify the state in which you're interested. If you have a minimum rating in mind, sort on bonds traded yesterday, by rating. The resulting list will show which munis traded yesterday in rating order from most highly rated to lowest. If you're looking for specific ideas in a particular state with a designated rating, this list has a number of potential bond investment ideas just for you.

ASK FOR WHAT YOU WANT

There are a number of excellent bond filters that present you with a menu of bonds filling your specified criteria. One that is easily accessible is Yahoo! Finance. Try it. Go to www.Yahoofinance.com. Roll your cursor across the Investing tab at the top; then down to bonds. On the left menu, select Bond Screener. Simply fill in the blanks for your bond criteria.

Up will pop a list of bond ideas for you to select. When you choose a bond and click on it, you'll see a host of information to help you decide if this bond idea is worth pursuing. The drawback of using Yahoo! Finance is that they failed to include the CUSIP numbers for their results.

Once you find bond ideas worth pursuing, your next step is to look them up on InvestingInBonds.com to find out where they're trading and their actual CUSIP number for you to place an order, should you decide. Additionally, you can use their automated calculators to determine yield to maturity and yield to worst call, duration, scheduled cash flows and a variety of other helpful information based on the price at which you think you can buy.

NOSE UNDER THE TENT

Most individual investors like to know what the big boys are buying. While bonds managers generally don't show exactly what their portfolios hold, it isn't that difficult to get a good idea. Here's one way:

1. Go to www.fidelity.com. Fidelity has a number of bond funds from which to choose.
2. At the top, click on Research, then on Fixed Income
3. In the center menu box, select Bond Funds by Type
4. You're in. Now the ideas should begin to flow. Have you thought of Floating Rate funds, perhaps Intermediate Governments? They're right there on your screen to observe. Click on the one you want to see.
5. Up comes the vital statistics of the fund you just selected. Now click on the Composition tab to see what's in there.
6. Here is where the information becomes murky. You'll see general categories of bonds that compose the portfolio. However, you'll also see the top five issuers they've bought and the credit quality they have.

NEW ISSUES

Asking your bond broker for new bond investment ideas is an option only if you know and trust him. Avoid getting recommendations just for the dogs he has inventory and needs to dump. However, you can ask to be placed on your broker's Municipal New Issue list. When new muni issues come to market there is sometimes a retail order period where you can buy the bonds without competing against institutional buyers. The new issue is the only time when retail buyers get to pay exactly what the institutions pay. If you want new issue ideas, this is the way to do it. There is a caveat, though. Most brokers will drop you from their new issue list if you don't buy. They want players.

SEARCH RESULTS

Using these techniques, I found Freeport McMoran and recommend its purchase. *continued on next page*

How to Look For Bond Ideas

continued from previous page

Here are the vitals:

Freeport-McMoran

Floating rate due April 1, 2015, callable at any time
 (CUSIP 35671DAT2)
 Rated Ba2 by Moody's and BBB- by Standard & Poor's
 Price 101, current coupon 3.88125%
 Poison put at 101%

These floating rate notes accrue interest at six-month LIBOR plus 3.25%, payable April and October 1 for each year.

Freeport McMoran is a copper, gold and molybdenum mining company. They have interests in Chile and Indonesia. Here's the TRACE screen to show where they've recently traded:

RTNGS	ISSUER	COUPON	CALL	CALL
INS	CUSIP	MATURITY	DATES	PRICES
	SECTOR/ SUBSECTOR			
BBB- SP	FREEPORT-MCMORAN COPPER & GOLD FORMERLY FREEPORT			
Ba2 MDY		3.881	04/01/2011	100.000
BB FTH	35671DAT2 Industrial/Mining	04/01/2015	02/14/2010	102.000

Graph Trade Data

1 2 3 4 5 6 7 8 9 10 ...

TRADE DATE	PRICE	YIELD	SIZE	NOTES	MORE INFO
TRADE TIME					SPECIAL PRICE INDICATOR
01/13/2010 14:24:57	101.125	0.000	250K	@	run calculations
01/13/2010 14:03:19	101.000	0.000	250K	@	run calculations
01/13/2010 14:03:19	101.000	0.000	250K	@	run calculations
01/12/2010 14:33:51	101.000	0.000	1800K	@	run calculations
01/12/2010 14:33:24	100.937	0.000	1800K	@	run calculations
01/11/2010 14:23:06	100.350	0.000	10K	@	run calculations
01/11/2010 14:11:37	100.750	0.000	10K	@	run calculations
01/11/2010 13:44:46	100.500	0.000	15K	@	run calculations

Apologies for the quality--TRACE images aren't meant to be reproduced.

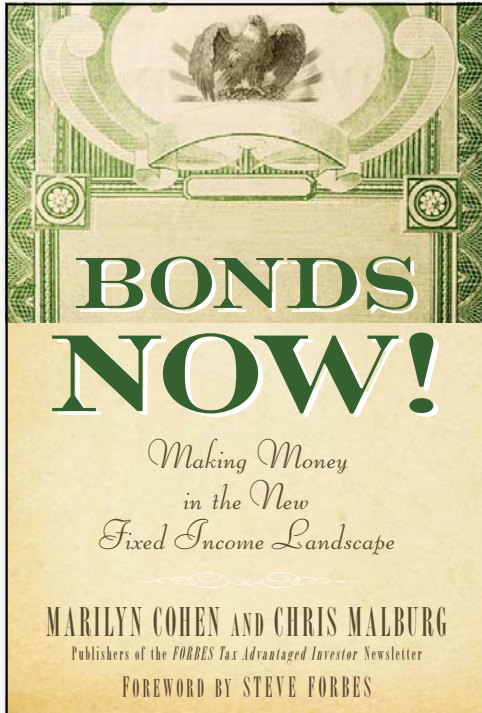
The floating rate history for this note is:

- 10-01-09: 3.88125%
- 04-01-09: 4.99500%
- 10-01-08: 7.08375%
- 04-01-08: 5.88250%
- 10--1-07: 8.39438%
- 03-19-07: 8.56438%

The Notes can be called on April 1, 2010 at 101 and again on April 1, 2011 at 100.

This type of information may give you some ideas about what ways to bend your portfolio like the pros do. ■

Lessons from the Credit Crisis



By Marilyn Cohen, CEO of Los Angeles based Envision Capital Management, Inc., and publisher of this newsletter.



Marilyn Cohen's latest book, *Bonds Now!* on how to make money in the **New Fixed Income Landscape** is now available on Amazon.com and at all fine book stores. To order your copy go to www.amazon.com and search *Bonds Now!* by Marilyn Cohen.

EXCERPT FROM *BONDS NOW!*

CHAPTER 11: BOND ANALYSIS

Categories of Strength

When analyzing a bond there's a quick rule of thumb to determine its strength. These four categories have to do with the type of bond it is and how it will be repaid. Even better that the names and types are already familiar to you from earlier chapters. In descending order from strongest to weakest here are the relative strength determinants:

1. Prerefunded and escrowed: The safest bonds are the pre-refunded, or escrowed to maturity bonds: Their credit worthiness is guaranteed by a trustee controlled escrow account consisting of US Treasury obligations. In the unlikely event of default, the bond escrow account becomes the new source of interest and principal payments without skipping a beat. Stay away from Prerefunded bonds escrowed with Fannie Mae, Freddie Mac or Guaranteed Investment Contracts (GICs).
2. State General Obligation bonds: The issuer has but to transfer tax revenue into the bond payment account to repay bond holders. Further, GO's are senior to all other claims on the State—they're the first to be repaid in the event of a problem, though sometimes there are exceptions.
3. County and City General Obligation bonds: These lose some strength because they rely on a smaller tax base than the state GO's. Still, county and city bonds can be safe credits as long as the issuing entity's tax base is broad and diversified.
4. Revenue bonds: Most revenue bonds are considered money good as long as they have consistent and certain revenue generation. The bonds whose revenue stream comes from toll roads, power plants and diversified industrial centers are just three that fall into this category.

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5. Revenue bonds with less certain revenue sources: Among these bonds are tax allocation or certificate of participation bonds. Good examples are the Housing Finance Agencies whose revenue generating ability may be diminished by an epidemic of home foreclosures. Another less certain issue would be a Hospital Revenue Bond that has a high percentage of revenues derived from Medicare or Medicaid. The security of such bonds declines when municipalities struggle to control soaring medical costs.

Special questions for corporate bonds

Corporate bonds are a different animal from municipal bonds. Along with most of the things we look for in a municipal bond we also want to know how we're going to be repaid if the company's fortunes turn downward. After all, this is a debt we're owed. Here are two important questions any broker you use must answer for a corporate bond you may be considering:

1. Where is the bond on the company's capital structure? Is it senior secured? Is it subordinated debt? This tells you where in line you'll be standing to get paid in the event of bankruptcy.
2. Where is this bond on the maturity distribution curve? This is just a fancy way of asking what other debt matures before ours does. Ideally, we don't want to be last in a long line of maturities sucking cash from the corporate coffers, then when our turn finally comes, we find they're out of money.

Awareness of the capital structure

Capital structure--how corporate ownership is split between equity and debt holders--matters. It always has and always will. Understand how the corporate bonds you own figure into the issuer's capital structure. Are bond holders contributing 50 percent or more to the company's capitalization? Depending on the factors we're about to show you, this could be good or it may indicate an overleveraged corporation.

For new corporate bond issues, state in any detail how the proceeds will be used. If the company intends using the proceeds to just buy back its stock, then you might have a problem. Such usage does nothing to help the company earn even \$1 more revenue. Indeed, it dilutes the cash available to service existing bond holders.

Determine how highly leveraged your company is. The economic downturn that began in 2008 should have taught us the value of building enough liquidity to survive the economic slowdowns that are sure to occur. The more leveraged a company is, the less margin of error it has and the more sensitive it becomes to even a tiny downward blip in its revenue. Soon it becomes addicted to commercial paper--

short term debt--at just the time when interest rates begin soaring.

There is no ideal capital structure. The proper mix between debt and equity is constantly changing. As bond holders we judge how well our corporate bond issuers manage that mix. We make that judgment frequently as events unfold. When you assess a company's capital structure consider several broad indicators:

- The social trends that influence the company
- The willingness of the capital markets to cough up more cash as needed
- Government regulation is the new entrant to the equation. For some preferred stock and bond holders the government has become the goliath with the ability to swing a sword, devastating to their financial health. We can't ignore that possibility any more.
- Evaluate the industry in which the company operates and where it is going.
- Judge the state of the economy. Is it expanding or contracting and how does that affect the value of your bond?
- Look closely at the company itself and its management team

Look at the big picture

Bond investors have a telescopic lens we look through. They must possess the ability to drill down into the minute detail of a particular bond issuer. At the same time, we need to pull that lens in to look at the big picture. That ability gives you an indication of whole industries and sectors in your bond analysis.

For example, let's take a look at the junk bond sector. These are the issuers rated less than BBB-. With just a little light reading, you could know that there was a ton of junk bond debt maturing in 2009--about \$178 billion according to Forbes. The banks were reducing the lines of credit extended to corporations, not increasing them. If you were back in 2009, you would ask, can this junk bond debt be refinanced? Sure it can, providing the issuers can pay the enormous interest rate attached--17%, say the experts. That's a pretty big interest rate. It approaches credit card debt.

What about the issuers that cannot refinance their debt? These companies are choking. They will first try to sell assets to raise the working capital needed to stay in business. Of course, they won't be the only companies out there trying to peddle non-essential assets. Their value will ratchet down as supply of such assets increases.

If they can't sell enough assets and if restructuring debt doesn't work, they face possible bankruptcy. That's not only bad news for their bond holders but it will have a tumble-down effect on other parts of the economy such as increased unemployment.

Tax Advantaged Recommendations (Green = New this month) (Blue = Sell recommendation)

Tax Free Municipal Recommendations			Report			Yield at	Ratings:
Ticker/CUSIP	Name	Action	Date Cost	Report Date	Current Price	Current Price	Moody's/ S&P
13062PS52	CALIFORNIA STATE REF GO	HOLD	104.95	Jun-08	104.53	4.01	Baa1/A-
	5.000% Due 03-01-18 Callable 3-1-15						
13062RM54	CALIFORNIA STATE REF GO	HOLD	105.00	Apr-08	102.32	4.56	Baa1/A-
	5.000% Due 03-01-21 Callable 3-1-16						
64966GR95	NEW YORK NY SUBSER I-1 GO	HOLD	98.50	Apr-08	100.37	3.94	Aa3/AA
	4.000% Due 02-01-22 Callable 2-1-18						
452151WD1	ILLINOIS STATE GO	HOLD	108.00	Apr-08	113.84	2.35	A1/AA-
	5.000% Due 09-01-17 Callable 9-1-15						
341150TL4	FLORIDA STATE GENERAL OBLIGATION	HOLD	108.00	Sep-08	113.09	1.91	Aa1/AAA
	5.000% Due 07-01-14						
01170PDK9	ALASKA HOUSING FIN CORP HOME MTG REV	HOLD	100.00	Sep-08	102.05	3.89	Aa2/AA
	4.200% Due 12-01-17						
13067JBE0	CAL ECONOMIC RECOVERY DOUBLE BARREL	HOLD	111.25	Jan-09	112.30	3.32	A1/A+
	5.250% Due 7-1-14						
974450PX0	WINNEBAGO CTY, IL MATCHING AID DBL BARREL	HOLD	107.80	Jan-09	106.94	2.96	A1
	3.000% Due 12-30-15						
604129BN5	MINNESOTA GENERAL OBLIGATION	HOLD	112.75	Mar-09	114.72	1.50	Aa1/AAA
	5.000% Due 6-1-14						
311142NV1	FARMINGTON ARKANSAS GENERAL OBLIGATION	HOLD	98.63	Mar-09	100.99	1.89	A1
	2.200% Due 6-1-13						
35483LCN3	FRANKLIN TWP IN INDEPENDENT SCHOOL BLDG	HOLD	103.06	Mar-09	105.74	1.02	A
	5.000% Due 7-5-17 Callable 7-5-11						
97705LNM5	WISCONSIN STATE GENERAL OBLIGATION	HOLD	108.60	Apr-09	114.14	1.80	Aa3/AA
	5.250% Due 5-1-15 Callable 5-1-14						
93974BCM2	WASHINGTON STATE GENERAL OBLIGATION	HOLD	108.99	Apr-09	112.56	2.30	Aa1/AA+
	5.000% Due 1-1-17 Callable 1-1-15						
50825JCJ3	LAKE COUNTY FLORIDA SCHOOL BOARD COP	HOLD	101.25	May-09	105.10	2.10	NR/A
	4.250% Due 7-1-14 Callable 7-1-12						
725304QD4	PITTSBURG PA WATER AND SEWER REVENUE	HOLD	102.58	May-09	106.40	2.15	NR/AAA
	4.000% Due 9-1-14 Callable 9-1-13						
73358TB59	PORT AUTHORITY OF NEW YORK & NEW JERSEY	HOLD	112.11	Jun-09	112.46	2.90	Aa3/AA-
	5.000% Due 8-15-16						
452252AT6	ILLINOIS STATE TOLL HIGHWAY REVENUE	HOLD	110.87	Jul-09	112.89	2.45	Aa3/AA-
	5.000% Due 1-1-16 Callable 7-1-15						
902273PS4	TYLER TEXAS INDEPENDENT SCHOOL DISTRICT	HOLD	107.67	Aug-09	109.21	1.65	AA
	4.000% Due 2-15-14						
196454EZ1	COLORADO DEPT OF TRANSPORTATION	HOLD	110.91	Sep-09	111.88	2.41	Aa3/AA
	5.000% Due 12-15-16 Callable 12-1-15						
167501Q65	CHICAGO BOARD OF ED GENERAL OBLIGATION	BUY	109.19	Oct-09	110.89	2.60	A1/AA-
	5.000% Due 12-1-16 Callable 12-1-14						
590545JU4	MESA AZ UTILITY SYSTEM REVENUE	BUY	110.55	Nov-09	111.92	2.40	A1/AA-
	5.250% Due 7-1-2014						

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Tax Advantaged Recommendations

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Tax Free Municipal Recommendations			Report			Yield at	Ratings:
			Date	Report	Current	Current	Moody's/
Ticker/CUSIP	Name	Action	Cost	Date	Price	Price	S&P
775082VK3	ROGERS ARKANSAS SCHOOL DISTRICT G.O.	HOLD	104.70	Dec-09	104.70	2.15	A1/AA-
	4.000% Due 2-1-2015 Callable 2-1-2012						
018163CV5	ALLEDALE COUNTY, SC SCHOOL DISTRICT G.O.	BUY	103.08	Jan-10	103.08	2.00	AA
	3.000% Due 4-1-2015 Callable 4-1-2013						
Taxable Municipal Recommendations			Report			Yield at	Ratings:
			Date	Report	Current	Current	Moody's/
Ticker/CUSIP	Name	Action	Cost	Date	Price	Price	S&P
544399CJ5	LOS ANGELES, CA CONVENTION CENTER	BUY	100.00	Oct-09	100.00	6.91	A1/AA-
	7.125% Due 8-15-24 Callable 11-16-09						
Tax Advantaged Recommendations			Report			Yield at	Ratings:
			Date	Report	Current	Current	Moody's/
Ticker/CUSIP	Name	Action	Cost	Date	Price	Price	S&P
06739H362	BARCLAYS BK PLC 8.125% PERP NON CUM PFD AD	HOLD	24.17	Apr-08	25.00	8.21	Baa2/BBB
25150L108	DEUTSCH BK CONTINGENT CAP TR V TR 8.05%	HOLD	24.33	May-08	25.70	7.66	Aa3/BBB+
018805200	ALLIANZ SE NON-CUM PREF 8.375%	HOLD	24.55	Jun-08	25.00	8.47	A3/A+
ERF	ENERPLUS RESOURCES FUND	HOLD	43.60	Jul-08	23.64	8.77	
PVX	PROVIDENT ENERGY TRUST	HOLD	10.99	Jul-08	7.95	8.78	
PWE	PENN WEST ENERGY	HOLD	31.39	Jul-08	18.11	9.42	
Tax Deferred Recommendations			Report			Yield at	Ratings:
			Date	Report	Current	Current	Moody's/
Ticker/CUSIP	Name	Action	Cost	Date	Price	Price	S&P
91913YAD2	VALERO ENERGY CORP	HOLD	105.00	May-08	108.20	3.05	Baa2/BBB
	6.875% Due 04-15-12						
338032BB0	FISHER SCIENTIFIC	HOLD	92.50	Jan-09	103.75	4.40	Baa3/BBB
	6.125% Due 7-1-15						
637432LM5	NATIONAL RURAL UTILITIES	SELL	103.89	Jan-09	109.89	2.48	A2/A
	5.50% Due 7-1-13						
947074AJ9	WEATHERFORD INC.	BUY	88.70	Feb-09	106.97	5.20	Baa1/BBB
	6.35% Due 6-15-17						
842400EY5	SOUTHERN CALIFORNIA EDISON 1ST MORTGAGE	HOLD	101.44	Feb-09	107.36	3.62	A2/A
	5% Due 1-15-16						

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	Tax Deferred Recommendations		Report			Yield at	Ratings:
			Date	Report	Current	Current	Moody's/
Ticker/CUSIP	Name	Action	Cost	Date	Price	Price	S&P
74834LAL4	QUEST DIAGNOSTICS	HOLD	92.98	Apr-09	108.89	3.72	Baa3/BBB
	5.45% Due 11-01-15						
472319AB8	JEFFERIES GROUP SENIOR UNSECURED	BUY	79.00	May-09	100.00	5.50	Baa2/BBB
	5.50% Due 3-15-16						
24702RAE1	DELL INC.	HOLD	101.67	May-09	105.65	4.81	A2/A-
	5.65% Due 4-15-18						
219350AP0	CORNING INC.	HOLD	102.03	Jun-09	108.47	3.68	Baa1/BBB
	5.90% Due 3-15-14						
219350AN5	CORNING INC.	HOLD	103.10	Jun-09	107.65	4.75	Baa1/BBB
	6.20% Due 3-15-16						
893830AV1	TRANSOCEAN INC. CONVERTIBLE BONDS	BUY	90.50	Jun-09	97.85	2.65	Baa2/BBB
	1.50% Due 12-15-37 Optional Put 12-15-11						
635405AW3	PNC FINANCIAL (NATIONAL CITY CORP)	BUY	100.50	Aug-09	102.00	2.02	A3/A
	4.000% Due 2-1-11						
65473QAL7	NISOURCE FINANCE	BUY	99.70	Aug-09	105.70	4.00	Baa3/BBB
	5.400% Due 7-15-14						
529772AD7	LEXMARK INTERNATIONAL	BUY	100.5	Sep-09	104.21	4.53	Baa3/BBB
	5.900% Due 6-1-13						
01958XBF3	ALLIED WASTE	BUY	103.00	Sep-09	102.00	5.09	Baa3/BBB
	6.125% Due 2-15-14						
96332HCA5	WHIRLPOOL CORP.	BUY	102.00	Oct-09	105.50	3.61	Baa3/BBB
	5.500% Due 3-1-13						
260543CA9	DOW CHEMICAL CO.	BUY	102.80	Oct-09	109.00	3.92	Baa3/BBB
	5.900% Due 2-15-15						
576203AH6	MASSEY ENERGY	BUY	97.50	Oct-09	100.50	6.58	B2/BB-
	6.875% Due 12-15-13 Callable 12-1-09						
87927VAQ1	TELECOM ITALIA CAPITAL	BUY	103.76	Nov-09	105.50	4.15	Baa2/BBB
	5.250% Due 10-1-15						
127055AG6	CABOT CORPORATION	BUY	99.96	Nov-09	99.63	5.06	Baa1/BBB
	5.000% Due 10-1-16						
883203BL4	TEXTRON INCORPORATED	BUY	94.13	Nov-09	98.75	5.80	Baa3/BBB
	5.600% Due 12-1-17						
78442FAG3	SLM CORP	BUY	88.00	Nov-09	95.00	7.26	Ba1/BBB-
	5.375% Due 1-15-13						

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Tax Deferred Recommendations			Report			Yield at	Ratings:
Ticker/CUSIP	Name	Action	Date	Report	Current	Current	Moody's/ S&P
			Cost	Date	Price	Price	
89346DAD9	TRANSALTA CORP	BUY	101.78	Dec-09	101.71	4.35	Baa2/BBB
	4.750% Due 1-15-15						
577778BS1	MACYS RETAIL HOLDINGS	BUY	96.00	Dec-09	102.00	5.24	Ba2/BB
	5.750% Due 7-15-14						
35671DAT2	FREEMONT MCMORAN FLOATING RATE NOTE	BUY	101.00	Jan-10	101.00	3.88	Ba2/BBB-
	3.250% + LIBOR Due 4-1-15						
984121BM4	XEROX CORP	BUY	102.74	Jan-10	102.74	3.86	Baa2/BBB
	7.625% Due 6-15-13 Callable 2-16-10						
552676AN8	MDC HOLDINGS	BUY	101.5	Jan-10	101.5	5.00	Baa3/BBB
	5.500% Due 5-15-13						
Tax Free Money Market Recommendations			Report			Yield at	Ratings:
Ticker/CUSIP	Name	Action	Date	Report	Current	Current	Moody's/ S&P
			Cost	Date	Price	Price	
956704UE8	WEST VIRGINIA UNIV REVS PREREFUNDED	HOLD	106.58	Jan-09	102.09	0.20	SLGS
	5.75% Refunding 4-1-10						
495224YU5	KING COUNTY WASHINGTON SCH DIST PRERE-	HOLD	107.03	Jan-09	102.16	0.30	SLGS
	6.25% Refunding 06-01-10						
157411JY6	CHAFFEE, CA UNI HIGH SCH DIST PREREFUNDED	HOLD	107.88	Jan-09	103.78	0.25	SLGS
	5.50% Refunding 08-01-10						
546415NM8	LOUISIANA, ST SER A PREREFUNDED	HOLD	105.84	Jan-09	103.86	0.27	SLGS
	5.00% Refunding 11-15-10						
97710VF52	WISCONSIN STATE HEALTH & ED PREREFUNDED	HOLD	110.54	May-09	109.11	0.56	SLGS
	5.35% Refunding 10-1-11						
931065LFI	WAKEFIELD MASS PREREFUNDED	HOLD	111.11	May-09	110.30	0.75	SLGS
	5.25% Refunding 2-1-12						
791638SG5	ST. LOUIS MO AIRPORT PREREFUNDED	HOLD	109.27	May-09	110.15	0.80	SLGS
	5.00% Refunding 7-1-12						
745190J74	PUERTO RICO COMMONWEALTH PREREFUNDED	HOLD	114.77	May-09	114.07	1.10	SLGS
	5.25% Refunding 7-1-13						
235416ZS6	DALLAS TX WATERWORKS PREREFUNDED	HOLD	113.10	May-09	113.70	1.20	SLGS
	5.00% Refunding 10-1-13						
592646EQ2	METRO WASHINGTON DC AIRPORT PRERE-	HOLD	111.18	Jun-09	110.42	0.95	SLGS
	4.875% Refunding 10-1-12						
Bond Fund Recommendations			Report			Yield at	Ratings:
Ticker/CUSIP	Name	Action	Date	Report	Current	Current	Moody's/ S&P
			Cost	Date	Price	Price	
VWITX	VANGUARD INTERMEDIATE TAX EXEMPT FUND	HOLD	13.19	Jul-08	13.49	3.83	
VWAHX	VANGUARD HIGH YIELD TAX EXEMPT FUND	SELL	10.37	Jul-08	10.34	4.67	
BTFTX	AMERICAN CENTURY 2015 TARGET MATURITIES	SELL	90.26	Aug-08	97.21		
VTENX	VANGUARD TARGET RETIREMENT 2010 FUND	SELL	21.86	Aug-08	20.96	2.36	
LSBRX	LOOMIS SAYLES BOND FUND	HOLD	11.11	May-09	13.66	5.38	
FSICX	FIDELITY STRATEGIC INCOME FUND	SELL	9.43	May-09	10.95	4.84	
FLTMX	FIDELITY INTERMEDIATE MUNICIPAL BOND	HOLD	10.00	May-09	10.17	3.50	
VBMFX	VANGUARD TOTAL BOND MARKET INDEX FUND	SELL	10.06	Jun-09	10.43	3.79	
BSV	VANGUARD SHORT TERM BOND ETF	HOLD	79.26	Jul-09	80.07	2.49	
ACG	ALLIANCE BERNSTEIN INCOME FUND	SELL	8.26	Sep-09	7.95	6.49	
BSD	BLACKROCK STRATEGIC MUNICIPAL TRUST	SELL	12.05	Sep-09	11.95	7.03	
ISHG	ISHARES S&P 1-3 YEAR INTERNATIONAL TREAS-	BUY	108.41	Oct-09	105.96	1.13	
IGOV	ISHARES S&P INTERNATIONAL TREASURY	BUY	108.54	Oct-09	104.88	1.90	
PST	PROSHARES ULTRASHORT 7-10 YEAR TREAS-	BUY	52.66	Jan-10	52.67		
TBT	PROSHARES ULTRASHORT 20 YEAR TREASURY	BUY	49.19	Jan-10	49.19		

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Marilyn Cohen is one of the financial community's most respected fixed income securities experts. She has been a *Forbes* magazine columnist for 13 years and is author of the recently released *Bonds Now!* published by John Wiley & Sons, Inc. Marilyn is a sought after expert appearing on *Nightly Business Report*, CNBC, Fox Business News, National Public Radio and other business shows as well a frequent authoritative source for the *Wall Street Journal*, *New York Times* and *Barron's*. She is the CEO of Envision Capital Management, Inc. a money management firm specializing in separately managed fixed income portfolios for individuals. Minimum account size is \$500,000.



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