

FINANCIAL INDUSTRY REGULATORY AUTHORITY

OFFICE OF HEARING OFFICERS

Department of Enforcement,

Complainant,

v.

J.W. Korth & Company, Inc.
(CRD No. 26455),

Respondent.

DISCIPLINARY PROCEEDING
No. 2012030738501

COMPLAINT

The Department of Enforcement alleges:

SUMMARY

1. Between April 2009 and December 2011, J.W. Korth & Company, Inc. (“J.W. Korth” or the “Firm”) put its own interests ahead of the interests of its customers, charging those customers excessive markups and markdowns on 69 municipal and corporate bond transactions in order to generate \$39,178.51 in additional revenue for the Firm, at the expense of its customers.

2. During this period, the Firm charged its customers excessive markups on 51 municipal bond transactions, ranging from 3.10% to 8.33%. The markups charged by the Firm in each of these transactions violated Rules G-30 and G-17 of the Municipal Securities Rulemaking Board (“MSRB”).

3. Similarly, the Firm also charged its customers excessive markups or markdowns on 18 corporate bond and collateralized mortgage obligation (“CMO”) transactions during that same period, with the markups and markdowns ranging from 3.24% to 5.56%. The markups and markdowns charged by the Firm in each of these transactions violated NASD Conduct Rule 2440, IM-2440-1, and FINRA Rule 2010.

RESPONDENT AND JURISDICTION

4. J.W. Korth & Company Inc. was approved for FINRA membership on May 4, 1990. At all times relevant to the Complaint, the Firm was a member of FINRA and remains subject to the jurisdiction of FINRA under Article IV, Section 1 of FINRA’s By-Laws. The Firm is also a member of the MSRB.

5. The Firm is headquartered in Lansing, Michigan. The Firm maintains 4 branch offices and employs 15 registered representatives, 5 of whom are also investment adviser representatives.

6. The Firm operates a general securities business and derives most of its revenue from the sale of municipal bonds and corporate debt securities. The Firm derives its remaining revenue from either selling corporate equity securities or U.S. government securities.

7. During the relevant time period, James W. Korth was the President, CEO, Managing General Partner, COO, Head of Trading, and Head of Retail for the Firm. In these capacities, Mr. Korth reviewed all trading activity at the Firm and was also responsible for the Firm’s profitability. Mr. Korth currently has a direct ownership interest in the Firm of more than 75%.

FIRST CAUSE OF ACTION

(Unfair Prices on Municipal Securities – MSRB Rules G-30 and G-17)

8. Paragraph numbers 1 through 7 above are re-alleged and incorporated herein by reference.

9. FINRA has jurisdiction to enforce the MSRB Rules pursuant to Section 15B of the Securities Exchange Act of 1934, 15 U.S.C. § 78o-4(c)(5).

10. Between April 21, 2009 and December 9, 2011 (the “Municipal Trading Period”), the Firm acquired municipal bonds from other broker-dealers. These municipal bonds were either acquired by the Firm specifically to fill an existing purchase order entered by a Firm customer, or were acquired for the Firm’s inventory, and then sold to the Firm’s customers shortly thereafter.

11. During the Municipal Trading Period, the Firm entered into 51 municipal bond transactions in which it charged excessive markups that caused customers to purchase the municipal bonds from the Firm at prices that were not fair and reasonable (the “Violative Municipal Bond Trades”). The Violative Municipal Bond Trades are set forth on Schedule A hereto, which is incorporated herein by reference.

12. The Firm filled customer orders for the Violative Municipal Bond Trades with either: (a) a purchase in the market after a customer purchase order had already been placed; or (b) a bond purchased for the Firm’s inventory shortly before it was sold to the customer, in most instances on the same day or the next business day.

13. The Firm’s markups for the Violative Municipal Bond Trades ranged from 3.10% to 8.33%. Twenty-three of the Violative Municipal Bond Trades had markups of 4% or greater, while nine of those trades had markups of more than 5%.

14. Moreover, nineteen of the Violative Municipal Bond Trades violated the Firm's own internal markup policy, which established a markup/markdown limit of 3.9% on each customer transaction.

15. The majority of the Violative Municipal Bond Trades were for municipal bonds of investment grade or above quality that were readily available in the market, and thus were not difficult to obtain.

16. Because of the excessive markups charged by the Firm with respect to the Violative Municipal Bond Trades, the Firm's customers received yields that were lower than they would have obtained had the markups been fair and reasonable. As a result of its misconduct, the Firm received \$28,693.80 from its excessive markups, at the expense of its customers.

17. The Firm's excessive markups on the Violative Municipal Bond Trades were not disclosed to its customers on trade confirmations.

18. Nothing in the nature of the Firm's business or the Violative Municipal Bond Trades justified the amount of the markups for the Violative Municipal Bond Trades. Among other things: (a) the Firm did not provide services warranting extraordinary markups; (b) the Firm's expenses in executing or filling its customers' orders were not extraordinary, and in fact were likely *de minimis* given that all of the sales either related to an existing customer or were filled from the Firm's inventory shortly after the municipal bonds in question were purchased; (c) the transactions were for total dollar amounts with a range that did not justify extraordinary markups; (d) the bonds did not have features that warranted extraordinary markups; and (e) an exercise of reasonable best judgment would not have allowed the imposition of the extraordinary markups.

19. By way of example, the Violative Municipal Bond Trades include the following:

(a) On April 21, 2009, the Firm purchased a block of 300 Tennessee Energy Acquisition and Gas Revenue bonds, CUSIP 880443BG0, at an average price of \$87.139. These municipal bonds have a coupon of 5%, mature on September 1, 2015, and at the time of purchase were rated BBB+ by S&P. The Firm sold 235 of these bonds to various customers on the next day, April 22, 2009. The Firm sold these bonds at prices between \$90.73 and \$91.32, constituting markups of between 4.12% and 4.80% and translating to yields to maturity ("YTM") of between 6.7% and 6.82%. The total markup that the Firm charged on these bonds, which were held in inventory for a single day, was \$9,097.44.

(b) On February 17, 2010, the Firm purchased a block of 600 Puerto Rico Commonwealth Public Inflation bonds, CUSIP 74514LJU2, at a price of \$74.00. These zero coupon municipal bonds mature on July 1, 2021, and at the time of purchase were rated BBB- by S&P. The Firm sold 335 of these bonds to various customers over the next 2 hours at a price of \$77, constituting a markup of 4.05%.

(c) On March 16, 2010, the Firm purchased a block of 60 Palm Beach County Florida Hospital Bonds, CUSIP 696507PF3, at a price of \$83.32. These municipal bonds have a coupon of 5%, mature on December 1, 2023, and at the time of purchase were rated BBB by S&P. The Firm sold all 60 of these bonds to a single customer on the following day, at a price of \$89, constituting a markup of 6.82% and translating to a YTM of 6.203%. The total markup that the Firm charged on these bonds, which were held in inventory for a single day, was \$3,408.

(d) On October 21, 2011, Firm purchased a block of 195 Colorado Highway Authority Revenue bonds, CUSIP 26822LDY7, at a price of \$23.779. These zero coupon

municipal bonds mature on September 1, 2032, and at the time of purchase were rated BBB by S&P. The Firm sold 195 of these bonds to various customers that same day, at a price of \$25.50, constituting a markup of 7.241% and translating to a YTM of 6.663%. The total markup that the Firm charged on these bonds, which were held for less than 24 hours, was \$3,355.95. Multiple customer purchases occurred at other broker-dealers between October 18 and October 25, 2011 at prices between \$21.59 and \$22.90, resulting in YTM of between 7.483% and 7.198%.

20. In effecting the Violative Municipal Bond Trades set forth in Schedule A, J.W. Korth sold municipal bonds to retail customers at prices that were neither fair nor reasonable, taking into consideration all relevant factors. As a result of the foregoing, J.W. Korth willfully violated MSRB Rules G-30 and G-17.

SECOND CAUSE OF ACTION

(Unfair Prices on Corporate and CMO Securities –
NASD Conduct Rule 2440 and IM-2440-1, and FINRA Rule 2010)

21. Paragraph numbers 1 through 20 above are re-alleged and incorporated herein by reference.

22. Between April 8, 2009 and December 7, 2011 (the “Corporate/CMO Period”), J.W. Korth acquired corporate bonds and CMOs, typically through its Florida branch office. These corporate bonds and CMOs were either acquired by the Firm specifically to fill an existing purchase order entered by a Firm customer, or were purchased for the Firm’s inventory, and then sold to the Firm’s customers very soon thereafter.

23. During the Corporate/CMO Period, the Firm entered into 18 corporate bond and CMO transactions in which it charged excessive markups or markdowns that caused customers to purchase or sell the corporate bonds and CMOs to or from the Firm at prices that were unfair

and unreasonable (the “Violative Corporate/CMO Trades”). The Violative Corporate/CMO Trades are set forth in Schedule B, which is attached hereto and incorporated by reference.

24. Customer purchase orders for the Violative Corporate/CMO Trades were filled by the Firm by: (a) purchasing the security in the market specifically to fill an existing customer purchase order entered by a Firm customer; (b) crossing a trade with another Firm customer who held that particular security; or (c) selling a bond that had been purchased for the Firm’s inventory shortly before receipt of the customer order, in most instances on the same day or the next business day.

25. The Firm’s markups for the Violative Corporate/CMO Trades ranged from 3.24% to 5.56%. Five of the Violative Corporate/CMO Trades had markups or markdowns greater than greater than 5%.

26. Moreover, each of these five Violative Corporate/CMO Trades violated the Firm’s own internal markup policy, which established a markup/markdown limit of 3.9% on each customer trade.

27. The majority of the Violative Corporate/CMO Trades were for bonds that were readily available in the market, and thus were not difficult to obtain.

28. Because of the excessive markups charged by the Firm on certain of the Violative Corporate/CMO Trades, the Firm’s customers received yields that were lower than they would have obtained had the prices the Firm charged been fair and reasonable.

29. Because of the excessive markdowns charged by the Firm on certain of the Violative Corporate/CMO Trades, the Firm’s customers received sale proceeds that were lower than they would have obtained had the prices the Firm paid for those Trades been fair and reasonable.

30. As a result of its misconduct in connection with Violative Corporate/CMO Trades, the Firm received \$10,484.71 from its excessive markups and markdowns, at the expense of its customers.

31. The Firm's markups and markdowns on the Violative Municipal Bond Trades were not disclosed to its customers on trade confirmations.

32. Nothing in the nature of the Firm's business or the Violative Corporate/CMO Trades justified the amount of the markups and markdowns for the Violative Corporate/CMO Trades. Among other things: (a) the Firm did not provide services warranting extraordinary markups or markdowns; (b) the Firm's expenses in executing or filling its customers' orders were not extraordinary, and in fact were likely *de minimis* given that the majority of those trades were filled through paired trades between Firm customers or using corporate bonds or CMOs that were purchased into the Firm's inventory shortly before they were sold to the customers; (c) the transactions were for total dollar amounts with a range that did not justify extraordinary markups or markdowns; (d) the securities did not have features that warranted extraordinary markups or markdowns; and (e) an exercise of reasonable best judgment would not have allowed the imposition of the extraordinary markups or markdowns.

33. By way of example, the Violative Corporate/CMO Trades include the following:

(a) On April 24, 2009, the Firm purchased a block of 400 Allied Capital Corp. bonds, CUSIP 01903QAA6, at a price of \$36.00. These corporate bonds have a coupon of 6.625%, mature on July 15, 2009, and at the time of purchase were rated BBB+ by S&P. The Firm sold all 400 of these bonds to a single customer roughly 30 minutes after purchasing them, at a price of \$38.00, constituting a markup of 5.56%, and translating to

a YTM of 61.374. The total markup that the Firm charged on these bonds, which were held in inventory for a just over 30 minutes, was \$8,000.

(b) On March 16, 2010, the Firm purchased 75 Ford Motor Co. bonds, CUSIP 345370BM1, from a Firm customer, at a price of \$80.125. These corporate bonds have a coupon of 7.75%, mature on June 15, 2043, and at the time of the purchase were rated B+ by S&P. The Firm simultaneously sold all 75 bonds to another broker-dealer, at a price of \$83.25, constituting a markdown to the Firm's customer of 3.75%. As a result of the markdown to the Firm's client, the Firm generated a profit for itself of \$2,343.75 on these simultaneous purchase and sale transactions, which did not subject the Firm to market risk at all.

(c) On December 2, 2011, the Firm purchased a block of 5,000 Ginnie Mae bonds, CUSIP 38373AAV8, at a price of \$12.875. These CMO securities have a floating rate and mature on August 16, 2039. The Firm sold all 5,000 of these bonds to a single customer that same day at a price of \$13.30, constituting a markup of 3.30%. The total markup that the Firm charged on these bonds, which were held in inventory for a matter of hours, was \$7,900.00.

(d) On December 7, 2011, the Firm purchased a block of 100 UltraPetrol Bahamas Ltd. bonds, CUSIP 90400XAC8, at a price of \$92.50. These corporate bonds have a coupon of 9%, mature on November 24, 2014, and at the time of purchase were rated B- by S&P. The Firm sold 50 of these bonds to a customer that same day, at a price of \$95.50, constituting a markup of 3.24% and resulting in a YTM of 10.818%. The total markup that the Firm charged on these bonds, which it specifically purchased to fill a customer order in hand, was \$1,500. Customer purchases occurred at other broker-

dealers on December 6 and December 7, 2011 at prices of \$91.31 and \$91.59, resulting in YTM of between 15.423% and 15.175%, respectively.

34. In effecting the Violative Corporate/CMO Trades set forth in Schedule B, the Firm bought or sold corporate bonds and CMOs to retail customers at prices that were not fair, taking into consideration all relevant circumstances.

35. As a result of the foregoing, J.W. Korth violated NASD Conduct Rule 2440, IM-2440-1, and FINRA Rule 2010.

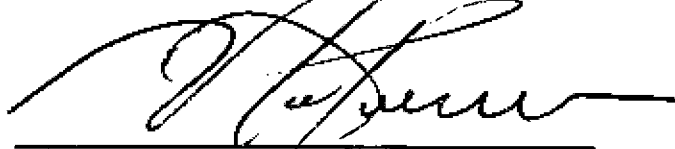
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RELIEF REQUESTED

WHEREFORE, the Department respectfully requests that the Panel:

- A. make findings of fact and conclusions of law that Respondent committed the violations charged and alleged herein;
- B. Make specific findings that Respondent willfully violated MSRB Rules G-17 and G-30;
- C. order that one or more of the sanctions provided under Rule 8310(a) be imposed, including that Respondent be required to disgorge fully any and all ill-gotten gains and/or make full and complete restitution, together with interest; and
- D. order that Respondent bear such costs of this proceeding as are deemed fair and appropriate under the circumstances in accordance with FINRA Rule 8330.

FINRA DEPARTMENT OF ENFORCEMENT



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December 10, 2014

**Municipal Securities Transactions
2009-2011
(Schedule A)**

Item	Customer Name	Trade Date	Total Par Value	Description of Security	CUSIP	Sale Price	Customer's Total Cost	Purchase Price	% Markup	\$ Markup	\$ Excessive Markup
1	KLT	4/22/2009	\$25,000.00	Tenn Energy Acq Gas Rev	880443BG0	90.730	\$22,682.50	87.1396	4.12%	\$897.60	\$244.05
2	AET	4/22/2009	\$110,000.00	Tenn Energy Acq Gas Rev	880443BG0	90.910	\$100,001.00	87.1396	4.33%	\$4,147.44	\$1,271.83
3	FP	4/22/2009	\$40,000.00	Tenn Energy Acq Gas Rev	880443BG0	91.000	\$36,400.00	87.1396	4.43%	\$1,544.16	\$498.48
4	MS	4/22/2009	\$25,000.00	Tenn Energy Acq Gas Rev	880443BG0	91.320	\$22,830.00	87.1396	4.80%	\$1,045.10	\$391.55
5	DDT	4/22/2009	\$20,000.00	Tenn Energy Acq Gas Rev	880443BG0	91.320	\$18,264.00	87.1396	4.80%	\$836.08	\$313.24
6	RP	4/22/2009	\$15,000.00	Tenn Energy Acq Gas Rev	880443BG0	91.320	\$13,698.00	87.1396	4.80%	\$627.06	\$227.06
7	JHWRT	4/23/2009	\$55,000.00	Tenn Energy Acq Gas Rev	880443BG0	92.000	\$50,600.00	87.14	5.58%	\$2,673.00	\$1,235.19
8	JHWRT	5/5/2009	\$50,000.00	Richland Co SC Environmental Rev	76363PAC9	97.122	\$48,560.75	93.476	3.90%	\$1,822.75	\$420.61
9	JHWRT	5/19/2009	\$50,000.00	Pinal Co AZ Indl Dev Auth Rev	722045BE0	100.595	\$50,297.50	97.4	3.28%	\$1,597.50	\$136.50
10	ML	5/29/2009	\$85,000.00	Long Beach CA Fin Auth Rev	54241AAW3	91.200	\$77,520.00	87.988	3.65%	\$2,730.20	\$486.51
11	GLIRA	6/10/2009	\$45,000.00	New Jersey Econ Dev	6459162E6	97.400	\$43,830.00	93.75	3.89%	\$1,642.50	\$376.88
12	MIRT	7/14/2009	\$25,000.00	Interlocken CO	458761BE2	94.375	\$23,593.75	91.204	3.48%	\$792.75	\$108.72
13	RW	7/21/2009	\$25,000.00	Interlocken CO	458761BE2	94.375	\$23,593.75	90.87	3.86%	\$876.25	\$194.72
14	TG	7/24/2009	\$60,000.00	Interlocken CO	458761BE2	95.847	\$57,508.20	90.876	5.47%	\$2,982.60	\$1,346.83
15	RP	7/31/2009	\$25,000.00	Golden Tobacco	38122NPA4	63.350	\$15,837.50	61.036	3.79%	\$578.50	\$120.73
16	FP	7/31/2009	\$25,000.00	Golden Tobacco	38122NPA4	63.350	\$15,837.50	61.036	3.79%	\$578.50	\$120.73
17	KLT	7/31/2009	\$25,000.00	Golden Tobacco	38122NPA4	63.350	\$15,837.50	61.035	3.79%	\$578.75	\$120.99
18	AET	7/31/2009	\$185,000.00	Golden Tobacco	38122NPA4	64.440	\$119,214.00	62.5	3.10%	\$3,589.00	\$120.25
19	AET	7/31/2009	\$180,000.00	Golden Tobacco	38122NPA4	64.440	\$115,992.00	62.5	3.10%	\$3,492.00	\$117.00
20	PJT	9/3/2009	\$20,000.00	Sumter Landing	86657MAL0	78.000	\$15,600.00	72	8.33%	\$1,200.00	\$768.00
21	MJ	9/4/2009	\$25,000.00	Sumter Landing	86657MAL0	78.000	\$19,500.00	72	8.33%	\$1,500.00	\$960.00

Item	Customer Name	Trade Date	Total Par Value	Description of Security	CUSIP	Sale Price	Customer's Total Cost	Purchase Price	% Markup	\$ Markup	\$ Excessive Markup
22	CT	1/28/2010	\$30,000.00	Colorado Cult &Edl	196458MN0	92.000	\$27,600.00	88.711	3.71%	\$986.70	\$188.30
23	EH	1/28/2010	\$30,000.00	Colorado Cult &Edl	196458MN0	92.000	\$27,600.00	88.711	3.71%	\$986.70	\$188.30
24	PST	1/29/2010	\$20,000.00	Colorado Cult &Edl	196458MN0	92.000	\$18,400.00	88.711	3.71%	\$657.80	\$125.53
25	ZL	1/29/2010	\$40,000.00	Colorado Cult &Edl	196458MN0	92.000	\$36,800.00	88.711	3.71%	\$1,315.60	\$251.07
26	RRT	1/29/2010	\$100,000.00	Colorado Cult &Edl	196458MN0	92.000	\$92,000.00	88.712	3.71%	\$3,288.00	\$626.64
27	LFT	2/1/2010	\$200,000.00	Colorado Cult &Edl	196458MN0	92.000	\$184,000.00	88.712	3.71%	\$6,576.00	\$1,253.28
28	DSR	2/3/2010	\$25,000.00	Colorado Cult &Edl	196458MN0	92.000	\$23,000.00	88.712	3.71%	\$822.00	\$156.66
29	RL	2/17/2010	\$75,000.00	PR Inflation	74514LJU2	77.000	\$57,750.00	74	4.05%	\$2,250.00	\$585.00
30	JC	2/17/2010	\$100,000.00	PR Inflation	74514LJU2	77.000	\$77,000.00	74	4.05%	\$3,000.00	\$780.00
31	TG	2/17/2010	\$100,000.00	PR Inflation	74514LJU2	77.000	\$77,000.00	74	4.05%	\$3,000.00	\$780.00
32	MS	2/17/2010	\$60,000.00	PR Inflation	74514LJU2	77.000	\$46,200.00	74	4.05%	\$1,800.00	\$468.00
33	AN	2/23/2010	\$50,000.00	PR Inflation	74514LJU2	77.000	\$38,500.00	74	4.05%	\$1,500.00	\$390.00
34	BTT	2/23/2010	\$30,000.00	PR Inflation	74514LJU2	76.880	\$23,064.00	74	3.89%	\$864.00	\$198.00
35	ML	3/3/2010	\$100,000.00	Maryland Econ Dev Corp	574205FK1	89.990	\$89,990.00	85	5.87%	\$4,990.00	\$2,440.00
36	TG	3/17/2010	\$60,000.00	Palm Beach Co Health	696507PF3	89.000	\$53,400.00	83.32	6.82%	\$3,408.00	\$1,908.24
37	KLT	4/22/2010	\$100,000.00	Palmdale Cali Elementry School	69671TCF4	24.225	\$24,225.00	23.406	3.50%	\$819.00	\$116.82
38	FP	4/22/2010	\$100,000.00	Palmdale Cali Elementry School	69671TCF4	24.225	\$24,225.00	23.406	3.50%	\$819.00	\$116.82
39	TG	4/22/2010	\$100,000.00	Palmdale Cali Elementry School	69671TCF4	24.310	\$24,310.00	23.406	3.86%	\$904.00	\$201.82
40	SFILC	4/22/2010	\$100,000.00	Palmdale Cali Elementry School	69671TCF4	24.310	\$24,310.00	23.406	3.86%	\$904.00	\$201.82
41	DJRH	4/23/2010	\$105,000.00	Palmdale Cali Elementry School	69671TCF4	24.225	\$25,436.25	23.406	3.50%	\$859.95	\$122.66
42	AN	4/23/2010	\$50,000.00	Palmdale Schools	69671TCE7	26.185	\$13,092.50	25.143	4.14%	\$521.00	\$121.00
43	TG	5/7/2010	\$195,000.00	Cal Ed Fac Auth	130178FP6	84.500	\$164,775.00	80	5.63%	\$8,775.00	\$4,095.00
44	LP	5/12/2010	\$75,000.00	Cal Ed Fac Auth	130178FP6	85.875	\$64,406.25	83.124	3.31%	\$2,063.25	\$192.96

Item	Customer Name	Trade Date	Total Par Value	Description of Security	CUSIP	Sale Price	Customer's Total Cost	Purchase Price	% Markup	\$ Markup	\$ Excessive Markup
45	TG	7/20/2010	\$105,000.00	Meridian, MI Econ Dev	589664AU5	91.300	\$95,865.00	88.125	3.60%	\$3,333.75	\$557.81
46	RP	7/20/2010	\$25,000.00	Meridian, MI Econ Dev	589664AU5	91.300	\$22,825.00	88.125	3.60%	\$793.75	\$132.81
47	BCFT	7/20/2010	\$40,000.00	Meridian, MI Econ Dev	589664AU5	91.300	\$36,520.00	88.125	3.60%	\$1,270.00	\$212.50
48	LP	7/20/2010	\$50,000.00	Meridian, MI Econ Dev	589664AU5	91.300	\$45,650.00	88.125	3.60%	\$1,587.50	\$265.63
49	IKLT	7/20/2010	\$25,000.00	Meridian, MI Econ Dev	589664AU5	91.300	\$22,825.00	88.125	3.60%	\$793.75	\$132.81
50	HFT	10/21/2011	\$195,000.00	E-470 Colorado Pub. Hwy	26822LDY7	25.500	\$49,725.00	23.779	7.24%	\$3,355.95	\$1,964.88
51	KRT	12/9/2011	\$100,000.00	E-470 Colorado Pub. Hwy	26822LGS7	20.955	\$20,955.00	20.015	4.70%	\$940.00	\$339.55

Total

\$28,693.80

**Corporate and CMO Securities Transactions
2009-2011
(Schedule B)**

Item	Customer Name	Trade Date	Total Par Value	Description of Security	CUSIP	Sale Price	Settlement Factor	Customer's Total Cost/ Proceeds	Purchase Price	% Markup/ Markdown	\$ Markup/ Markdown	\$ Excessive Markup/ Markdown
1	AP	04/08/2009	\$35,000	HBC.OJ	40429CCW0	69.500		\$24,325.00	66.000	5.30%	\$1,225.00	\$532.00
2	DB	04/08/2009	\$20,000	HBC.OJ	40429CCW0	69.500		\$13,900.00	66.000	5.30%	\$700.00	\$300.00
3	CBTBFT	4/8/2009	\$85,000	HBC.OJ	40429CCW0	69.500		\$59,075.00	66.000	5.30%	\$2,975.00	\$1,292.00
4	NM	04/08/2009	\$100,000	HBC.OJ	40429CCW0	69.500		\$69,500.00	66.000	5.30%	\$3,500.00	\$1,520.00
5	BF	4/21/2009	\$36,000	CHRCY.GC	12626PAE3	84.750		\$30,510.00	81.900	3.48%	\$1,026.00	\$141.48
6	JC	04/24/2009	\$400,000	ALD.GA	01903QAA6	38.000		\$152,000.00	36.000	5.56%	\$8,000.00	\$3,680.00
7	AET	5/15/2009	\$25,000	ALL.HQ	02003MAF1	75.85		\$18,962.50	73	3.90%	\$712.50	\$165.00
8	MS	06/24/2009	\$25,000	SLM.GJG	78442FEH7	89.500		\$22,375.00	86.500	3.47%	\$750.00	\$101.25
9*	TG	01/22/2010	\$50,000	SLM.KZ	78442FAX6	80		\$38,500.00	77	3.75%	\$1,500.00	\$300.00
10*	BG	03/01/2010	\$65,000	F.GL	345370BM1	82.25		\$51,512.50	79.25	3.65%	\$1,950.00	\$346.13
11*	TG	03/12/2010	\$50,000	AIG.HLA	02687QBW7	88.15		\$42,500.00	85	3.57%	\$1,575.00	\$252.75
12*	BG	03/16/2010	\$75,000	F.GL	345370BM1	83.25		\$60,093.75	80.125	3.75%	\$2,343.75	\$470.63
13	JAIRA	10/14/2010	\$20,000	HBAC.GD	420122AB9	83		\$16,600.00	80	3.75%	\$600.00	\$120.00
14	JAIRA	10/14/2010	\$20,000	HBAC.GD	420122AB9	83		\$16,600.00	80	3.75%	\$600.00	\$120.00
15	AET	12/2/2011	\$5,000,000	GNMA CMO 2009-062	38373AAV8	13.3	0.371804	\$247,249.66	12.875	3.30%	\$7,900.83	\$720.37
16	JKCRT	12/6/2011	\$100,000	GNMA CMO 2010-168	38377R2F1	94.75	0.627484423	\$59,454.15	91.750	3.27%	\$1,882.45	\$155.30
17	KH	12/6/2011	\$100,000	GNMA CMO 2010-168	38377R2F1	94.75	0.627484423	\$59,454.15	91.750	3.27%	\$1,882.45	\$155.30
18	MFT	12/7/2011	\$50,000	UltraPetrol Bahamas LTD	90400XAC8	95.5		\$47,750.00	92.500	3.24%	\$1,500.00	\$112.50

* = markdown

Total

\$10,484.71