




Agenda Item #: _____

Staff Report

City of Manhattan Beach

TO: Members of the Finance Subcommittee
FROM: Bruce Moe, Finance Director 
DATE: March 15, 2013
SUBJECT: Appointment of Wedbush Securities as Additional City Investment Broker

RECOMMENDATION:

Staff recommends that the Finance Subcommittee approve the selection of Wedbush Securities as an additional investment broker/dealer services.

FISCAL IMPLICATION:

There are no fiscal implications associated with the recommended action.

DISCUSSION:

The City utilizes two broker/dealers to purchase investment securities: Wells Fargo and Citigroup. The City has utilized these two firms for many years. While the City has been pleased with both, particularly with the guidance provided during the economic crisis in 2008-2009, the City Treasurer and staff recommended to the Finance Subcommittee that it would be beneficial to entertain proposals for an additional broker/dealer to augment investment resources. As a result, and with Finance Subcommittee approval, staff issued a Request for Proposal/Questionnaire.

A total of 12 proposals were received from the following firms:

- Oppenheimer and Co., Inc.
- D.A. Davidson & Co.
- Bank of the West
- UnionBanc Investment Services, LLC
- Great Pacific Securities
- Multi-Bank Securities, Inc.
- Mutual Securities, Inc.
- Vining-Sparks IBG, L.P.
- **Wedbush Securities**
- **Piper Jaffray & Co.**
- **Daiwa Capital Markets America Inc.**
- **First Empire Securities, Inc.**

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The Finance Subcommittee delegated the screening process of proposals to the City Treasurer and staff (Finance Director and Financial Analyst). That process included reviewing the submissions and conducting interviews. After reviewing the proposals, the Treasurer and staff selected the four firms shown in bold above to conduct telephone interviews.

After conducting the interviews, and reviewing qualifications, the review committee concluded that Wedbush Securities, and Don Collins as the primary contact, best met the City's needs in terms of experience, capabilities, market knowledge, reporting, offerings and industry track record. The committee therefore recommends that the Finance Subcommittee approve the addition of the Wedbush Securities to the authorized list of investment brokers.

Attachment: Wedbush Securities Proposal

**BROKER/DEALER
QUESTIONNAIRE**

PRESENTED TO:

**CITY OF MANHATTAN
BEACH**

**BRUCE MOE
FINANCE DIRECTOR**

**TIMOTHY LILLIGREN
CITY TREASURER**

October 19, 2012

26 October 2012

Bruce Moe
Finance Director
City of Manhattan Beach
1400 Highland Avenue
Manhattan Beach, Ca 90266

Dear Bruce:

Thank you for opportunity to participate in the City of Manhattan Beach search for Broker Dealer Services. Enclosed you will find our "Request for Approval" packet, which includes copies of our FINRA certification, broker/dealer questionnaire, wiring instructions, financials, Focus Report, personal backgrounds, trade ticket, daily "Bond Update" newsletter, Technical and Fundamental research samples. We look forward to beginning our relationship.

Per our discussion, Founded in 1955, Wedbush Securities is one of the largest private, independent brokerage firms in the United States. The firm specializes in providing brokerage and advisory services to both institutional and private clients. The Private Client division has over 90 regional offices and over 125 nationwide correspondent offices. Wedbush focuses on middle-market companies and their entrepreneurial leaders, and has met the financing needs of numerous successful growth companies across a variety of industries through public offerings, private placements and financial advisory services. Wedbush's research and investment banking groups focus on sectors within technology, consumer goods and services, life sciences, industrial and business service.

The benefit is that The City of Manhattan Beach will be able to deal with a firm that is both dedicated to developing strong personal relationships and providing you with cutting-edge technology, while still receiving the backing of a large clearing institution.

Should you need any further assistance please do not hesitate to call us toll free at 866-579-2871. Don Collins (866-579-2871) and Andrew Deprimio (949-719-3238) will be your contacts for Wedbush Securities. Bruce, I look forward to being of service to you and The City of Manhattan Beach.

Sincerely,



Don Collins
Vice President - Capital Markets IC
Wedbush Securities

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**Department of Finance
City of Manhattan Beach
Office of the City Treasurer
Broker/Dealer Questionnaire and Certification**

- 1. Name of Firm:** *Wedbush Securities*
- 2. Address:** *1600 Newport Center Drive
Suite 100
Newport Beach, Ca 92660*
- National Headquarters:** *1000 Wilshire Blvd
Los Angeles, CA 90017-2457*
- 3. Telephone:** *Newport Beach 866-579-2871
National Headquarters 213-688-8000*
- 4. Primary Representative:** *Don Collins
Vice President - Capital Markets IC
866-579-2871
25 years institutional sales
Joined Wedbush Securities 6/2007
Series 4,7,63
Resume Section 2
Don Collins CRD # 1728413*
- Secondary Representative:** *Andrew Deprimio
Institutional Fixed Income Trader
949-719-3238
Series 3,5,6,7,24,27,63
26 years institutional Trading
Joined Wedbush Securities 6/2007
Resume Section 2*
- Manager:** *Gary Wedbush
Head of Fixed Income
213-866-8061
24+ years institutional sales*

5. **Are you a Primary Dealer in U.S. Government Securities?** No

6. **Are you a Regional Dealer in U.S. Government Securities?** Yes

Wedbush Securities is a Regional Dealer. Founded in 1955, Wedbush Securities is one of the largest private, independent brokerage firms in United States. The firm specializes in providing transaction and trading services to both institutional and private retail clients. Wedbush Securities has over 1000 employees, \$12 billion in assets under custody, and over \$1.6 billion in balance sheet assets. The Private Brokerage division has 90 regional offices and 125 nationwide correspondent offices servicing over 90,000 brokerage clients. Wedbush Securities has been focusing on middle-market companies and their entrepreneurial leaders for the last 50 years, and has met the financing needs of numerous successful growth companies across a variety of industries through public offerings, private placements and financial advisory services. Wedbush's research and investment banking groups focus on sectors within technology, consumer goods and services, life sciences, industrial and business services.

7. **Are you a Broker instead of a Dealer?**

Wedbush Securities is a Broker and Dealer. Wedbush Securities underwrites and holds an inventory of Bonds.

8. **What is the Net Capitalization of your firm?**

*Wedbush Securities \$177,989,000.00 *No risk position 50X Requirement
Financials Attached Section 5

9. **What is the date of your fiscal year end?**

June 30th

10. **If you are a depository institution, please provide the following and most current certified and audited information:**

- **Tangible, Core, and Risk-Based Capital Ratios**

Not applicable to Wedbush Securities. Please refer to Section 5 for Audited financials and the most recent Focus Report

- **CRA Rating – Wedbush Bank CRA is Satisfactory**

Not applicable to Wedbush Securities. Please refer to Section 5 for Audited financials and the most recent Focus Report

11. **Is your Firm owned by a holding company?**

No.

12. **Please Provide your Wiring and Delivery Instructions.** *Attached Section 2*

13. Our trading desk offers the following instruments regularly.

- **Treasuries:**
T-Bills
T-Notes
T-Bonds
T-Strips
- **Agencies:**
FNMA, FHLB, FHLMC, FFCB, FARMERMAC, SLMA, GNMA, TVA, FICO
Bankers Acceptances (domestic and foreign)
Commercial Paper
Medium Term Notes
Certificates of Deposit (bank and S&L)
- **MBS:**
GNMA, FNMA, FHLMC, Balloons, CMO's, Whole Loans

14. Which of the above does your Firm Specialize in Marketing?

- Don Collins specializes in following the investment guidelines of The California Government Code §53601, 53635, 53635.2 et. seq. and offering allowable investments within the guidelines of local policy.
- **Treasuries:**
T-Bills
T-Notes
T-Bonds
T-Strips
- **Agencies:**
FNMA, FHLB, FHLMC, FFCB, FARMERMAC, SLMA, GNMA, TVA, FICO
Bankers Acceptances (domestic and foreign)
Commercial Paper
Medium Term Notes
Certificates of Deposit (bank and S&L)
- **MBS:**

15. Please identify your most directly comparable City Local Agency Clients in Cali-

fornia. Please include references

<u>Entity Name</u>	<u>Contact</u>	<u>Phone Number</u>	
<i>Chino Basis Desaulter Authority</i>	<i>Paula Hooven</i>	<i>909-993-1665</i>	<i>2010</i>
<i>City of Arcadia</i>	<i>Shannan Huang</i>	<i>626-574-5465</i>	<i>2007</i>
<i>City of Burbank</i>	<i>Debbie Kutka</i>	<i>818-238-5880</i>	<i>2006</i>
<i>City of Carson</i>	<i>Karen Avilla</i>	<i>310-830-7600</i>	<i>2008</i>
<i>City of Chico</i>	<i>Jennifer Hennesey</i>	<i>530-895-4844</i>	<i>2000</i>
<i>City of Del Mar</i>	<i>Teresa McBroome</i>	<i>858-755-9354</i>	<i>2011</i>
<i>City of Desert Hot Springs</i>	<i>Jason Simpson</i>	<i>760-329-6411</i>	<i>2009</i>
<i>City of Encintas</i>	<i>Jay Lembach</i>	<i>760-633-2641</i>	<i>1997</i>
<i>City of Escondido</i>	<i>Rene Bojorquez</i>	<i>760-839-4301</i>	<i>2000</i>
<i>City of Gardena</i>	<i>Erica Reyes</i>	<i>310-217-9664</i>	<i>1992</i>
<i>City of Hermosa Beach</i>	<i>David Cohn</i>	<i>310-318-0221</i>	<i>1998</i>
<i>City of Inglewood</i>	<i>Wanda Brown</i>	<i>310-412-5642</i>	<i>2000</i>
<i>City of Irvine</i>	<i>Donna Mullally</i>	<i>949-724-6037</i>	<i>2007</i>
<i>City of Lake Forest</i>	<i>Keith Neves</i>	<i>949-461-3431</i>	<i>2008</i>
<i>City of Monrovia</i>	<i>Mark Alvarado</i>	<i>626-932-5510</i>	<i>1990</i>
<i>City of Moorpark</i>	<i>Ron Ahlers</i>	<i>805-517-6249</i>	<i>2010</i>
<i>City of Novato</i>	<i>Deborah Lauchner</i>	<i>415-899-8912</i>	<i>1992</i>
<i>City of Pomona</i>	<i>Doug Peterson</i>	<i>909-620-2454</i>	<i>1998</i>
<i>City of Richmond</i>	<i>Tracey Lovely</i>	<i>510-620-6750</i>	<i>2004</i>
<i>City of Santa Cruz</i>	<i>Jack Diles</i>	<i>831-420-5055</i>	<i>2010</i>
<i>City of Torrance</i>	<i>Dana Cortez</i>	<i>310-618-5801</i>	<i>2004</i>
<i>City of Turlock</i>	<i>Diana Lewis</i>	<i>209-668-5570</i>	<i>1998</i>
<i>City of Vacaville</i>	<i>Geoff Bunton</i>	<i>707-449-5119</i>	<i>1991</i>
<i>City of Visalia</i>	<i>Jason Montgomery</i>	<i>559-738-3423</i>	<i>1994</i>
<i>City of Vista</i>	<i>Denise Collins</i>	<i>760-726-1340</i>	<i>2006</i>
<i>City of West Covina</i>	<i>Dennis Swink</i>	<i>626-814-8448</i>	<i>1995</i>
<i>County of Calaveras</i>	<i>Barbara Sullivan</i>	<i>209-754-6350</i>	<i>2002</i>
<i>County of Colusa</i>	<i>Dan Charter</i>	<i>530-458-0440</i>	<i>2000</i>
<i>County of Del Norte</i>	<i>Dawn Langston</i>	<i>707-464-7283</i>	<i>2004</i>
<i>County of Fresno</i>	<i>Mark Bray</i>	<i>559-488-3564</i>	<i>2006</i>
<i>County of Humboldt</i>	<i>John Bartholemew</i>	<i>877-897-5692</i>	<i>2005</i>
<i>County of Imperial</i>	<i>Suzanne Bermudez</i>	<i>760-482-4479</i>	<i>2003</i>
<i>County of Lassen</i>	<i>Richard Eagen</i>	<i>530-251-8218</i>	<i>2002</i>
<i>County of Merced</i>	<i>Karen Adams</i>	<i>209-385-7307</i>	<i>2010</i>
<i>County of Monterey</i>	<i>Eamon Mahar</i>	<i>831-755-5490</i>	<i>2003</i>
<i>County of Nevada</i>	<i>Tina Vernon</i>	<i>530-265-1704</i>	<i>2011</i>
<i>County of San Francisco</i>	<i>Michelle Durgy</i>	<i>415-554-5210</i>	<i>2011</i>
<i>County of Shasta</i>	<i>Lori Scott</i>	<i>530-245-6892</i>	<i>2004</i>
<i>County of Siskiyou</i>	<i>Wayne Hammar</i>	<i>530-842-8342</i>	<i>2005</i>
<i>County of Solano</i>	<i>Michael Cooper</i>	<i>707-784-6312</i>	<i>2000</i>
<i>County of Tehama</i>	<i>Dana Hollmer</i>	<i>530-527-4535</i>	<i>1998</i>
<i>County of Trinity</i>	<i>Terri McBrayer</i>	<i>530-623-1254</i>	<i>2011</i>

<i>County of Yuba</i>	<i>Dan Mierzwa</i>	<i>530-749-5624</i>	<i>2009</i>
<i>Fairfield Suisun Sewer District</i>	<i>Helen Del Rosario</i>	<i>707-429-8930</i>	<i>1998</i>
<i>Inland Empire Utilities District</i>	<i>Paula Hooven</i>	<i>909-993-1665</i>	<i>2010</i>
<i>Marin County Water District</i>	<i>Oreen Delgado</i>	<i>415-945-1420</i>	<i>2001</i>
<i>Monte Vista Water District</i>	<i>Ray Harton</i>	<i>909-624-0035</i>	<i>2005</i>
<i>Otey Water District</i>	<i>Wes Owen</i>	<i>619-670-2250</i>	<i>1998</i>
<i>San Diego County Water Authority</i>	<i>Patti Cirello</i>	<i>858-522-6678</i>	<i>2002</i>
<i>Santa Clara Valley Water District</i>	<i>Charlene Sun</i>	<i>408-265-3175 x2528</i>	<i>2000</i>
<i>SAWPA</i>	<i>Karen Williams</i>	<i>951-354-4236</i>	<i>2002</i>
<i>South Coast Water District</i>	<i>Jay Lembach</i>	<i>949-499-4555</i>	<i>2006</i>

**16. What reports, transactions, confirmations, and documents would we receive?
Will they be in electronic form?**

- *Bloomberg trade tickets, Security display, Call page Credit pages as well as Rating Agency outlooks.*
- *First phone call confirms transaction by Broker*
- *Second phone call confirms trade by Clearing Department*
- *Email, fax copy of transaction*
- *Statement of transaction from Wedbush Securities
Monthly and Quarterly statement of Account activity
-Refer to Section 8*
- **All documents can be sent electronically**

17. Please include samples of research reports or market information that your firm regularly provides to local agency clients. Please include sample Daily Offering sheets with your proposal.

Please refer to sections 6,7,8

18. What precautions are taken by your firm to protect the interests of the public when dealing with governmental agencies as investors.

Don Collins is available for contact 24 hours per day 7 days a week (714-585-5092 cell) to answer questions regarding the institutional bond markets. This number is available to the investment officer, coworkers and the Cities constituents.

My philosophy regarding the investment of Municipal reserve funds: any and all ideas must pass the flow chart of:

A: California state code of investing (53601),

B: The City of Manhattan Beach investment policy (Safety, Liquidity, Return), and

C: Does it withstand the "Fiduciary responsibility" and "prudent-man" concept and adhere to the client's investment policy.

Our client relationships are one of our most valuable assets. We recognize that our client base is comprised of those entities requiring various levels of involvement in the constantly developing market of fixed income investments available today.

There are those individuals whose sole function is portfolio management and yield enhancement who are intimately aware of both market movement and product

development. Accordingly, we are prepared to accommodate each client in direct proportion to their level of need and experience and to participate, as necessary, in the broadening of their level of knowledge in a sometimes seemingly complex marketplace.

When dealing with a client, Wedbush Securities requires the following information:

- *Most recent audited financial statements*
- *Trading authorization or authorizing Resolution from local governing body for customer's investment personnel*
- *Customer's investment policy*
- *DVP Agreement*
- *All trades done on a competitive basis*
- *All trades reviewed by principal for appropriateness*
- *No discretionary accounts for "public funds" clients*
- *All monthly statement reviewed by a principal for excessive activity*
- *All trades telephonically confirmed same day with customer by a third party in our operations department.*
- *No reverse Repo's*
- *All settlements are DVP*
- *Experienced Account Executives and Traders*

19. Have you or your firm been censored or punished by a regulatory State or Federal agency for improper or fraudulent, activities related to the sale of securities within the last 5 years?

Institutional Fixed Income Securities - No.

Sales to any Public Entity – No

Wedbush Securities has not and is not involved in any pending action regarding public sector accounts and institutional fixed income trading. Wedbush Securities has been in business since 1955 and has had a number of claims from retail equity sales ,supervisory issues and late trace reporting. Please refer to the FINRA website (brokercheck) for a complete list of disclosure events.

Wedbush Morgan CRD# 877

Wedbush Morgan SEC # 8-12987

Don Collins CRD # 1728413

20. If yes, please explain.

*Institutional Fixed Income Securities - No.
Sales to any Public Entity – No*

Wedbush Securities has not and is not involved in any pending action regarding public sector accounts and institutional fixed income trading. Wedbush Securities has been in business since 1955 and has had a number of claims from retail equity sales ,supervisory issues and late trace reporting. Please refer to the FINRA website (brokercheck) for a complete list of disclosure events.

*Wedbush Morgan CRD# 877
Wedbush Morgan SEC # 8-12987
Don Collins CRD # 1728413*

21. Please indicate and provide evidence of the current licensing status of the City's representatives: *Please refer to resume and broker check section 1*

22. Is your firm a member of NASD? *YES*
Does it subscribe to the "Rules of Fair Practice"? *YES*
NASD/FINRA membership approved 7-30-1955

23. Please include the resume of the person who will be assigned to the City of Manhattan Beach. *Section 1*

CITY OF MANHATTAN BEACH
— CERTIFICATION of Understanding —

By submitting a proposal you acknowledge that:

1. You have read and are familiar with the City's Investment Policy as well as applicable Federal and State laws.
2. You meet the requirements as outlined in the City's Investment Policy.
3. You agree to make every reasonable effort to protect the assets of the City from loss.
4. You agree to notify the City, in writing, of any potential conflicts of interest.
5. You agree to notify the City, in writing, of any changes in personnel with decision-making authority over the City's funds within 24 hours of such event.

Failure to submit a Certification of Understanding shall result in the withdrawal by the City of all funds held by the financial institution or investment manager and the immediate revocation of any rights to act as an agent of the City for the purchase of securities of investment of funds on behalf of the City. The City Council is committed to the goals of a Community Reinvestment Act (CRA). As part of the certification process for depository institutions, it is requested that you remit evidence of your most recent CRA rating.

Signed: Don Collins Date: October 19, 2012

Print Name and Title: Don Collins VP Capital Markets etc

After reading and signing this Certification of Understanding, please return with any supporting Documentation to:

Bruce Moe, Finance Director
City of Manhattan Beach

1400 Highland Avenue, Manhattan Beach, CA 90266

City _____ of use only:
Approved: _____ Disapproved: _____ Date: _____

Signature: _____
Date Notification sent: _____ Sent by: _____

City of Manhattan Beach
Broker Dealer Receipt of Investment Policy

We are in receipt of the City of Manhattan Beach Statement of Investment Policy.

We have read the policy and understand the provisions of the policy. All salespersons covering the City's account will be made aware fo the policy and will be directed to give considerations to its provisions and constraints in selecting investments opportunities to present to the City.

Signed: 

Title: VP Capital Markets, LLC

Signed: 

Title: Traden

Firm Name: Wedbush Securities October 19, 2012

After reading and signing this receipt of Investment Policy, please return with any supporting Documentation to:

Bruce Moe, Finance Director
City of Manhattan Beach
1400 Highland Avenue, Manhattan Beach, CA 90266

City _____ of use only:
Approved: _____ Disapproved: _____ Date: _____

Signature: _____
Date Notification sent: _____ Sent by: _____

Don W. Collins

- EDUCATION:** **University of Southern California**
Los Angeles, CA
B.S. Business Administration (Emphasis in Finance). May 1986
- EXPERIENCE:** **Wedbush Morgan Securities, Los Angeles, Ca** **June 2007 -Present**
Vice President - Fixed Income, Capital Market Division
Service public sector clients by providing portfolio analytics and trading strategies.
Trade fixed income securities between institutional investors and dealer contacts.
Conduct education seminars for County and City investment officers as well as committee members.
- Brookstreet Securities Corporation, Irvine, Ca** **Aug. 2004 – June 2007**
Managing Director - Capital Markets
Service public sector clients by providing portfolio analytics and trading strategies. Trade fixed income securities between institutional investors and dealer contacts. Conduct education seminars for County and City investment officers as well as committee members.
- Finacorp Securities / Tradebonds.com, Newport Beach, CA** **Jan. 2001 – Aug. 2004**
Senior Vice President – Capital Markets
Assisting Institutional clients with their portfolio management needs. Specializing in the use of technical analysis with the use of proprietary synthetic spread moving averages. Assisted in the process of developing an internet based fixed income trading platform dedicated to sophisticated portfolio analytics and portfolio optimization.
- TDI, Inc., Newport Beach, CA** **Jan. 1991 – Jan. 2001**
Vice President - Institutional Sales
Full service brokerage firm focusing mainly on fixed income institutional sales. Responsibilities included the trading and analysis of corporates, municipals, governments and mortgage backed bonds to a base of municipal institutional clients. Developed consultative style of professional management to assist investment managers with their portfolios.
- Liberty Capital Markets., Irvine, Ca** **Dec. 1986 – Jan. 1994**
Institutional Sales
Serviced Institutional Municipal portfolio managers with their investing and portfolio management. Helped grow the California client base from fifteen to over one hundred institutions. Became an active member of the California Municipal Treasurers Association, California Association of County Treasurers and Tax Collectors and the Government Finance Officers Association.
- Professional Licenses:** Series 7- NASD registered representative
Series 4 – Registered Options Principal
Series 63 – Uniform Securities State Law Exam
Organization Member: CMTA, CACTTC, GIOA,

Broker Qualifications



Registrations

This section provides the self-regulatory organizations (SROs) and U.S. states/territories the broker is currently registered and licensed with, the category of each registration, and the date on which the registration became effective. This section also provides, for every brokerage firm with which the broker is currently employed, the address of each branch where the broker works.

This individual is currently registered with 3 SROs and is licensed in 5 U.S. states and territories through his or her employer.

Employment 1 of 1

Firm Name: **WEDBUSH SECURITIES INC.**
 Main Office Address: **1000 WILSHIRE BLVD. SUITE 900**
ATTN: BUSINESS CONDUCT
LOS ANGELES, CA 90017-2457
 Firm CRD#: **877**

SRO	Category	Status	Date
FINRA	General Securities Representative	APPROVED	06/22/2007
FINRA	Registered Options Principal	APPROVED	06/22/2007
NASDAQ Stock Market	General Securities Representative	APPROVED	06/22/2007
New York Stock Exchange	General Securities Representative	APPROVED	06/22/2007
New York Stock Exchange	Registered Options Principal	APPROVED	06/22/2007

U.S. State/ Territory	Category	Status	Date
Arizona	Agent	APPROVED	02/29/2008
California	Agent	APPROVED	06/22/2007
New York	Agent	APPROVED	06/22/2007
North Dakota	Agent	APPROVED	06/22/2007
Ohio	Agent	APPROVED	06/30/2008

Branch Office Locations

WEDBUSH SECURITIES INC.
1600 NEWPORT CENTER DR
STE 100

ANDREW C. DEPRIMIO
Office 949-719-3237, Home 949-360-0634

PROFESSIONAL EXPERIENCE

June 2007

Wedbush Morgan Securities

Present

Institutional Bond Division Wedbush Morgan Securities Corporation

Newport Beach, CA

- ! Trading of all fixed income securities between institutional investors and dealer contacts.
- ! Specializing in portfolio advisement, interest rate risk management, and market timing.
- ! Institutional account advisor for a U.S. Government Agency and Investment Advisors.
- ! Product Knowledge includes U.S. Treasuries, Government Agencies, Mortgage Backed Securities, Money Market Instruments and Corporate Bonds.

May 1997

BROOKSTREET SECURITIES CORPORATION

June 2007

Branch Manager Institutional Bond Division Brookstreet Securities Corporation

Irvine, CA

- ! Trading of all fixed income securities between institutional investors and dealer contacts.
- ! Specializing in portfolio advisement, interest rate risk management, and market timing.
- ! Institutional account advisor for a U.S. Government Agency and Investment Advisors.
- ! Product Knowledge includes U.S. Treasuries, Government Agencies, Mortgage Backed Securities, Money Market Instruments and Corporate Bonds.

April 1992

FORESIGHT CAPITAL MANAGEMENT

Irvine, CA

to May 1997

Vice President, Fixed Income Trading & Sales

- ! Trading of all fixed income securities between institutional investors and dealer contacts.
- ! Specializing in portfolio advisement, interest rate risk management, and market timing.
- ! Institutional account advisor for Investment Advisors, bank trust departments and Insurance companies.

February 1991

to March 1992

Residential and Commercial Real Estate Mortgage Banker

- ! Origination real estate loans.
- ! Hedging mortgage production prior to sale in secondary market.

April 1986

to September 1990

Primary Dealer in U.S. Government Securities

- ! Senior Trader, Institutional Market Services Division Fixed Income Soft Dollars.
- ! Responsible for trading all fixed income securities.
- ! Develop and maintain sales relationships of major institutional accounts.
- ! Established overall business strategies and policies, training, and supervision of four traders and two salespersons.

March 1985

to April 1986

Account Executive: Institutional Trust Services

- ! Responsible for the daily execution of trades for institutional accounts. This includes maintenance of existing accounts for banks, brokers, and dealers, solving problems and passive sales.
- ! Worked directly with assigned sales representatives to set up new accounts in New York area. Interface with all departments of sub-custodian Bank of New York.

PROFESSIONAL QUALIFICATIONS

Series 24 General Securities Principal

Series 7 General Securities Registered Rep

Series 5 Interest Rate Options

Series 3 Futures

Series 27 Financial and Operations Principal

Series 63 National Uniform Securities Agent

Series 6 Investment Company Products

Series 30 Futures Branch Manager

Bond Market Course, New York Institute of Finance

California Real Estate License.

EDUCATION

1985

Fordham University

B.S. - Economics, major emphasis of study was Business/Finance with minor in marketing.

Broker Qualifications



Registrations

This section provides the self-regulatory organizations (SROs) and U.S. states/territories the broker is currently registered and licensed with, the category of each registration, and the date on which the registration became effective. This section also provides, for every brokerage firm with which the broker is currently employed, the address of each branch where the broker works.

This individual is currently registered with 3 SROs and is licensed in 15 U.S. states and territories through his or her employer.

Employment 1 of 1

Firm Name: **WEDBUSH SECURITIES INC.**
 Main Office Address: **1000 WILSHIRE BLVD, SUITE 900**
ATTN: BUSINESS CONDUCT
LOS ANGELES, CA 90017-2457
 Firm CRD#: **877**

SRO	Category	Status	Date	U.S. State/ Territory	Category	Status	Date
FINRA	Financial and Operations Principal	APPROVED	06/27/2007	Florida	Agent	APPROVED	01/19/2011
FINRA	General Securities Principal	APPROVED	06/27/2007	Georgia	Agent	APPROVED	06/27/2007
FINRA	General Securities Representative	APPROVED	06/27/2007	Massachusetts	Agent	APPROVED	06/27/2007
NASDAQ Stock Market	Financial and Operations Principal	APPROVED	06/27/2007	Nebraska	Agent	APPROVED	06/27/2007
NASDAQ Stock Market	General Securities Principal	APPROVED	06/27/2007	New Jersey	Agent	APPROVED	06/27/2007
NASDAQ Stock Market	General Securities Representative	APPROVED	06/27/2007				
New York Stock Exchange	Financial and Operations Principal	APPROVED	06/26/2010				
New York Stock Exchange	General Securities Principal	APPROVED	06/26/2010				
New York Stock Exchange	General Securities Representative	APPROVED	06/27/2007				



WEDBUSH MORGAN SECURITIES

DELIVERY INSTRUCTIONS

U.S. GOVERNMENT ISSUES/MORTGAGE-BACKED SECURITIES

Book-entry transactions (Fed Wire)

Bank of New York

One Wall Street

New York, NY 10286

BK OF NYC/WEDBUSH

ABA#021 000 018

SDFS (SAME DAY FUNDS SETTLEMENT) DTC

#0103 WEDBUSH (WEDB)

MONEY TRANSFERS/WIRES

Bank of New York

New York, NY

ABA Routing #021 000 018

Credit Wedbush Morgan Securities

Account #854 090 00 01

Include Client Name & Corresponding

WMS 8 digit account number if applicable

EUROCLEAR

Euroclear #99766

NON-EUROCLEAR

Merrill Lynch Pierce Fenner & Smith
(Formerly known as Smith Newcourt)

101 Hudson Street, 11th Floor

Jersey City, NJ 07302

(201) 557-4227

Account #640-80103

PHYSICAL TRANSACTIONS

Wedbush Morgan Securities

61 Broadway, 22nd Floor, Ste. 2225

New York, NY

(212) 668-9892

Wedbush Morgan Securities

1000 Wilshire Blvd., 8th Floor

Los Angeles, CA 90017

(213) 688-4500

INSTITUTIONAL ACCOUNT

Account #93269

TAX IDENTIFICATION NUMBER – 952-495390

Firm Operations

Registrations (continued)

U.S. States & Territories	Status	Date Effective	U.S. States & Territories	Status	Date Effective
Alabama	Approved	01/28/1988	North Carolina	Approved	07/15/1982
Alaska	Approved	04/30/1971	North Dakota	Approved	05/02/2001
Arizona	Approved	05/22/1975	Ohio	Approved	08/06/1984
Arkansas	Approved	08/27/1997	Oklahoma	Approved	11/25/1986
California	Approved	03/01/1989	Oregon	Approved	10/24/1981
Colorado	Approved	02/01/1983	Pennsylvania	Approved	02/20/1987
Connecticut	Approved	12/01/1988	Puerto Rico	Approved	08/06/1998
Delaware	Approved	08/07/1987	Rhode Island	Approved	11/25/1987
District of Columbia	Approved	08/12/1987	South Carolina	Approved	02/12/1988
Florida	Approved	04/27/1983	South Dakota	Approved	06/17/1986
Georgia	Approved	07/11/1986	Texas	Approved	07/25/1983
Hawaii	Approved	01/08/1970	Utah	Approved	04/21/1983
Idaho	Approved	12/07/1987	Vermont	Approved	12/03/1987
Illinois	Approved	09/03/1982	Virginia	Approved	04/25/1984
Indiana	Approved	08/09/1985	Washington	Approved	04/20/1983
Iowa	Approved	07/15/1983	West Virginia	Approved	05/04/1987
Kansas	Approved	06/18/1987	Wisconsin	Approved	01/22/1980
Kentucky	Approved	01/28/1985	Wyoming	Approved	06/22/1982
Louisiana	Approved	03/25/1986			
Maine	Approved	05/18/1999			
Maryland	Approved	12/05/1983			
Massachusetts	Approved	10/09/1990			
Michigan	Approved	12/10/1985			
Minnesota	Approved	07/15/1982			
Mississippi	Approved	03/21/1989			
Missouri	Approved	08/23/1983			
Montana	Approved	07/10/1984			
Nebraska	Approved	03/07/1985			
Nevada	Approved	07/19/1983			
New Hampshire	Approved	12/20/1999			
New Jersey	Approved	07/19/1983			
New Mexico	Approved	02/05/1986			
New York	Approved	01/02/1985			



Firm Operations



Types of Business

This section provides the types of business, including non-securities business, the brokerage firm is engaged in or expects to be engaged in.

This firm currently conducts 18 types of businesses.

Types of Business

Exchange member engaged in exchange commission business other than floor activities

Exchange member engaged in floor activities

Broker or dealer making inter-dealer markets in corporation securities over-the-counter

Broker or dealer retailing corporate equity securities over-the-counter

Broker or dealer selling corporate debt securities

Underwriter or selling group participant (corporate securities other than mutual funds)

Mutual fund retailer

U S. government securities dealer

U S. government securities broker

Municipal securities dealer

Municipal securities broker

Broker or dealer selling variable life insurance or annuities

Broker or dealer selling oil and gas interests

Put and call broker or dealer or option writer

Investment advisory services

Trading securities for own account

Private placements of securities

Other

Other Types of Business

This firm does affect transactions in commodities, commodity futures, or commodity options.

This firm does not engage in other non-securities business.

Non-Securities Business Description:

Firm Operations

Registrations

This section provides information about the regulators (Securities and Exchange Commission (SEC), self-regulatory organizations (SROs), and U.S. states and territories) with which the brokerage firm is currently registered and licensed, the date the registration became effective, and certain information about the firm's SEC registration.

This firm is currently registered with the SEC, 16 SROs and 51 U.S. states and territories.

Federal Regulator	Status	Date Effective
SEC	Approved	10/20/1966

SEC Registration Questions

This firm is registered with the SEC as:

- A broker-dealer: Yes
- A broker-dealer and government securities broker or dealer: Yes
- A government securities broker or dealer only: No
- This firm has ceased activity as a government securities broker or dealer: No

Self-Regulatory Organization

FINRA	Status	Date Effective
BATS Y-Exchange, Inc.	Approved	07/30/1955
BATS Z-Exchange, Inc.	Approved	09/01/2010
BOX Options Exchange LLC	Approved	08/18/2008
Chicago Board Options Exchange	Approved	05/07/2012
Chicago Stock Exchange	Approved	08/13/2008
EDGA Exchange, Inc.	Approved	08/07/1990
EDGX Exchange, Inc.	Approved	05/27/2010
International Securities Exchange	Approved	05/27/2010
NASDAQ OMX BX, Inc.	Approved	06/26/2007
NASDAQ OMX PHLX, Inc.	Approved	01/12/2009
NASDAQ Stock Market	Approved	06/13/2006
NYSE Arca, Inc.	Approved	07/12/2006
NYSE MKT LLC	Approved	10/29/2004
National Stock Exchange	Approved	02/25/1988
New York Stock Exchange	Approved	06/14/2004
	Approved	11/17/1982





WEBBSEC-C1

EFOSTER

CERTIFICATE OF LIABILITY INSURANCEDATE (MM/DD/YYYY)
8/3/2012

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER License # 0008309 Bolton & Company P.O. Box 6030 Pasadena, CA 91102-6030	CONTACT NAME:		
	PHONE (A/C, No., Ext): (626) 799-7000	FAX (A/C, No.): (626) 441-3233	
	E-MAIL ADDRESS:		
	INSURER(S) AFFORDING COVERAGE		NAIC #
INSURED Wedbush Securities Inc. P.O. Box 30014 Los Angeles, CA 90030	INSURER A : American Zurich Insurance Co		
	INSURER B : American Guarantee & Liab		
	INSURER C : Federal Insurance Company		20281
	INSURER D :		
	INSURER E :		
	INSURER F :		

COVERAGES

CERTIFICATE NUMBER:

REVISION NUMBER:

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	ADDL INSR	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS
A	GENERAL LIABILITY			CPO552513600	7/1/2012	7/1/2013	EACH OCCURRENCE \$ 1,000,000
	<input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY						DAMAGE TO RENTED PREMISES (Ea occurrence) \$ 1,000,000
	<input type="checkbox"/> CLAIMS-MADE <input checked="" type="checkbox"/> OCCUR						MED EXP (Any one person) \$ 10,000
	GEN'L AGGREGATE LIMIT APPLIES PER:						PERSONAL & ADV INJURY \$ 1,000,000
	<input type="checkbox"/> POLICY <input type="checkbox"/> PROJECT <input type="checkbox"/> LOC						GENERAL AGGREGATE \$ 2,000,000
							PRODUCTS - COMP/OP AGG \$ 2,000,000
A	AUTOMOBILE LIABILITY			CPO552513600	7/1/2012	7/1/2013	COMBINED SINGLE LIMIT (Ea accident) \$ 1,000,000
	<input type="checkbox"/> ANY AUTO ALL OWNED AUTOS						BODILY INJURY (Per person) \$
	<input checked="" type="checkbox"/> HIRED AUTOS	<input checked="" type="checkbox"/> SCHEDULED AUTOS	<input checked="" type="checkbox"/> NON-OWNED AUTOS				BODILY INJURY (Per accident) \$
							PROPERTY DAMAGE (Per accident) \$
							\$
A	<input checked="" type="checkbox"/> UMBRELLA LIAB		<input checked="" type="checkbox"/> OCCUR	AUC552514500	7/1/2012	7/1/2013	EACH OCCURRENCE \$ 4,000,000
	<input type="checkbox"/> EXCESS LIAB		<input type="checkbox"/> CLAIMS-MADE				AGGREGATE \$ 4,000,000
	<input type="checkbox"/> DED <input checked="" type="checkbox"/> RETENTION \$						\$
B	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY			WC552514000	7/1/2012	7/1/2013	<input checked="" type="checkbox"/> WC STATUTORY LIMITS <input type="checkbox"/> OTHER
	ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH)	Y/N	N/A				E.L. EACH ACCIDENT \$ 1,000,000
	If yes, describe under DESCRIPTION OF OPERATIONS below	<input checked="" type="checkbox"/> Y					E.L. DISEASE - EA EMPLOYEE \$ 1,000,000
							E.L. DISEASE - POLICY LIMIT \$ 1,000,000
C	Financial			81906494	7/1/2012	7/1/2013	Occurrence 10,000,000
C	Institution Bond			81906494	7/1/2012	7/1/2013	Aggregate 20,000,000

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (Attach ACORD 101, Additional Remarks Schedule, if more space is required)

RE: Operations of the Named Insured. **Financial Institution Bond - \$500,000 Deductible.

CERTIFICATE HOLDER**CANCELLATION**

Inland Empire Utilities Agency
Financial Planning Department
6075 Kimball Avenue
Chino, CA 91708

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.

AUTHORIZED REPRESENTATIVE

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Grant Thornton

Statement of Financial Condition and Report of
Independent Registered Public Accounting Firm

WEDBUSH SECURITIES INC.

June 30, 2012

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Report of Independent Registered Public Accounting Firm

The Board of Directors
Wedbush Securities Inc.:

Audit • Tax • Advisory
Grant Thornton LLP
515 South Flower Street, 7th Floor
Los Angeles, CA 90071-2201
T 213.627.1717
F 213.624.6793
www.GrantThornton.com

We have audited the accompanying statement of financial condition of Wedbush Securities Inc. (the Company) as of June 30, 2012 that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of financial condition, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement of financial condition presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the statement of financial condition referred to above presents fairly, in all material respects, the financial position of Wedbush Securities Inc. as of June 30, 2012 in conformity with accounting principles generally accepted in the United States of America.

GRANT THORNTON LLP

Los Angeles, California
August 27, 2012

WEDBUSH SECURITIES INC.
Statement of Financial Condition

	As of June 30,
	2012
Assets	
Cash and cash equivalents	\$ 105,025,000
Cash and securities segregated for regulatory purposes	1,617,399,000
Receivables	
Brokers, dealers, and clearing organizations	283,369,000
Clients, less reserves of \$6,162,000	301,118,000
Other	71,131,000
Securities borrowed	1,033,625,000
Securities purchased under agreements to resell	12,099,000
Securities owned, at fair value	199,590,000
Deferred tax assets	6,344,000
Other assets	1,383,000
Total assets	\$ 3,631,083,000
Liabilities and stockholder's equity	
Bank loan payable	\$ —
Payables	
Brokers, dealers, and clearing organizations	19,411,000
Clients	2,025,080,000
Securities loaned	1,047,765,000
Securities sold under repurchase agreements	96,747,000
Securities sold, not yet purchased, at fair value	121,931,000
Accounts payable and accrued liabilities	55,798,000
Total liabilities	3,366,732,000
Commitments and contingent liabilities	
Stockholder's equity	
Common stock, \$0.10 stated value. Authorized 20,000,000 shares;	
7,000,000 shares issued and outstanding	700,000
Additional paid-in capital	10,318,000
Retained earnings	255,099,000
Parent treasury stock, 106,349 shares	(1,766,000)
Total stockholder's equity	264,351,000
Total liabilities and stockholder's equity	\$ 3,631,083,000

See accompanying notes to financial condition.

WEDBUSH SECURITIES INC.
NOTES TO STATEMENT OF FINANCIAL CONDITION
June 30, 2012

(1) Summary of Significant Accounting Policies

Wedbush Securities Inc. (the Company) is an investment bank registered with the U.S. Securities and Exchange Commission as a securities broker-dealer. The Company changed its name from Wedbush Morgan Securities Inc. on February 16, 2010. The Company is wholly owned by WEDBUSH, Inc.

A summary of significant accounting policies is either discussed below or included in the following footnotes.

(a) Use of Estimates

In preparing the financial statements, management is required to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements, revenues, and expenses during the reported period. The most important of these estimates and assumptions relate to fair value measurements. Although these and other estimates and assumptions are based on the best available information, actual results could be materially different from these estimates.

(b) Securities Transactions

The Company records its securities transactions on a trade date basis.

(c) Cash and Cash Equivalents

Cash and cash equivalents include investments in money market funds.

(d) Securities Purchased Under Agreements to Resell

Securities purchased under agreements to resell are collateralized financing transactions and are recorded at their contracted repurchase amounts, with accrued interest. Contract values approximate fair market value. It is the policy of the Company to obtain collateral with a fair value equal to, or in excess of, the principal amount loaned under resell agreements.

(e) Accounting Developments

The following Accounting Standards Updates (ASU) are not expected to have any material impact on the Company's financial statements.

In November 2011, the Financial Accounting Standards Board (FASB) issued ASU 2011-11, *Disclosures about Offsetting Assets and Liabilities* (Topic 210). This update affects the netting of financial instruments on the statement of financial condition. The ASU is effective for fiscal years, and interim periods within those years, beginning on or after January 1, 2013. Retrospective application of the disclosures is required for all periods presented within the financial statements. The Company does not expect this update will impact its financial statements.

WEDBUSH SECURITIES INC.
NOTES TO STATEMENT OF FINANCIAL CONDITION - CONTINUED
June 30, 2012

(2) Cash and Securities Segregated for Regulatory Purposes

The Company segregates cash, short-term investments purchased under an agreement to resell, and securities owned according to the regulatory standards of 15c3-3 of the Securities and Exchange Act of 1934. These assets are held in segregated accounts exclusively for the benefit of clients. Cash is held in money market deposit accounts at banks. Short-term investments are purchased under agreements to resell and are carried at the amounts at which the securities will subsequently be resold, as specified in the related agreements and consist of U.S. treasuries and securities guaranteed by the U.S. government. Securities segregated consist of securities guaranteed by the U.S. government.

Cash	\$ 50,095,000
Short-term investments purchased under agreements to resell	1,541,000,000
Securities owned	26,304,000
Total cash and securities segregated for regulatory purposes	\$ 1,617,399,000

(3) Clients Receivable and Clients Payable

Amounts receivable from and payable to clients include amounts due or held in cash and on margin transactions. Receivables from clients are generally fully secured by securities held in the clients' accounts. The value of securities owned by clients and held as collateral for the receivables is not reflected in the statement of financial condition.

A reserve is established for amounts due from clients and others to the degree to which the receivable is unsecured. The Company also establishes a general reserve against accounts receivable for amounts that it determines in its best estimate may become uncollectible. Factors considered by management in determining the amount of the allowance include past experience, degree of concentration and quality of collateral. Receivables are presented net of uncollectible reserves. The reserve as of June 30, 2012 was \$6,162,000.

(4) Receivables from and Payables to Brokers, Dealers and Clearing Organizations

Amounts receivable from and payable to brokers, dealers and clearing organizations result from the Company's normal trading activities and consist of the following:

Securities failed to deliver	\$ 907,000
Amounts due from brokers and dealers through clearing organizations	244,954,000
Deposits with clearing organizations	37,508,000
Total receivables from brokers, dealers, and clearing organizations	\$ 283,369,000
Securities failed to receive	\$ 4,085,000
Other	15,326,000
Total payables to brokers, dealers, and clearing organizations	\$ 19,411,000

Fails to deliver and fails to receive represent the contractual value of securities that have not been delivered or received on or before the settlement date.

WEDBUSH SECURITIES INC.
NOTES TO STATEMENT OF FINANCIAL CONDITION - CONTINUED
June 30, 2012

(5) Securities Borrowed and Securities Loaned Transactions

Securities borrowed and securities loaned transactions are recorded at the amount of cash collateral advanced or received. Collateral in the form of cash or securities is exchanged for securities borrowed and is received for securities loaned based on the approximate fair value of the related securities. The collateral is adjusted daily to reflect changes in the current market value of the underlying securities. Contract values approximate fair market value.

(6) Financial Instruments

The Company's financial instruments that are carried at fair value include securities owned, securities segregated, and securities sold, not yet purchased.

(a) Fair Value of Financial Instruments

Fair value is defined under Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures* as the price which would be received to sell an asset or would be paid to settle a liability (i.e. "the exit price") in an orderly transaction between market participants at the measurement date. ASC 820 establishes a fair value hierarchy that prioritizes inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to the use of observable inputs and lowest priority to the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are based on market pricing data obtained from sources independent of the Company. Unobservable inputs reflect the Company's judgment about the assumptions market participants would use in pricing the asset or liability. The three levels of the fair value hierarchy based on observability of inputs are as follows:

Level 1 – Valuations based on quoted prices available in active markets for identical assets or liabilities.

Level 2 – Valuations based on quoted prices in markets that are not active, or for which all significant inputs are considered observable, either directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

(b) Valuation Technique

Securities owned and securities sold, not yet purchased that are reported as Level 1 are based on quotes for closing prices from national securities exchanges as well as reported bid and offer quotes from parties trading the security. If quoted prices are not available, fair values are obtained from pricing services, broker quotes, or other model-based valuation techniques, and are reported as Level 2.

During the year ended June 30, 2012, there were no changes to the valuation techniques employed by the Company in determining fair value.

WEDBUSH SECURITIES INC.
NOTES TO STATEMENT OF FINANCIAL CONDITION - CONTINUED
June 30, 2012

(c) Detail of Financial Instruments

The following table presents financial instruments at fair value on a recurring basis as of June 30, 2012:

	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at Fair Value
Assets				
Securities owned				
U.S. government securities	\$ 67,208,000	\$ —	\$ —	\$ 67,208,000
U.S. agency and municipal securities	—	26,917,000	—	26,917,000
Corporate debt	—	25,372,000	—	25,372,000
Mortgage-backed securities	—	—	8,076,000	8,076,000
Corporate equities				
Business services	7,077,000	—	—	7,077,000
Consumer products	9,085,000	—	—	9,085,000
Financials	27,111,000	—	—	27,111,000
Industrials	2,434,000	—	—	2,434,000
Life sciences	3,496,000	—	—	3,496,000
Technology	2,928,000	—	—	2,928,000
Other industries	18,993,000	—	—	18,993,000
Listed options	893,000	—	—	893,000
Total trading securities	139,225,000	52,289,000	8,076,000	199,590,000
Securities segregated				
U.S. government securities	26,304,000	—	—	26,304,000
Total securities segregated	26,304,000	—	—	26,304,000
Liabilities				
Securities sold, not yet purchased				
U.S. government securities	16,028,000	—	—	16,028,000
U.S. agency and municipal securities	—	133,000	—	133,000
Corporate debt securities	—	19,000	—	19,000
Corporate equities				
Business services	2,449,000	—	—	2,449,000
Consumer products	3,722,000	—	—	3,722,000
Financials	32,471,000	—	—	32,471,000
Industrials	4,098,000	—	—	4,098,000
Life sciences	849,000	—	—	849,000
Technology	13,283,000	—	—	13,283,000
Other industries	7,727,000	—	—	7,727,000
Listed options	41,152,000	—	—	41,152,000
Total securities sold, not yet purchased	\$ 121,779,000	\$ 152,000	\$ —	\$ 121,931,000

WEDBUSH SECURITIES INC.
NOTES TO STATEMENT OF FINANCIAL CONDITION - CONTINUED
June 30, 2012

Transfers between fair value classifications occur when there are changes in pricing observability levels. Mortgage-backed securities of \$8,076,000 were transferred from Level 2 to Level 3 classified instruments during the year ended June 30, 2012.

Certain assets and liabilities, including cash and cash equivalents, cash and securities segregated, client receivables and payables, securities borrowed and loaned, securities purchased under agreements to resell, securities sold under repurchase agreements, accounts payable, and receivables and payables from and to other brokers, dealers, and clearing organizations have a carrying value that approximates fair market value as of June 30, 2012.

(d) Risks Related to Financial Instruments

In the normal course of business, the Company is involved in the execution, settlement and financing of various client and principal securities transactions. Client activities are transacted on a cash, margin, or delivery-versus-payment basis. Securities transactions are subject to the risk of counterparty or client non-performance. However, transactions are collateralized by the underlying security, thereby reducing the associated risk to changes in the fair value of the security through settlement date, or to the extent of margin balances.

The Company also has contractual commitments arising in the ordinary course of business for securities loaned, securities sold, not yet purchased, repurchase agreements, securities transactions on a when-issued basis and underwritings. Each of these financial instruments contains varying degrees of risk, whereby the fair values of the securities underlying the financial instruments may be in excess of the contract amount. The settlement of these transactions is not expected to have a material effect upon the Company's financial condition.

(7) Derivatives

The Company uses box-spread option positions as a source of cash financing. As of June 30, 2012, there were option positions for the purpose of firm financing with a September 2012 expiration date that have a cash settlement liability of \$40,000,000 and a fair value of \$39,942,000.

The Company also trades listed and over-the-counter options as derivatives for speculative purposes. Options are contracts in which the option purchaser has the right, but not the obligation, to purchase from or sell to the option writer financial instruments within a defined time period for a specified price. All options are at fair value and are presented as both gross assets and liabilities in securities owned, at fair value and securities sold, not yet purchased, at fair value in the statement of financial condition.

(8) Intangibles

Intangible assets, which are included as components of other assets on the statement of financial condition, consist of investment executive relationships and non-compete agreements which are amortized on a straight-line basis over four years. The intangibles are subject to evaluations for impairment on an annual basis unless circumstances warrant a more frequent assessment. There were no impairments recorded during the year ended June 30, 2012.

WEDBUSH SECURITIES INC.
NOTES TO STATEMENT OF FINANCIAL CONDITION - CONTINUED
June 30, 2012

The following is a summary of intangibles as of June 30, 2012:

Investment executive relationships	\$	3,648,000
Non-compete agreements		2,469,000
Total intangibles		6,117,000
Less accumulated amortization		(5,503,000)
Net intangibles	\$	614,000

On October 24, 2008, the Company acquired certain assets of a broker-dealer, including \$2,322,000 of intangible investment executive relationships with clients and non-compete agreements. In addition to the initial consideration, the asset acquisition agreement also provided for incremental consideration to be paid in stock in the amount of \$150,000 per year over the following years. The terms of the asset acquisition agreement also provided for contingent payments for the three years following the acquisition, if certain revenue thresholds are met and client account levels are maintained. Incremental consideration and contingent payments are additional purchase considerations and are reflected in intangibles when such contingencies are achieved.

On December 31, 2008, the Company acquired certain assets of another broker-dealer which included \$2,570,000 in intangible investment executive relationships with clients.

(9) Stock-Based Compensation – Options and Awards

The parent company, WEDBUSH, Inc., has a stock options and awards plan, under which the Company is authorized to issue up to 1,392,000 shares and options to acquire shares of parent common stock. The plan's terms and conditions, including vesting, are determined by the parent's board of directors, and restrictions may be applied to awards under the plan. Options are issued at the fair value of the underlying parent common stock on the grant date and generally become exercisable ratably over four years and expire five years after the option becomes exercisable. Restricted awards in parent common stock are also granted and may vest over periods ranging up to four years. The parent company issues new shares upon the vesting of stock based awards and upon the exercise of stock options.

As of June 30, 2012, there were 165,529 options and 15,321 restricted stock awards outstanding related to parent company stock. The weighted average remaining life of the options until expiration was 3.4 years.

(10) Income Taxes

The Company is included in the filing of a consolidated tax return for federal tax purposes and in combined returns for certain states where such filing is required or permitted. The Company is also a party to a tax allocation agreement with its parent WEDBUSH, Inc., whereby its tax liabilities are allocated based on its share of the consolidated or combined tax obligations.

WEDBUSH SECURITIES INC.
NOTES TO STATEMENT OF FINANCIAL CONDITION - CONTINUED
June 30, 2012

The Company assesses its tax positions for all open tax years and determines whether there are any material unrecognized liabilities in accordance with applicable accounting guidelines on accounting for uncertain income taxes. Liabilities are recorded to the extent they are deemed incurred. Interest and penalties, as applicable and related to uncertain tax positions, are recorded in income tax expense

(a) Federal and State Income Taxes

For federal and most state jurisdictions, the earliest tax period that remains subject to examination is the year ended June 30, 2008.

Net income taxes payable of \$174,000 at June 30, 2012, is included in accounts payable and accrued liabilities on the statement of financial condition.

(b) Deferred Tax Assets and Liabilities

The Company recognizes deferred tax assets and liabilities for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Temporary differences and carryforwards, which give rise to deferred tax assets and liabilities, consist of the following:

Deferred tax assets	
Allowance for doubtful receivables	\$ 2,511,000
Legal reserves	2,184,000
Other	5,236,000
Total deferred tax assets	9,931,000
Deferred tax liabilities	
Unrealized gains not taxable	(3,374,000)
Allowance for expenses not yet incurred	(213,000)
Total deferred tax liabilities	(3,587,000)
Net deferred tax assets	\$ 6,344,000

The Company has reviewed all of its deferred tax assets to assess whether a valuation allowance should be established for those tax assets. The firm recognizes tax positions in the financial statement only when it is more likely than not that the position will be sustained upon examination by the relevant taxing authority based on the technical merits of the position. The Company's management believes it is more likely than not the deferred tax assets will be realized.

(11) Net Capital Requirement

The Company is subject to the Securities and Exchange Commission's Uniform Net Capital Rule (Rule 15c3-1), which requires the maintenance of minimum net capital. The Company has elected to use the alternative

WEDBUSH SECURITIES INC.
NOTES TO STATEMENT OF FINANCIAL CONDITION - CONTINUED
June 30, 2012

method permitted by the rule, which requires the maintenance of minimum net capital, as defined, equal to the greater of \$1,000,000 or 2% of aggregate debit balances arising from client transactions, as defined.

The alternative method prohibits withdrawal of equity capital or payment of cash dividends if net capital does not exceed 5% of aggregate debit items, and also prohibits withdrawal of subordinated capital if net capital does not exceed 4% of aggregate debit items. At June 30, 2012, the Company had net capital of \$151,146,000 that was 41% of aggregate debit items and \$143,721,000 in excess of the \$7,425,000 required minimum net capital at that date.

(12) Bank Credit Lines

The Company has the ability, through arrangements with multiple banks, to obtain secured and unsecured short-term borrowings primarily through the issuance of promissory notes. Under these agreements, the Company can borrow on demand up to a maximum of \$20,000,000 unsecured and \$150,000,000 secured at interest rates determined on the date of each borrowing, and reset daily. At June 30, 2012, there were no borrowings outstanding under these credit lines.

(13) Profit-Sharing Retirement Plans

At June 30, 2012, the Company had two trustee-directed defined contribution retirement plans that are qualified under Section 401(k) of the Internal Revenue Code. The Commissioned Employees' PS Retirement Plan covers eligible colleagues compensated on a transaction fees and/or incentive basis. The Company's annual contributions are a specified percentage of the voluntary colleague contributions and are not required if earnings do not exceed defined levels.

The Employees' PS Retirement Plan covers substantially all salaried colleagues. The Company's annual contributions under the plan are determined by the board of directors and are based on a percentage of colleague compensation.

(14) Commitments and Contingent Liabilities

(a) Legal and Regulatory Matters

The Company is subject to various proceedings and claims arising primarily from securities business activities, including lawsuits, arbitration claims, and regulatory matters. The Company is also involved in other reviews, investigations, and proceedings by governmental and self-regulatory organizations regarding the business, which may result in adverse judgments, settlements, fines, penalties, injunctions, and other relief. Matters in which the Company is currently involved include cases related to financial advisor and investment banking activities, and employment. The Company is contesting the allegations in these claims, and believes there are meritorious defenses in each of these arbitrations, lawsuits, and regulatory investigations. Management accrues for a settlement when a liability is deemed probable and estimable. Costs incurred in responding to potential litigation and regulatory actions are expensed when incurred. In the opinion of management, the resolution of these legal and regulatory matters will not have a material impact beyond accrued settlements on the Company's financial position or results of operations.

WEDBUSH SECURITIES INC.
NOTES TO STATEMENT OF FINANCIAL CONDITION - CONTINUED
June 30, 2012

(b) Lease Commitments

The Company has contractual obligations under long-term non-cancelable lease agreements, principally for office space, requiring minimum annual payments as follows:

Fiscal year ending		
2013	\$	7,908,000
2014		5,605,000
2015		3,874,000
2016		2,519,000
2017		2,668,000
Thereafter		13,510,000
Total	\$	36,084,000

Some of these leases have escalation clauses and renewal options.

(15) Related-Party Transactions

In the normal course of business, colleagues, officers, directors, and affiliates may buy and sell securities through the Company. At June 30, 2012, included in receivables from clients and payables to clients on the statement of financial condition were receivables of \$12,281,000 from officers and directors and \$0 from affiliates, and \$28,567,000 in payables to officers and directors and \$9,784,000 to affiliates on client transactions. Management believes receivables from officers, directors, and affiliates to be at market terms and rates of interest, and they are collateralized by securities. Company stock of \$3,215,000 was used as collateral on receivables from officers and directors for the years ended June 30, 2012.

Notes receivable from colleagues are generally from recruiting activities, non-interest bearing, and forgiven over a period of three to eight years. Notes receivable from colleagues totaled \$7,680,000 as of June 30, 2012 and are included in other receivables on the statement of financial condition.

Receivables from affiliates related to intercompany transactions totaled \$23,743,000 at June 30, 2012. Both notes receivable from colleagues and receivables from affiliates are included in other receivables on the statement of financial condition.

In June 2011, the parent company acquired Lime Brokerage LLC (Lime Brokerage), a provider of trading technologies and agency brokerage services. As of June 30, 2012, Lime Brokerage had a clearing deposit of \$250,000 and a receivable balance of \$425,000 with the Company.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

FORM
X-17A-5

FOCUS REPORT
(FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT)
PART II 11

(Please read instructions before preparing Form)

This report is being filed pursuant to (Check Applicable Block(s)):

- 1) Rule 17a-5(a) 16 2) Rule 17a-5(b) 17 3) Rule 17a-11 18
4) Special request by designated examining authority 19 5) Other 26

NAME OF BROKER-DEALER

SEC. FILE NO.

WEDBUSH SECURITIES INC. 13

8-12987 14

ADDRESS OF PRINCIPAL PLACE OF BUSINESS (Do not use P.O. Box No.)

FIRM ID NO.

1000 WILSHIRE BLVD. SUITE 900, ATTN: BUSINESS CONDUCT 20
(No. and Street)

877 15

FOR PERIOD BEGINNING (MM/DD/YY)

LOS ANGELES 21 CA 22 90017-2457 23
(City) (State) (Zip Code)

04/01/12 24

AND ENDING (MM/DD/YY)

06/30/12 25

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT (Area code) - Telephone No.

SHAWN KEAGY - EVP / CFO 30

(213) 688-4516 31

NAME(S) OF SUBSIDIARIES OR AFFILIATES CONSOLIDATED IN THIS REPORT

OFFICIAL USE

32

33

34

35

36

37

38

39

DOES RESPONDENT CARRY ITS OWN CUSTOMER ACCOUNTS? YES 40 NO 41

CHECK HERE IF RESPONDENT IS FILING AN AUDITED REPORT 42

EXECUTION:

The registrant/broker or dealer submitting this Form and its attachments and the person(s) by whom it is executed represent hereby that all information contained therein is true, correct and complete. It is understood that all required items, statements, and schedules are considered integral parts of this Form and that the submission of any amendment represents that all unamended items, statements and schedules remain true, correct and complete as previously submitted.

Dated the 25th day of July 20 12

Manual Signatures of

- 1) Edward Wedbush
Principal Executive Officer or Managing Partner - Edward Wedbush
2) Shawn Keagy
Principal Financial Officer or Partner - Shawn Keagy
3) Shawn Keagy
Principal Operations Officer or Partner - Shawn Keagy

ATTENTION - Intentional misstatements or omissions of facts constitute Federal Criminal Violations. (See 18 U.S.C. 1001 and 15 U.S.C. 78:f (a))

FINRA

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT
PART II

BROKER OR DEALER WEDBUSH SECURITIES INC.	as of <u>06/30/12</u>
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STATEMENT OF FINANCIAL CONDITION

	ASSETS (continued)		
	Allowable	Nonallowable	Total
E. Stocks and warrants	\$ 71,123,320	410	
F. Options	893,128	420	
G. Arbitrage		422	
H. Other securities	90,000,000	424	
I. Spot Commodities		430	
J. Total Inventory - includes encumbered securities of ... \$	120		\$ 317,393,078 850
8. Securities owned not readily marketable:			
A. At Cost	\$ 130	440	\$ 610 860
9. Other investments not readily marketable:			
..... \$	140		
B. At estimated fair value		450	620 870
10. Securities borrowed under subordination agreements and partners' individual and capital securities accounts, at market value:			
A. Exempted securities	\$ 150		
B. Other	\$ 160	460	630 880
11. Secured demand notes - market value of collateral:			
A. Exempted securities	\$ 170		
B. Other	\$ 180	470	640 890
12. Memberships in exchanges:			
A. Owned, at market value	\$ 190		
B. Owned at cost			650
C. Contributed for use of company, at market value			660 900
13. Investment in and receivables from affiliates, subsidiaries and associated partnerships	480	23,860,773	23,860,773 910
14. Property, furniture, equipment, leasehold improvements and rights under lease agreements:			
At cost (net of accumulated depreciation and amortization)	490		680 920
15. Other Assets:			
A. Dividends and interest receivable	2,295,284	500	18,290 690
B. Free shipments		510	700
C. Loans and advances		520	710
D. Miscellaneous	27,184,722	530	27,256,867 720
E. Collateral accepted under SFAS 140		538	
F. SPE Assets		537	56,755,163 930
16. TOTAL ASSETS	\$ 4,116,779,095	540	\$ 51,263,105 740 \$ 4,168,042,200 940

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT
PART II

BROKER OR DEALER
WEDBUSH SECURITIES INC.

as of 06/30/12

STATEMENT OF FINANCIAL CONDITION
LIABILITIES AND OWNERSHIP EQUITY

<u>Liabilities</u>	<u>A.I.</u> <u>Liabilities</u> *	<u>Non-A.I.</u> <u>Liabilities</u> *	<u>Total</u>
17. Bank loans payable:			
A. Includable in "Formula for Reserve Requirements"	1030	1240	1460
B. Other	1040	1250	1470
18. Securities sold under repurchase agreements.		1260	96,746,508 1480
19. Payable to brokers or dealers and clearing organizations:			
A. Failed to receive:			
1. Includable in "Formula for Reserve Requirements"	1050	1270	1,849,510 1490
2. Other	1060	1280	2,235,986 1500
B. Securities loaned:			
1. Includable in "Formula for Reserve Requirements"	1070		101,766,030 1510
2. Other	1080	1290	945,314,520 1520
C. Omnibus accounts:			
1. Includable in "Formula for Reserve Requirements"	1090		1530
2. Other	1095	1300	1540
D. Clearing organizations:			
1. Includable in "Formula for Reserve Requirements"	1100		1,939,849 1550
2. Other	1105	1310	13,212,154 1560
E. Other	1110	1320	173,312 1570
20. Payable to customers:			
A. Securities accounts - including free credits of \$ 1,403,378,947 950	1120		1,713,761,654 1580
B. Commodities accounts	1130	1330	1590
21. Payable to non customers:			
A. Securities accounts	1140	1340	835,505,568 1600
B. Commodities accounts	1150	1350	1610
22. Securities sold not yet purchased at market value - including arbitrage of \$ 960		1360	121,930,781 1620
23. Accounts payable and accrued liabilities and expenses:			
A. Drafts payable	1160		11,291,458 1630
B. Accounts payable	1170		20,567,677 1640
C. Income taxes payable	1180		1,654,106 1650
D. Deferred income taxes		1370	1660
E. Accrued expenses and other liabilities ..	1190		35,741,728 1670
F. Other	1200	1380	1680
G. Obligation to return securities		1386	1686
H. SPE Liabilities		1387	1687

OMIT PENNIES

*Brokers or Dealers electing the alternative net capital requirement method need not complete these columns.

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT
PART II

BROKER OR DEALER

WEDBUSH SECURITIES INC.

as of 06/30/12

STATEMENT OF FINANCIAL CONDITION
LIABILITIES AND OWNERSHIP EQUITY (continued)

	<u>Liabilities</u>	<u>A.I. Liabilities</u> *	<u>Non-A.I. Liabilities</u> *	<u>Total</u>
24. Notes and mortgages payable:				
A. Unsecured	\$	1210		\$ 1690
B. Secured		1211	1390	1700
25. Liabilities subordinated to claims of general creditors:				
A. Cash borrowings:			1400	1710
1. from outsiders \$	0970			
2. Includes equity subordination(15c3-1(d)) of	0980			
B. Securities borrowings, at market value:			1410	1720
from outsiders \$	0990			
C. Pursuant to secured demand note collateral agreements:			1420	1730
1. from outsiders \$	1000			
2. Includes equity subordination(15c3-1(d)) of	1010			
D. Exchange memberships contributed for use of company, at market value			1430	1740
E. Accounts and other borrowings not qualified for net capital purposes		1220	1440	1750
26. TOTAL LIABILITIES	\$	1230	1450	\$ 3,903,690,841 1760
<u>Ownership Equity</u>				
27. Sole proprietorship				\$ 1770
28. Partnership - limited partners	\$	1020		1780
29. Corporation:				
A. Preferred stock				1791
B. Common stock			700,000	1792
C. Additional paid-in capital			10,318,098	1793
D. Retained Earnings			255,099,583	1794
E. Total			266,117,681	1795
F. Less capital stock in treasury			(1,766,322)	1796
30. TOTAL OWNERSHIP EQUITY				\$ 264,351,359 1800
31. TOTAL LIABILITIES AND OWNERSHIP EQUITY				\$ 4,168,042,200 1810

OMIT PENNIES

* Brokers or Dealers electing the alternative net capital requirement method need not complete these columns.

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT
PART II

BROKER OR DEALER WEDBUSH SECURITIES INC.	as of <u>06/30/12</u>
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COMPUTATION OF NET CAPITAL

1. Total ownership equity (from Statement of Financial Condition - Item 1800)	\$	264,351,359	3480
2. Deduct: Ownership equity not allowable for Net Capital			3490
3. Total ownership equity qualified for Net Capital		264,351,359	3500
4. Add:			
A. Liabilities subordinated to claims of general creditors allowable in computation of net capital			3520
B. Other (deductions) or allowable credits (List)		6,162,107	3525
5. Total capital and allowable subordinated liabilities	\$	270,513,466	3530
6. Deductions and/or charges:			
A. Total non-allowable assets from			
Statement of Financial Condition (Notes B and C)	\$	51,263,105	3540
1. Additional charges for customers' and non-customers' security accounts		38,611,322	3550
2. Additional charges for customers' and non-customers' commodity accounts			3560
B. Aged fail-to-deliver:		106,631	3570
1. number of items	95		3450
C. Aged short security differences-less reserve of	\$	3480	3580
number of items		3470	
D. Secured demand note deficiency			3590
E. Commodity futures contracts and spot commodities - proprietary capital charges			3600
F. Other deductions and/or charges		2,542,993	3610
G. Deductions for accounts carried under Rule 15c3-1(a)(6), (a)(7) and (c)(2)(x)			3615
H. Total deductions and/or charges		92,524,051	3620
7. Other additions and/or allowable credits (List)			3630
8. Net Capital before haircuts on securities positions	\$	177,989,415	3640
9. Haircuts on securities: (computed, where applicable, pursuant to 15c3-1(f)):			
A. Contractual securities commitments	\$		3660
B. Subordinated securities borrowings			3670
C. Trading and Investment securities:			
1. Bankers' acceptances, certificates of deposit and commercial paper			3680
2. U.S. and Canadian government obligations		5,700,675	3690
3. State and municipal government obligations		1,884,205	3700
4. Corporate obligations		1,408,682	3710
5. Stocks and warrants		16,049,583	3720
6. Options			3730
7. Arbitrage			3732
8. Other securities		1,800,000	3734
D. Undue concentration			3650
E. Other (List)			3736
26,843,145			3740
10. Net Capital	\$	151,146,270	3750

OMIT PENNIES

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT
PART II

BROKER OR DEALER
WEDBUSH SECURITIES INC.

as of 06/30/12

COMPUTATION OF BASIC NET CAPITAL REQUIREMENT

Part A

11. Minimal net capital required (6-2/3% of line 19)	\$	3756
12. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with Note (A)	\$	3758
13. Net capital requirement (greater of line 11 or 12)	\$	3760
14. Excess net capital (line 10 less 13)	\$	3770
15. Net capital less greater of 10% of line 19 or 120% of line 12	\$	3780

COMPUTATION OF AGGREGATE INDEBTEDNESS

16. Total A.I. liabilities from Statement of Financial Condition	\$	3790
17. Add:		
A. Drafts for immediate credit	\$	3800
B. Market value of securities borrowed for which no equivalent value is paid or credited	\$	3810
C. Other unrecorded amounts (List)	\$	3820
	\$	3830
18. Deduct: Adjustment based on deposits in Special Reserve Bank Accounts (15c3-1(c)(1)(vii))	\$	3838
19. Total aggregate indebtedness	\$	3840
20. Percentage of aggregate indebtedness to net capital (line 19 divided by line 10)	%	3850
21. Percentage of aggregate indebtedness to net capital after anticipated capital withdrawals (line 19 divided by line 10 less item 4880 page 12)	%	3853

COMPUTATION OF ALTERNATE NET CAPITAL REQUIREMENT

Part B

22. 2% of combined aggregate debit items as shown in Formula for Reserve Requirements pursuant to Rule 15c3-3 prepared as of the date of net capital computation including both brokers or dealers and consolidated subsidiaries' debits	\$	7,424,557	3870
23. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with Note(A)	\$	1,000,000	3880
24. Net capital requirement (greater of line 22 or 23)	\$	7,424,557	3780
25. Excess net capital (line 10 less 24)	\$	143,721,713	3910
26. Percentage of Net Capital to Aggregate Debits (line 10 divided by line 18 page 8)	%	40.72	3851
27. Percentage of Net Capital, after anticipated capital withdrawals, to Aggregate Debits item 10 less item 4880 page 12 divided by line 17 page 8)	%	40.72	3854
28. Net capital in excess of the greater of: 5% of combined aggregate debit items or 120% of minimum net capital requirement	\$	132,584,877	3920

OTHER RATIOS

Part C

29. Percentage of debt to debt-equity total computed in accordance with Rule 15c3-1 (d)	%	0.00	3860
30. Options deductions/Net Capital ratio (1000% test) total deductions exclusive of liquidating equity under Rule 15c3-1(a)(6), (a)(7) and (c)(2)(x) divided by Net Capital	%		3852

NOTES:

- (A) The minimum net capital requirement should be computed by adding the minimum dollar net capital requirement of the reporting broker dealer and, for each subsidiary to be consolidated, the greater of:
1. Minimum dollar net capital requirement, or
 2. 6-2/3% of aggregate indebtedness or 2% of aggregate debits if alternate method is used.
- (B) Do not deduct the value of securities borrowed under subordination agreements or secured demand notes covered by subordination agreements not in satisfactory form and the market values of memberships in exchanges contributed for use of company (contra to item 1740) and partners' securities which were included in non-allowable assets.
- (C) For reports filed pursuant to paragraph (d) of Rule 17a-5, respondent should provide a list of material non-allowable assets.

FORM G-37



Name of dealer: *WEDBUSH SECURITIES, INC.*

Report Period: *Third Quarter of 2011*

I. CONTRIBUTIONS made to issuer officials (list by state)

State	Complete name, title (including any city/county/state or other political subdivision) of issuer official	Contributions by each contributor category (i.e., dealer, dealer controlled PAC, municipal finance professional controlled PAC, municipal finance professionals and non-MFP executive officers). For each contribution, list contribution amount and contributor category (For example, \$500 contribution by non-MFP executive officer) If any contribution is the subject of an automatic exemption pursuant to Rule G-37(j), list amount of contribution and date of such automatic exemption.
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None

II. PAYMENTS made to political parties of states or political subdivisions (list by state)

State	Complete name (including any city/county/state or other political subdivision) of political party	Payments by each contributor category (i.e., dealer, dealer controlled PAC, municipal finance professional controlled PAC, municipal finance professionals, and non-MFP executive officers). For each payment, list payment amount and contributor category (For example, \$500 payment by non-MFP executive officer)
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None

III. CONTRIBUTIONS made to bond ballot campaigns (list by state)

State	Official name of bond ballot campaign and jurisdiction (including city/county/state or other political subdivision) for which municipal securities would be issued	Contributions by each contributor category (i.e., dealer, dealer controlled PAC, municipal finance professional controlled PAC, municipal finance professionals and non-MFP executive officers). For each contribution, list contribution amount and contributor category (For example, \$500 contribution by non-MFP executive officer)
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None

IV. ISSUERS with which dealer has engaged in municipal securities business (list by state)

State	Complete name of issuer and city/county	Type of municipal securities business (negotiated underwriting, agency offering, financial advisor, or remarketing agent)
AZ	Town of Gilbert Gilbert, Maricopa County	Negotiated underwriting
CA	Riverside County Riverside County	Negotiated underwriting
CA	City of Ontario Ontario, San Bernardino County	Negotiated underwriting
CA	City of Fullerton Fullerton, Orange County	Negotiated underwriting
CA	County of San Joaquin Vernalis, San Joaquin County	Financial advisor
CA	Port of Redwood City Redwood City, San Mateo County	Negotiated underwriting
OR	Laegue of Oregon Cities LOCAP Clackamas, Marion and Lane Counties	Negotiated underwriting
OR	Special Districts Association of Oregon Coos and Union Counties	Negotiated underwriting
OR	Tualatin Hills Park and Rec Washington County	Negotiated underwriting
AZ	City of Mesa	Financial advisor
CA	Los Angeles Unified School District	Negotiated underwriting
CA	Nevada County	Negotiated underwriting
CA	Contra Costa Water District	Negotiated underwriting
CA	San Diego County San Diego, San Diego County	Negotiated underwriting
CA	City of Monrovia Monrovia, Los Angeles County	Negotiated underwriting
CA	South Coast Water District Laguna Beach	Negotiated underwriting
CA	Regents of the University of California Oakland, Alameda County	Negotiated underwriting
AK	Alaska Muni Bond Bank	Negotiated underwriting
CA	State of California Sacramento, Sacramento County	Negotiated underwriting
OR	State of Oregon Housing	Negotiated underwriting
WA	State of Washington	Negotiated underwriting
CA	Turlock Irrigation District Turlock, Stanislaus County	Negotiated underwriting

FORM G-37



State	Complete name of issuer and city/county	Type of municipal securities business (negotiated underwriting, agency offering, financial advisor, or remarketing agent)
AZ	<i>Gilbert MPC Maricopa County</i>	<i>Negotiated underwriting</i>
CA	<i>State of California, Dept of Water Resources Sacramento, Sacramento County</i>	<i>Negotiated underwriting</i>
OR	<i>City of Seaside Seaside, Clatsop</i>	<i>Negotiated underwriting</i>
CA	<i>Folsom Public Financing Authority Folsom, Sacramento County</i>	<i>Negotiated underwriting</i>
OR	<i>City of Canby Canby, Clackamas County</i>	<i>Negotiated underwriting</i>
ID	<i>Idaho Housing Finance Agency</i>	<i>Negotiated underwriting</i>
OR	<i>City of Monmouth Monmouth, Polk County</i>	<i>Negotiated underwriting</i>
OR	<i>Oregon Special Districts Association</i>	<i>Negotiated underwriting</i>

FORM G-37



Signature: electronic

Date: *Oct 14, 2011*

Name: *TRACY ROBENIOL*

Address: *1000 Wilshire Blvd, Suite 900, Los Angeles, CA 90017*

Phone: *213-688-8090*

Submit two completed forms quarterly by
due date (specified by the MSRB) to:

Municipal Securities Rulemaking Board
1900 Duke Street
Suite 600
Alexandria, Virginia 22314



WEDBUSH MORGAN SECURITIES RESEARCH DEPARTMENT

(213) 688-4520 / (866) 855-4529

DIRECTOR OF RESEARCH
Mark D. Benson (213) 688-4435

MANAGER, RESEARCH OPERATIONS AND BUSINESS CONDUCT
Vincent J. Moy (213) 688-4528

BASIC INDUSTRIES AND BUSINESS SERVICES

Basic Industries and Business Services

Al Kaschalk..... (213) 688-4539
Pedja Jovanovic..... (213) 688-4355

CONSUMER PRODUCTS AND SERVICES

Consumer Products

Rommel T. Dionisio (213) 688-4418
Kurt M. Frederick, CPA (213) 688-4459

Entertainment Retail

Michael Pachter (213) 688-4474
Edward Woo, CFA (213) 688-4382
Chris White..... (213) 688-4423

Footwear and Apparel

Jeff Mintz, CFA..... (213) 688-4518

Restaurants

Brian Moore (213) 688-4319

Specialty Retail: Hardlines

Joan L. Storms, CFA (213) 688-4537

Specialty Retail: Softlines

Betty Chen (213) 688-4524

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WEEKLY REPORT

Fiscal Cliff Checklist

October 17, 2012

In this Issue:

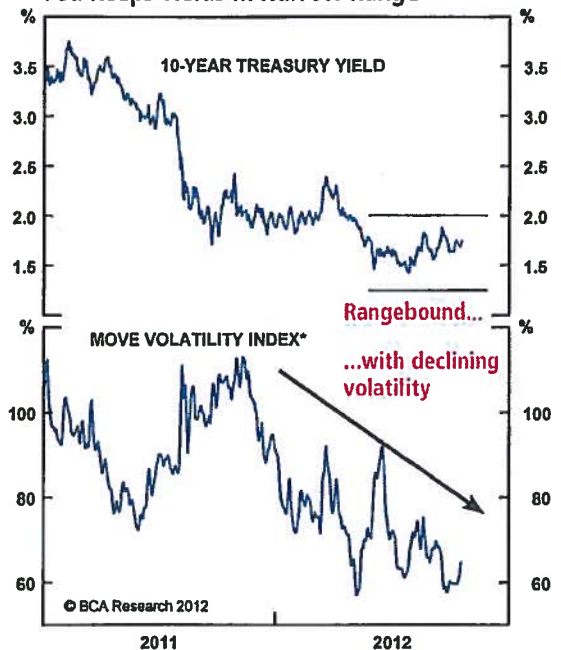
- > Policy Fiasco Checklist.....4
- > High-Yield Bonds: The Price-Value Conundrum6

- > Monetary policy is on course to become even more aggressive, partly in response to the approaching fiscal cliff negotiations, which could potentially push the economic recovery off track. We introduce a checklist of items to track the effect of political intransigence on financial market assets.
- > Risk assets face several speed bumps in the months ahead tied to the domestic policy outlook. Any post-election honeymoon might provide a good opportunity to pare exposure to spread product.
- > We remain overweight high-yield corporate bonds based on attractive valuation and solid balance sheet strength, but acknowledge that high average prices could present a headwind to further outperformance.

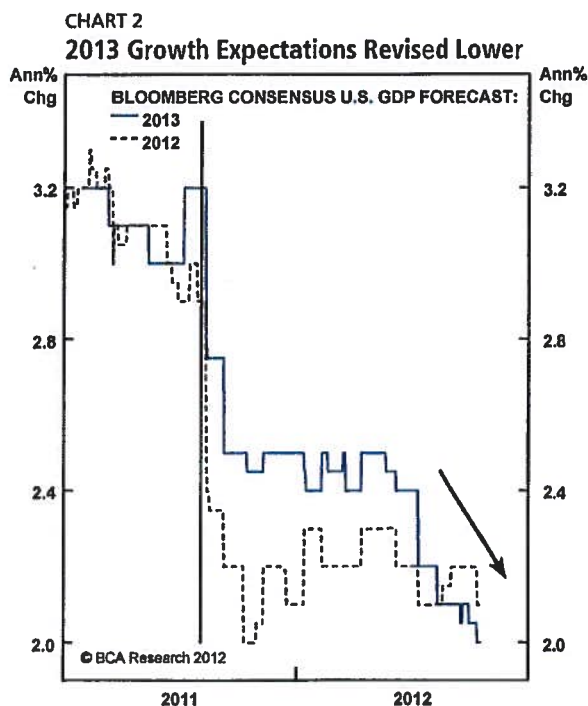
We maintain our recommended portfolio duration at benchmark based on an expectation that the 10-year Treasury yield will remain in a trading range centered near current levels (1¼-2%). The relatively narrow trading range is due in part to what we view as the Fed's escalating commitment to more aggressively dovish monetary policy. Treasury implied volatility has been cut in half since the beginning of the year in response to the central bank's cumulative effort (Chart 1).

Indeed, we believe the FOMC will debate in more detail the next possible step along the continuum toward history-dependent, outcome-based forward guidance at its upcoming meeting next week. The debate is necessary for four reasons:

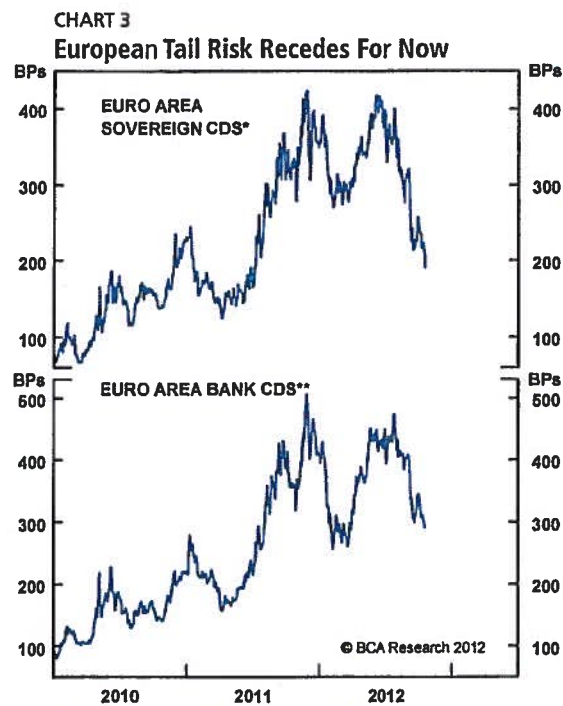
CHART 1
Fed Keeps Yields In Narrow Range



*SOURCE: BANK OF AMERICA MERRILL LYNCH



NOTE: VERTICAL LINE DENOTES S&P DOWNGRADE OF U.S. CREDIT RATING
SOURCE: BLOOMBERG



*AVERAGE OF FRANCE, BELGIUM, ITALY AND SPAIN
**AVERAGE OF MAJOR BANKS IN FRANCE, GERMANY, ITALY AND SPAIN

1) Uncertain Growth Prospects, Both Domestic And Global

In its latest World Economic Outlook, the IMF again downgraded its forecast of global growth to 3.3% in 2012 and 3.6% in 2013. Moreover, the IMF forecast suggests a one in six chance of global growth falling below 2 percent, which would be consistent with a recession in advanced economies (and low growth in emerging market economies). On the domestic front, the Bloomberg consensus now pegs U.S. GDP growth in 2013 at 2% down from 3.2% just prior to the debt ceiling crisis (Chart 2).

2) Lingering Possibility Of Policy Mistake In Europe Or China

The ECB's Outright Monetary Transactions are a potentially powerful mechanism for capping bond yields in the important peripheral countries of Italy and especially Spain. However, this program has yet to be launched. Spain must first sign a Memorandum of Understanding and submit to conditions and monitoring that satisfy the ECB. Even if Spain makes the request for help soon and the ECB buys one- to three-year Spanish bonds, it is not yet clear how aggressive the ECB will be or what yield levels the ECB might be willing to defend. Lower sovereign yields reduce the likelihood of a solvency crisis, but the banking sector and growth problems in peripheral Europe will not be solved overnight (Chart 3).

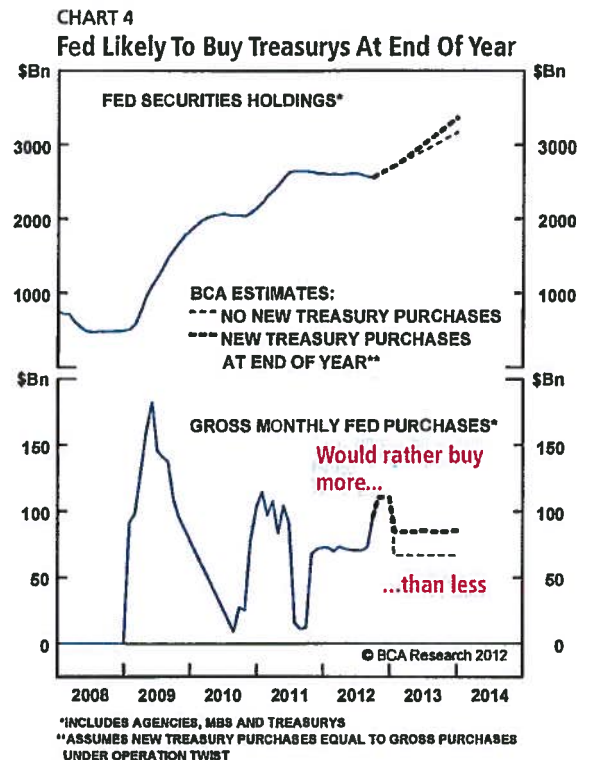
The looming fiscal cliff makes it all the more difficult to achieve progress on the Fed's full employment objective.

Meanwhile, growth headwinds are still intense in China's export sector, although there are signs that domestic demand is beginning to strengthen. Still, Chinese policymakers continue to fret about inflation and seem reticent to embrace more stimulative policies. Investors are looking forward to the change in leadership following the 18th National Congress, which takes place on November 8. However, there is no guarantee that the new administration will introduce more growth-oriented measures.

3) Impending Expiration Of Operation Twist

Despite the announcement of open-ended asset purchases last month, the Fed will need to announce a new program of asset purchases simply to avoid a *de facto* monetary tightening when Operation Twist terminates at the end of the year (Chart 4). There is little doubt that the

FOMC will come through. It has already signalled that it intends to become ever more aggressive until it sees progress on the unemployment rate. The looming fiscal cliff makes it all the more difficult to achieve progress on its full employment objective.



4) Impending Fiscal Cliff

Governor Mitt Romney's strong showing in the presidential debates notwithstanding, our base case scenario remains that Barack Obama will retain the presidency.

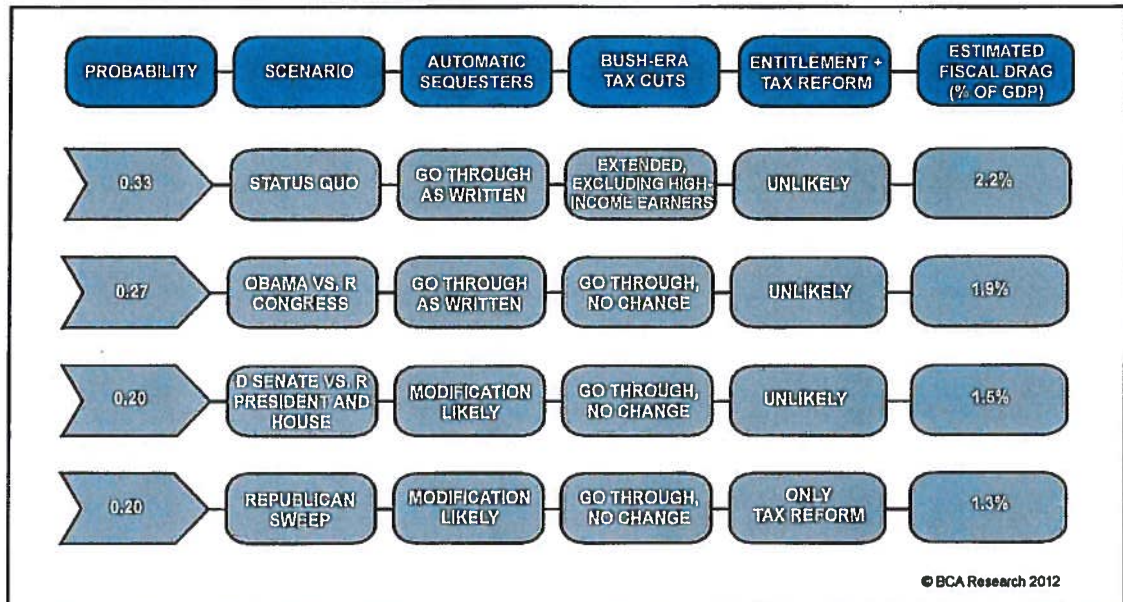
We present four possible scenarios for the election outcome in Chart 5 courtesy of our *Geopolitical Strategy* service. There are a number of uncertainties of course, but we estimate that the fiscal drag will amount to between 1.3% and 2.2% of GDP in 2013, up from its current pace of about 0.7%.

One important wild card is how strong a mandate the 'Tea Party' candidates receive in both the House and Senate. A solid performance will be difficult to ignore, regardless of the presidential outcome. An underwhelming performance would allow moderate Republicans, such as the House Majority Leader John Boehner, to work with Obama or to simply ignore fiscal conservatives under a Romney presidency.

If Romney loses and the 'Tea Party' gains, however, an internal debate within the Republican Party could lead to a strong move to the right. In that scenario, some will argue that Romney's loss was

A victory by President Obama would be negative for growth and for the equity market, but relatively positive for the Treasury market.

CHART 5
Electoral Outcomes And Fiscal Adjustment



the result of fielding a centrist candidate. This scenario would set up for a replay of the debt ceiling crisis in 2011, when neither side was in the mood to compromise until a developing market correction forced the issue.

As noted above, the consensus growth estimate for 2013 is about 2.0%, not much below the current pace of growth. Thus, it does not appear that investors have priced in the additional fiscal drag of 1-1.5% suggested by our analysis. A victory by President Obama will likely lead to an even greater fiscal drag than is discounted, as well as higher taxes on capital gains and dividends. This scenario would be negative for growth and for the equity market, but relatively positive for the Treasury market.

Policy Fiasco Checklist

No matter what the election outcome, the lame duck session is unlikely to accomplish much more than an agreement to put off the major decisions on the fiscal cliff until the New Year. But the hard choices will not be put on hold indefinitely. The debt ceiling will once again become a binding issue sometime around March 2013, thus forcing policymakers to come to some sort of agreement.

We have argued that the mid-2011 debt ceiling crisis is a reasonable guide on how markets might behave. **Chart 6** reviews several policy-sensitive indicators that might help determine whether we are setting up for a repeat of that unpleasant experience:

- > The U.S. 5-year CDS spread edged steadily higher from 36 to 65 basis points at the height of the crisis (panel 2);

Our goal is to reduce exposure to risk assets if it appears that policymakers are setting up for a repeat of the 2011 debt ceiling fiasco.

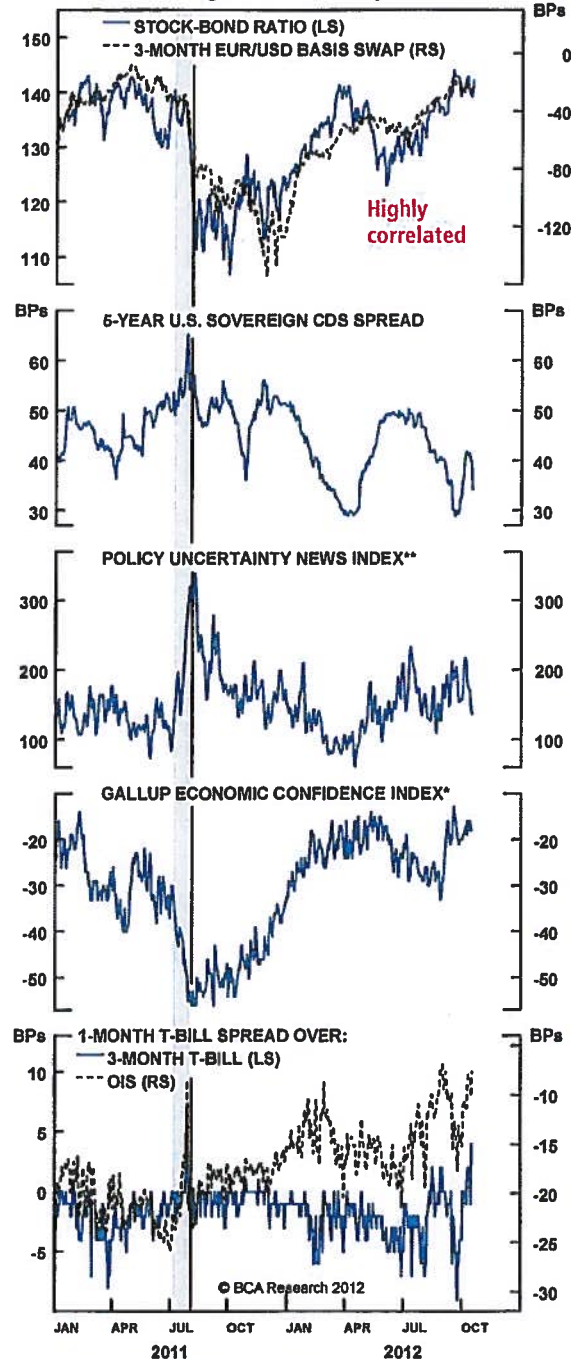
- > The Baker, Bloom and Davis Policy News Uncertainty Index moved steadily higher in 2011 reaching a peak in August (panel 3).
- > The Gallup economic confidence index dropped sharply during July reaching a cycle low in early August (panel 4). This indicator was also probably responding to the developing European debt crisis, but the fact that it gradually recovered in the second half of 2011 even as the European situation worsened suggests it is more affected by domestic concerns.

Finally, as the debt ceiling crisis came to a head in late July, the possibility that intransigence on the part of policymakers might potentially lead to technical default caused a spike in the 1-month T-bill rate. (We illustrate this spike in two ways in the bottom panel of Chart 6: versus the 3-month T-bill rate and versus a similar maturity OIS rate). The jump in default risk coincides with the steepest part of the decline in risk assets and precedes the actual downgrade of the U.S. credit rating by S&P on August 5 (shown as a vertical line in the Chart).

Our goal is to reduce exposure to risk assets if it appears that policymakers are setting up for a repeat of the 2011 debt ceiling fiasco. These indicators together might help decide whether our exposure to spread product should be at neutral or possibly underweight.

One caveat to this analysis is that the European debt crisis was also coming to a head in mid-2011 as concerns of a default by Greece and its potential impact on the global banking system were in play. In fact, the performance of both the equity market and the high-yield market were tightly correlated during this period with

**CHART 6
Fiscal Cliff Negotiations: A Repeat Of 2011?**



*3-DAY MOVING AVERAGE, SOURCE: GALLUP
 **SOURCE: "MEASURING POLICY UNCERTAINTY," BAKER, BLOOM AND DAVIS (2012)
 NOTE: SHADING DENOTES 2011 DEBT CEILING NEGOTIATIONS, VERTICAL LINE DENOTES S&P DOWNGRADE OF U.S. CREDIT RATING

the European basis swap – a useful proxy for the potential contagion from Europe's sovereign debt crisis (top panel, Chart 6). This indicator has eased substantially during the past year, especially since ECB President Mario Draghi's commitment to do "whatever it takes", which suggests risk aversion tied to European uncertainty is waning.

Bottom Line: Risk assets face several speed bumps in the months ahead tied to the domestic policy outlook: selling pressure in advance of higher capital gains and dividend tax rates, followed by uncertainty over how the debt ceiling issue will be resolved. Any post-election honeymoon might provide a good opportunity to pare exposure to spread product.

High-Yield Bonds: The Price-Value Conundrum

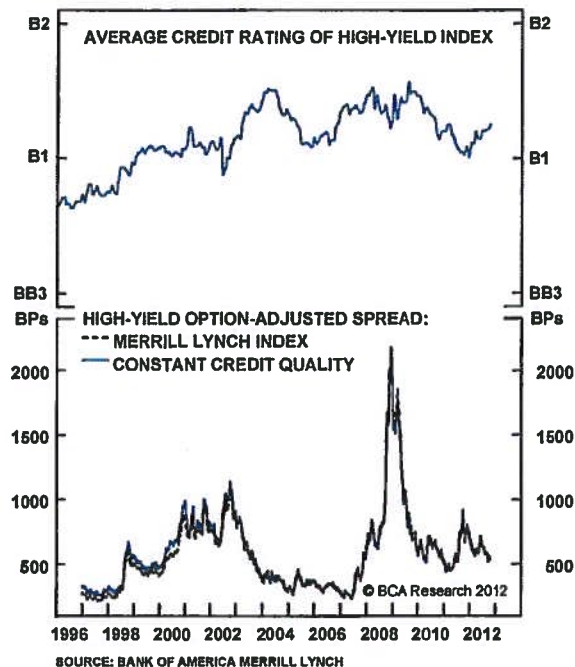
We maintain an overweight allocation to high-yield corporate bonds (excluding the lowest credit tier). Our enthusiasm hinges on attractive valuation, although it is increasingly tempered by high average prices.

The option-adjusted spread of the Bank of America Merrill Lynch corporate index is still more than 200 basis points above the average level that prevailed in 2004-06 before the financial crisis (Chart 7). This higher spread is not justified by lower average credit quality as some analysts have asserted. The average credit rating of the index has been relatively constant over the past decade (top panel).

The attractiveness of high-yield bonds is even more apparent when based on the default-adjusted or excess spread. Our default rate model, based largely on macroeconomic variables, does predict a jump in the trailing default rate to about 4.7% over the next year. Even then, default losses during the period should amount to less than 300 basis points, assuming a recovery rate of 40%. Thus, we estimate the excess spread available in the High-Yield market under our base case scenario is in the order of 300 basis points (Chart 8). This is the excess return investors will earn over the Treasury market after allowing for a modest increase in default and assuming no further spread compression.

We have highlighted for some time that the tide may have begun to turn for corporate credit quality. Rating downgrades are outnumbering upgrades, the default rate appears set to edge higher, even in the absence of recession, gross issuance has surged and firms have stepped up the pace of

CHART 7
High Spread Not Due To Credit Quality



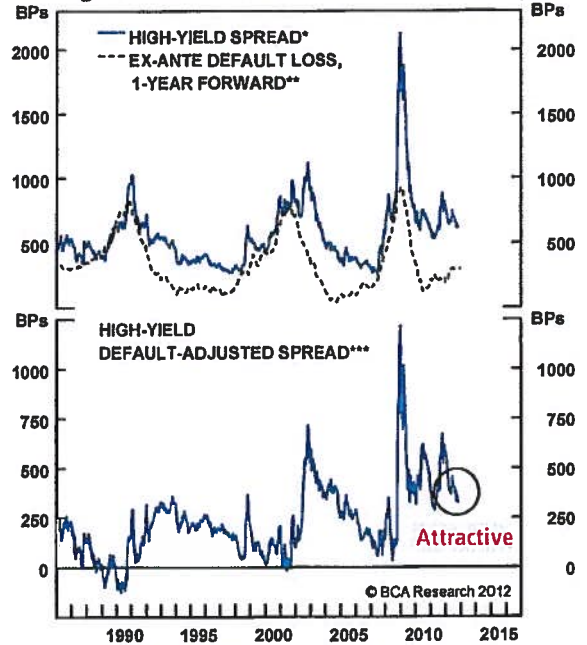
The major risk facing corporate bonds is the economy, not the strength of corporate balance sheets.

equity buybacks. Our Corporate Health Monitor confirms this trend with a modest upward shift (deterioration) in the second quarter (Chart 9).

Nevertheless, as is evident from the shaded regions in the Chart, corporate bonds typically do not begin to underperform until this indicator crosses above the zero line fully into "deteriorating health" territory. It may take a year or more, absent a recession, before this threshold is crossed. We certainly do not want to over-stay our welcome, and are watching closely for danger signs. Still, we believe that the major risk facing corporate bonds over the next year is the economy, not the strength of corporate balance sheets.

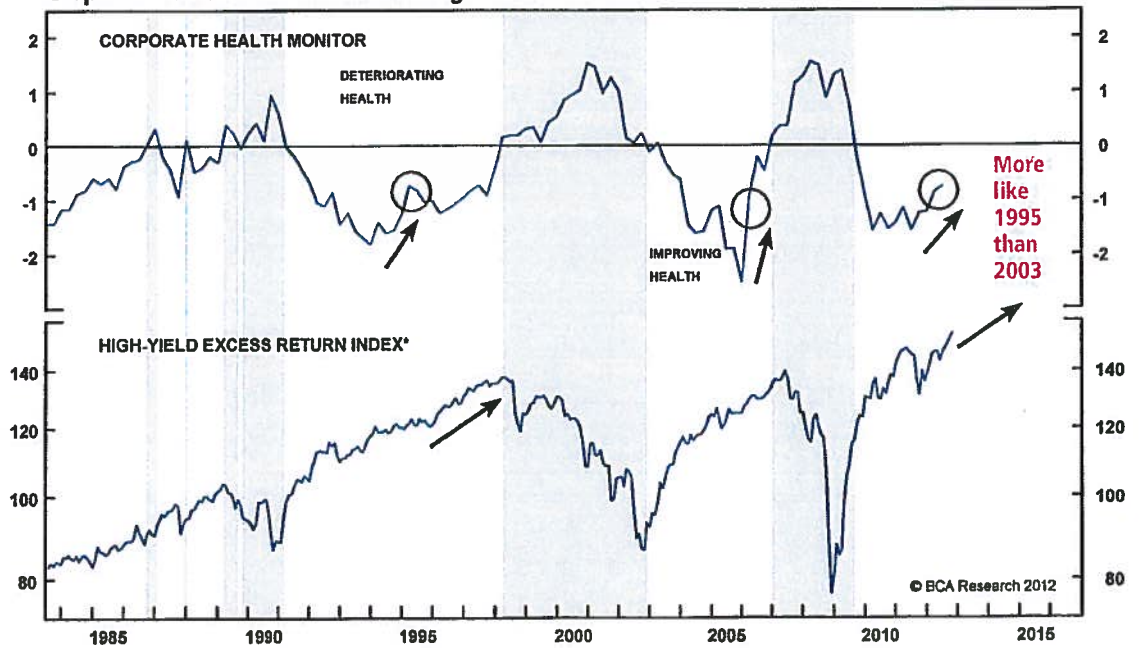
As an aside, high-yield bonds face one other impediment to performance. The new low in Treasury yields has pushed average prices well above par. This is especially important in the

CHART 8
High-Yield: Good Value Relative To Treasuries



*YIELD SPREAD RELATIVE TO DURATION MATCHED TREASURYS, SOURCE: BANK OF AMERICA MERRILL LYNCH
 **BASED ON ESTIMATE FROM BCA DEFAULT RATE MODEL
 ***HIGH-YIELD SPREAD LESS EX-ANTE DEFAULT LOSSES

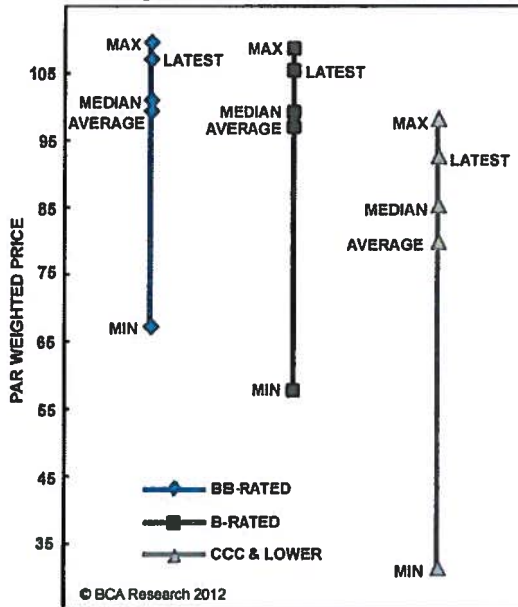
CHART 9
Corporate Health Still Positive For High-Yield Performance...



*RELATIVE TO DURATION MATCHED TREASURYS, SOURCE: BARCLAYS
 NOTE: SHADING DENOTES PERIODS OF DETERIORATING CORPORATE HEALTH



CHART 10
...Though Prices Are Close To Cycle Highs



SOURCE: BANK OF AMERICA MERRILL LYNCH

TABLE 1
High-Yield Bonds: Average Price By Credit Tier

	PRICE		PERCENTAGE CALLABLE
	CALLABLE	NON-CALLABLE	
BB1	107.5	107.2	89%
BB2	107.2	107.7	86%
BB3	106.4	102.0	96%
B1	105.0	109.8	88%
B2	108.0	95.3	97%
B3	104.0	N/A	100%
CCC1	100.0	N/A	100%
CCC2	92.8	82.3	90%
CCC3	79.5	N/A	100%
CC	70.0	62.5	99%
C	42.8	N/A	100%

SOURCE: BANK OF AMERICA MERRILL LYNCH

High-Yield index because most of the market is comprised of callable bonds, and the convexity of the index has once again dropped into negative territory. For callable bonds, further price appreciation becomes more difficult above par, even as default risk fades, because the bond has a greater chance of being called away.

Clearly, bond prices can always go higher, but the upside appears quite limited from current levels (Chart 10). We show the average price by credit tier for both callable and non-callable bonds in Table 1. In short, spreads are only likely to narrow (and high-yield bonds to outperform) in the event that Treasury yields stay flat or move higher. This would require more good news on the economy as well as a peaceful and speedy end to the fiscal cliff negotiations.

Junk Becoming Junkier?

The Corporate Health Monitor mentioned above relates to the entire non-financial corporate sector. What about the financial health of sub-investment grade companies?

We gathered data on the more than 2000 issuers in the Bank of America/Merrill Lynch high-yield index and then computed a number of key financial ratios on a company-level basis that correspond to the components of the Corporate Health Monitor. Table 2 provides a comparison of these key financial ratios in the second quarter of 2012 with one year prior.

Company level analysis confirms there has been little deterioration in the financial strength of high-yield issuers.

TABLE 2
High-Yield Financial Ratios Show Only Modest Deterioration

	MEAN		MEDIAN	
	2011	2012	2011	2012
LEVERAGE	1.21	1.97	0.64	0.81
RETURN ON CAPITAL	8.80	8.30	7.80	7.31
QUICK RATIO	1.15	1.12	0.99	0.97
INTEREST COVERAGE	9.62	5.80	3.89	3.83
DEBT COVERAGE	0.25	0.01	0.05	0.04
OPERATING MARGIN	0.13	0.13	0.10	0.10
FINANCING REQUIREMENTS	-0.09	0.22	0.22	0.19

BASED ON BANK OF AMERICA MERRILL LYNCH HIGH-YIELD INDEX

Data limitations meant that we were able to include only about 500 names in the summary statistics for each ratio. However, it appears to be a representative sample of the universe of junk issuers, in terms of credit quality and sector.¹

This company level analysis largely confirms the information presented at the aggregate corporate sector level. Most financial ratios show a modest deterioration over the past four quarters, although leverage (the ratio of total debt to market value of equity) was the only ratio where we could demonstrate a statistically significant change.

Overall, our sample of financial ratios indicates that financial statements for high-yield issuers are reasonably robust. Thus, it is far too early in the process to back away from junk bonds based on balance sheet trends alone. The corporate health pendulum has only just started to swing back in favor of shareholders over bondholders.

Bottom Line: We remain overweight corporate bonds in absolute terms and relative to Treasuries and cash. We may take profits and move to the sidelines after the election, but this will likely reflect our concerns over market volatility ahead of the fiscal cliff, rather than the deterioration in corporate credit quality. Once fiscal policy uncertainty lifts, the backdrop of weak-but-positive growth, plentiful global savings, and increasingly aggressive monetary policy may lay the groundwork for an overshoot in corporate spreads.

Ronald Torrens, Managing Editor
ron@BCAresearch.com

¹ One problem is that many bond issuers are not public companies and thus do not provide their financial statements. The absence of private companies may bias the results.

	EXCESS RETURNS ¹ (BASIS POINTS)			TOTAL RETURNS (PERCENT)		
	PAST WEEK	PAST MONTH ²	PAST YEAR	PAST WEEK	PAST MONTH	PAST YEAR
Treasury Master				0.00%	0.66%	3.52%
Agency Master	5	11	102	0.04%	0.37%	2.82%
MBS	-1	-46	121	-0.02%	-0.11%	3.80%
CMBS	20	70	1138	0.16%	0.87%	13.65%
ABS	7	10	234	0.04%	0.29%	4.13%
Corporate Master	63	155	733	0.66%	2.50%	12.02%
High-Yield	54	8	1477	0.51%	0.41%	18.16%
Municipals ²	4	34	544	0.08%	1.30%	9.49%
S&P 500				0.96%	-0.58%	23.87%

SOURCE: BARCLAYS, STANDARD & POOR'S

¹ CURVE-ADJUSTED EXCESS RETURN RELATIVE TO A TERM STRUCTURE-MATCHED POSITION IN TREASURYS.

² HISTORICAL RETURNS ARE FOR THE BARCLAYS MASTER INDEX (I.E. BEFORE ADJUSTING FOR TAXES).

Recommended Portfolio Specification

PORTFOLIO DURATION	
AT BENCHMARK	
PORTFOLIO ALLOCATION	
SECTOR	INVESTMENT STANCE [*]
TREASURYS	1
SPREAD PRODUCT	4
Agencies	2
MBS	4
CMBS	4
ABS	4
Corporates	4
High-Yield	4
Municipals	4

* RECOMMENDED PORTFOLIO WEIGHTING RELATIVE TO BENCHMARK.

LEGEND:

1-MAX UNDERWEIGHT 2-UNDERWEIGHT 3-BENCHMARK WEIGHTING

4-OVERWEIGHT 5-MAX OVERWEIGHT

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Bond Market Update

Friday, October 19, 2012

Don Collins

Call 866-579-2871 Direct

LAIF Daily .36%, Qtr to Date .36%

Economic Release –

Existing Home Sales: Actual 4.75M, consensus 4.70M, prior 4.82M (revised 4.83M)

Fixed Income:

Treasuries Hit Highs as Existing Home Sales See In-Line Print

19-Oct-12 10:04 ET

10-Yr: +10/32..1.799%.. **USD/JPY:** 79.29.. **EUR/USD:** 1.3040

Data Reaction: Treasuries are at their best levels of the session following the in-line existing home sales. The solid bid has longer dated yields down close to 4 bps apiece with the 10-yr slipping to 1.796%. **A flatter yield curve holds with the 2-10-yr spread narrowing to 151 bps.** Elsewhere, precious metals are lower with gold and silver at \$1737 and \$32.55 respectively.

U.S. 5 year Treasury Yield chart. 10 Day candle



Spanish Yields Flat as EU Summit Concludes

19-Oct-12 08:59 ET

10-Yr: +07/32.. 1.807%.. USD/JPY: 79.30.. EUR/USD: 1.3055

European Yields: European yields are mixed as the twentieth EU Summit winds down in Brussels with hopes an EU banking supervisor will be implemented in January 2013. Leaders also had praises for Greece as it continues to implement reforms. No discussions took place regarding Spain, but Prime Minister Mariano Rajoy suggested the country was not looking for a bailout at this time. Peripheral yields have seen little response to the summit with both the Italian and Spanish 10-yr holding steady at their respective 4.663% and 5.344%. Some money is moving into the core, causing the 10-yr Gilt yield to ease off its five-month high. Light buying has dropped the benchmark Gilt yield 2 bps to 1.897%. Elsewhere, a more aggressive bid in German Bunds has the 10-yr off 4 bps at 1.602%.

Dollar Ticks Higher in Quiet Trade

19-Oct-12 07:30 ET

10-Yr: +08/32.. 1.804%.. USD/JPY: 79.18.. EUR/USD: 1.3045

Ticking Higher: The Dollar Index holds small gains near 79.40 after an uneventful overnight session. EURUSD is -15 pips at 1.3050 as headlines from the 20th EU Summit cross the wires. Leaders are hoping to get an EU bank supervisor up and running by January 2013, and were quick to praise Greece for their implementation of reforms. Spain was not discussed at the summit, but comments from Prime Minister Rajoy suggest Spain will not be asking for aid anytime soon. Data out overnight showed German PPI hold at 0.3% MoM while the Eurozone current account surplus widened to EUR8.8 bln (EUR11.3 bln expected, EUR8.1 bln previous). Sellers are in control for a second session with action pulling back from the 1.3150 area which corresponds with the September highs. The 1.2850 area will be key over the coming days and weeks as support is aided by the 200-day moving average. GBPUSD is flat at 1.6045 after overnight trade held in a 35 pip range. The quiet session comes despite public sector net

borrowing see a better than expected GBP10.7 bln reading (GBP11.9 bln expected). The 1.6000 area should provide near-term support with aid from the 50-day moving average. USDCHF is +20 pips at .9265 as trade rebounds for a second session. Near-term resistance lies near .9300, but the bigger hurdle will be the 200-day moving average near .9390.

USDJPY is -10 pips at 79.20 as sellers defended the 200-day moving average. **Bank of Japan Governor Masaaki Shirakawa spoke overnight, suggesting the global slowdown may delay capital spending plans by corporations and that the Bank of Japan may consider further easing.** Near-term support lies near 78.75. AUDUSD is -10 pips at 1.0355 as trade sits on both the 50- and 200-day moving averages. The pair looks to be setting up for a big move in one direction or another as the moving averages hold in a tight range. Key levels to watch include 1.0200 and 1.0550. USDCNY strengthened to 6.2540 with **China's foreign direct investment falling 3.8% YTD** (-3.4% YTD previous).

Source: Briefing/wsj/businesswire

Yesterday's Recap

Treasuries Finish Flat

18-Oct-12 15:47 ET

10-Yr: -01/32..1.832%.. **USD/JPY:** 79.26.. **EUR/USD:** 1.3072

Flat: Treasuries were unable to hold their overnight gains as steady selling during U.S. trade dropped maturities back to their respective flat lines by the cash close. The complex saw overnight buying ahead of the EU Summit, and hit its best levels of the session following the better than expected Philly Fed and leading indicators data. The long bond gained almost one point at its highs before ending the day flat. An advance of almost 2 bps ran the 30-yr yield to a close above 3.00% for the first time in a month. The 3.10% level is now in focus as that is the mark that was hit the day the Fed launched QE3. Elsewhere, the 10-yr yield rallied 1.5 bps, and ended above its 200-day moving average for the first time in a month. Traders will remain focused on the benchmark yield over the coming days as it sits just 7 bps below its highs hit the day the Fed announced QE3. **A steeper yield curve won out as the 2-10-yr spread widened to 155 bps.** Meanwhile, precious metals ended near their lows as gold fell \$10 to \$1743 and silver slipped \$0.45 to near \$32.80. *Friday's data is limited to existing home sales (10).*

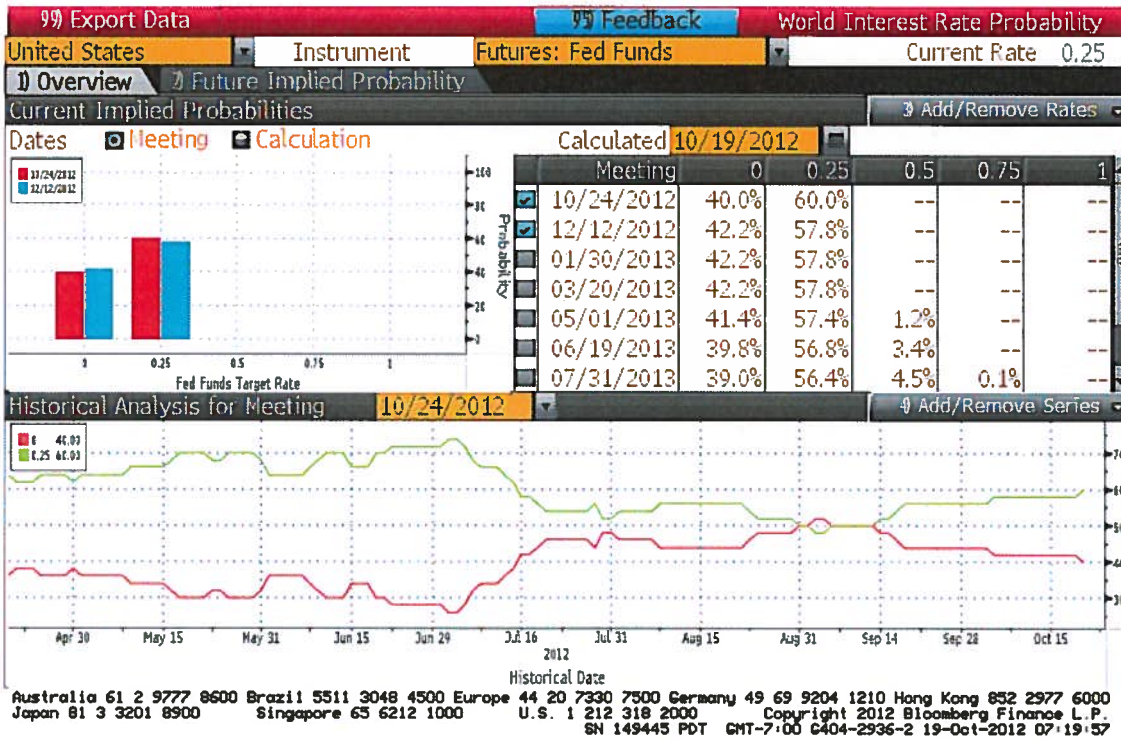
10 year Treasury Chart



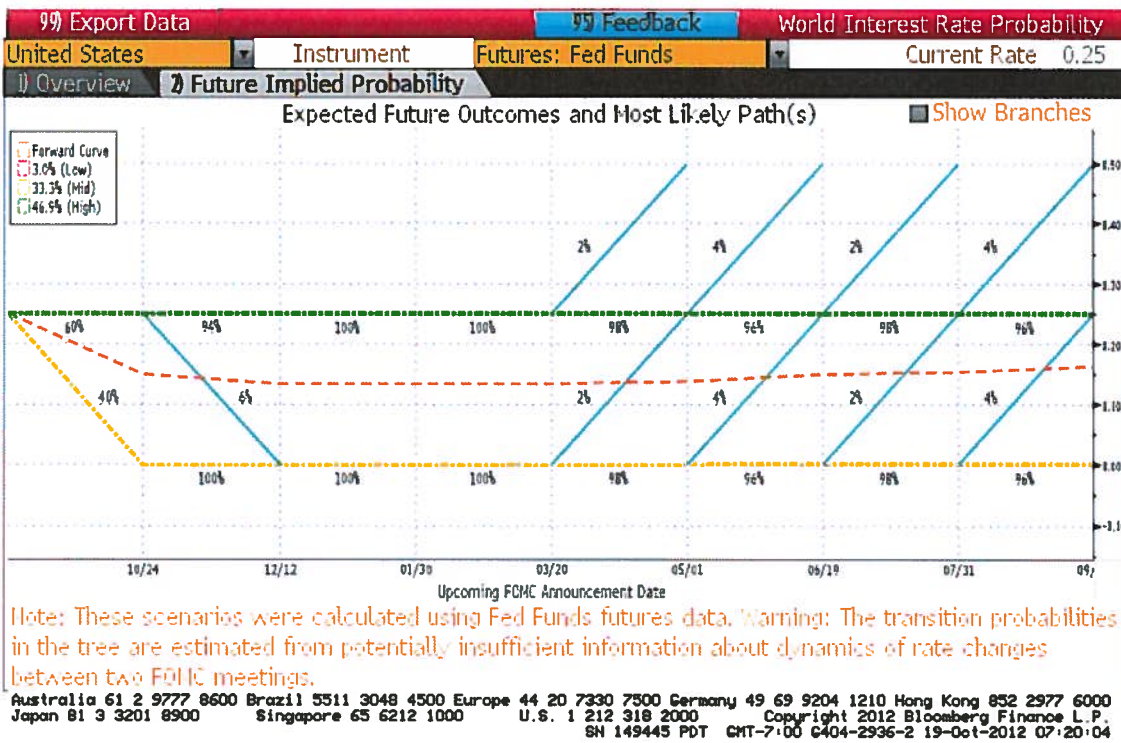
Source: Briefing/wsj/businesswire

Fed Funds Probability:

<HELP> for explanation, <MENU> for similar functions.



<HELP> for explanation.



Source: Bloomberg

Markets/Company Specific:



- **Google shares drop 9% after accidental early earnings release**
The price of Google's stock fell more than 9% after its third-quarter earnings, which disappointed Wall Street, were accidentally released during the trading session, rather than after markets closed. Nasdaq suspended trading because of the glitch. Google reported a profit of \$9.03 per share, more than \$1.50 short of analysts' forecasts. [Wired.com](#) (18 Oct.), [MarketWatch](#) (18 Oct.), [Crain's Chicago Business](#) (18 Oct.) [Share:](#) [in](#) [f](#) [t](#) [E-MAIL](#)
 - **"Fiscal cliff" could trigger recession, 15 CEOs warn**
The chief executives of 15 of the biggest U.S. financial companies warned in a letter to President Barack Obama and Congress that failure to head off the "fiscal cliff" could lead to a sharp rise in interest rates, a downgrade of America's credit rating and recession. JPMorgan Chase CEO Jamie Dimon said he will "do whatever it takes" to persuade Congress to find a way to prevent massive spending cuts and tax increases from automatically taking effect at the beginning of next year. [The Washington Post](#) (18 Oct.), [Market News International](#) (18 Oct.), [The Hill/On the Money blog](#) (18 Oct.) [Share:](#) [in](#) [f](#) [t](#) [E-MAIL](#)
 - **WTO rules in favor of U.S. in steel dispute with China**
The World Trade Organization rejected an appeal by China seeking to overturn a ruling that barred import duties on some types of rolled steel manufactured in the U.S. The WTO's appellate body said the panel that made the earlier ruling followed procedures correctly. [Xinhuanet.com \(China\)](#) (19 Oct.), [IndustryWeek/Agence France-Presse](#) (18 Oct.) [Share:](#) [in](#) [f](#) [t](#) [E-MAIL](#)
 - **Italy sees high demand in record-breaking €18B bond sale**
Italy raised €18 billion in an auction of a four-year inflation-linked bond, the biggest debt offering ever in Europe. The coupon is 2.55%, and returns are linked to consumer prices excluding tobacco. The Treasury never set an official range, but market participants had expected the sale to raise about €5 billion. [Reuters](#) (18 Oct.), [Bloomberg](#) (18 Oct.), [Agenzia Giornalistica Italia \(Italy\)](#) (18 Oct.) [Share:](#) [in](#) [f](#) [t](#) [E-MAIL](#)
- Newsweek will end print distribution and publish only online**
Newsweek editor Tina Brown said the news magazine will cease distribution in print at year-end and publish content solely on the Internet. The staff will produce a digital magazine called Newsweek Global, she said. [The New York Times](#) (tiered

subscription model)/Media Decoder blog (18 Oct.), [The Daily Beast](#) (18 Oct.) [Share: in](#)
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Market Activity

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- **[Asian-Pacific markets are mixed as shares trade in narrow range](#)**

Asian-Pacific markets were mixed Friday as investors' luke-warm optimism held trading in tight ranges. Japan's Nikkei 225 edged up 0.1%. Australia's S&P/ASX 200 rose 0.2%. South Korea's Kospi slid 0.9%. China's Shanghai Composite gave up 0.1%. Hong Kong's Hang Seng Index gained 0.3%. India's Sensex was down 0.8% shortly after midday. [MarketWatch](#) (19 Oct.), [MoneyControl.com \(India\)](#) (19 Oct.)

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- **[Demand for high-yield debt drives surge of dividend recaps](#)**

The volume of dividend recaps is picking up, financed with high-yield debt that is becoming more available as fixed-income investors go with lower credit quality for better returns. Moody's Investors Service said there are 14 debt-financed dividend recapitalizations, with a total value of more than \$5.5 billion, in the deal pipeline.

[International Financing Review \(free content\)](#) (18 Oct.) [Share: in](#) [f](#) [t](#) [E-MAIL](#)

[European banks dive into rouble bonds](#)

Russia's market openings, with the goal of making Moscow an international financial capital, are spurring a race among European banks to issue rouble-denominated bonds. [Financial Times](#) (tiered subscription model) (17 Oct.) [Share: in](#) [f](#) [t](#) [E-MAIL](#)

Economics

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- **[First-time jobless claims in U.S. post modest increase](#)**

Initial claims for unemployment benefits in the U.S. rose 46,000 last week, to a seasonally adjusted 388,000, largely because of technical factors in the way the numbers are calculated, the Labor Department said. The four-week rolling average -- viewed as giving a better picture of labor-market activity -- edged up to 365,500.

[The Washington Post/The Associated Press](#) (18 Oct.) [Share: in](#) [f](#) [t](#) [E-MAIL](#)

- **[Fed meeting is expected to be an economic checkup](#)**

The Federal Reserve likely will take the economy's pulse during a meeting next week. Policymakers are expected to discuss the progress of their plan to buy \$40 billion in mortgage-backed securities and how best to communicate the direction interest rates to the public. [The Wall Street Journal](#) (18 Oct.) [Share: in](#) [f](#) [t](#) [E-MAIL](#)

- **[Advisers suggest postponing decisions on charitable giving](#)**

Because of uncertainty about U.S. taxes this year and next, many financial advisers are recommending that clients delay major decisions on charitable giving until after

the November election. In the meantime, advisers can develop alternative strategies based on possible election results. [Reuters](#) (18 Oct.) [Share: in f t](#) [E-MAIL](#)

- **[Foreign direct investment in China slid 6.8% in September](#)**

Data suggest that foreign investors are scaling back expansion in China as economic growth declines to its slowest pace in three years. The Ministry of Commerce said foreign direct investment fell 6.8% last month compared with September 2011.

[Bloomberg](#) (18 Oct.), [Xinhuanet.com \(China\)](#) (19 Oct.) [Share: in f t](#) [E-MAIL](#)

[Colombia receives \\$2.64B in bids for oil-block development](#)

Colombian Mines and Energy Minister Federico Renjifo said 37 foreign and domestic companies bid a total \$2.64 billion to develop 49 of 115 oil blocks offered by the government. He said none of the offshore blocks that received bids is involved in a dispute between Colombia and Nicaragua. [Latin American Herald Tribune \(Venezuela\)/Agencia EFE \(Spain\)](#) (18 Oct.), [Bloomberg](#) (18 Oct.), [Reuters](#) (18 Oct.)

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Geopolitical/Regulatory

- **[European, Japanese regulators jointly try to deflect U.S. swaps rules](#)**

The Commodity Futures Trading Commission is the focus of an effort by financial authorities in Europe and Japan to avert quick implementation of rules on swaps trading between U.S. and foreign companies. In a joint letter to CFTC Chairman Gary Gensler, the regulators said, "At a time of highly fragile economic growth, we believe that it is critical to avoid taking steps that risk a withdrawal from global financial markets into inevitably less-efficient regional or national markets." [Financial Times](#)

(tiered subscription model) (18 Oct.), [The Wall Street Journal](#) (18 Oct.) [Share: in f t](#)

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- **[Transaction tax takes toll on smaller-cap French stocks](#)**

Average daily turnover in French stocks has been down 10% during the past two months because of a financial-transaction tax, but smaller-cap stock trading is off 26%, according to Credit Suisse. Analyst Mark Buchanan said the small-cap decline might be because of less trading among retail investors mindful of costs or institutional investors substituting midcap stocks for lower-cost alternatives.

[Financial News Online \(U.K.\)](#) (subscription required) (18 Oct.) [Share: in f t](#) [E-MAIL](#)

- **[EU moves toward handing eurozone banking supervision to ECB](#)**

Herman Van Rompuy, president of the European Council, said EU national leaders agreed to adopt a legal framework by year-end to shift eurozone banking supervision to the European Central Bank. "Once this is agreed, the single supervisory mechanism could probably be effectively operational in the course of 2013," he said. However, leaders failed to agree on when the €500 billion European Stability Mechanism can begin helping troubled banks. [Reuters](#) (19 Oct.), [Bloomberg](#) (19 Oct.), [Financial Times](#) (tiered subscription model) (19 Oct.)

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U.S. midsize businesses worry as regulation increases

Midsize companies' record of providing jobs has been impressive in recent years, but such businesses are concerned about rules that fall disproportionately on them, according to The Economist. "Mid-sized firms tend to bear the heaviest burden of new regulations, since smaller firms are often given some exemptions initially, whereas bigger firms have legions of lawyers to cope with the additional rules," the magazine notes. [The Economist](#) (20 Oct.) [Share:](#) [in](#) [f](#) [t](#) [E-MAIL](#)

Source: Bloomberg, CFA, Briefing, BusWire:

Economic Release Calendar

 [Calendar Key](#)

Week of October 15 - October 19

Date	ET	Release	For	Actual	Briefing.com Forecast	Briefing.com Consensus	Prior	Revised From
Oct 15	08:30	Retail Sales	Sep	1.1%	1.0%	0.7%	1.2%	0.9%
Oct 15	08:30	Retail Sales ex-auto	Sep	1.1%	0.7%	0.6%	1.0%	0.8%
Oct 15	08:30	Empire Manufacturing	Oct	-6.2	-2.0	-2.8	-10.4	
Oct 15	10:00	Business Inventories	Aug	0.6%	0.5%	0.5%	0.8%	
Oct 16	08:30	CPI	Sep		0.5%	0.5%	0.6%	
Oct 16	08:30	Core CPI	Sep		0.1%	0.2%	0.1%	
Oct 16	09:00	Net Long-Term TIC Flows	Aug		NA	NA	\$67.0B	
Oct 16	09:15	Industrial Production	Sep		0.0%	0.3%	-1.2%	
Oct 16	09:15	Capacity Utilization	Sep		78.2%	78.3%	78.2%	
Oct 16	10:00	NAHB Housing Market Index	Oct		42	42	40	
Oct 17	07:00	MBA Mortgage Index	10/13		NA	NA	-1.2%	
Oct 17	08:30	Housing Starts	Sep		765K	768K	750K	
Oct 17	08:30	Building Permits	Sep		815K	815K	803K	
Oct 17	10:30	Crude Inventories	10/13		NA	NA	1.672M	

Date	ET	Release	For	Actual	Briefing.com Forecast	Briefing.com Consensus	Prior	Revised From
17								
Oct 18	08:30	<u>Initial Claims</u>	10/13		370K	360K	339K	
Oct 18	08:30	<u>Continuing Claims</u>	10/6		3275K	3275K	3273K	
Oct 18	10:00	<u>Philadelphia Fed</u>	Oct		0.0	-0.1	-1.9	
Oct 18	10:00	<u>Leading Indicators</u>	Sep		0.1%	0.2%	-0.1%	
Oct 19	10:00	<u>Existing Home Sales</u>	Sep		4.90M	4.70M	4.82M	

Source: CFA, Fact Set

Treasury Yields:

2 year	.29	vs	.29	Yesterday	30yr TIPs	.41	Yen	79.70		Fed Funds	.00-.25
3 year	.40	vs	.40	Yesterday			Euro	1.30		1MRepo	.13
5 year	.76	vs	.79	Yesterday	5yr Swap	.87	Pound	1.60		1M Libor	.21
10 year	1.79	vs	1.79	Yesterday	10yr Swap	1.82	Gold	1734		3M Libor	.36
30 year	2.98	vs	2.96	Yesterday	SIFMA	.47	Prime	3.25	Daily	LAIF	.36%
							Crude	\$92.35	QTR	LAIF	.36%

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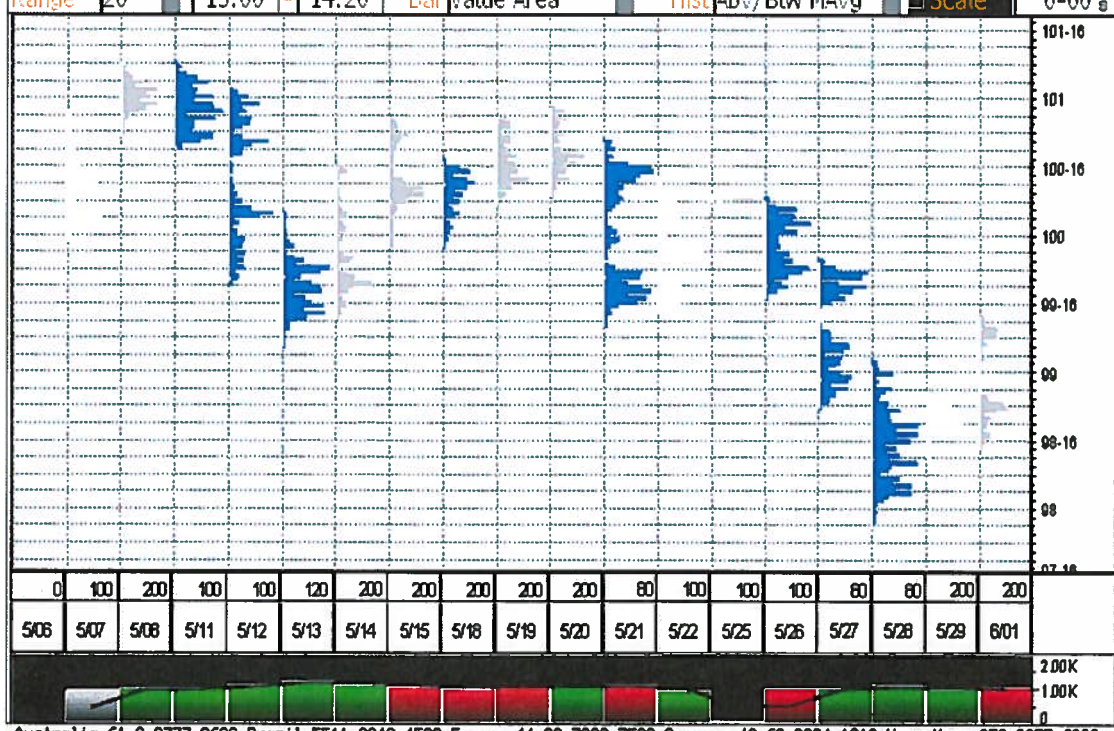
<HELP> for explanation, <MENU> for similar functions. Govt **IGPF**
 US TREASURY N/B T 3 7/8 05/15/18 99-09+ / 99-10+ (3.96 /96) BGN @14:00

GT10 GOVT Hide Scroll IGPF - Intraday Fibonacci Page 1/27
 Period 10 Range 3 Upper Bar Chart 5 | 10 | 15 Currency USD
 Time 15:00 - 14:20



<HELP> for explanation. Msg: RYAN LUNNY
 US TREASURY N/B T 3 7/8 05/15/18 99-09+ / 99-10+ (3.96 /96) BGN @14:00

GT10 Govt 99 Edit Volume Dimension Bars
 Range 20 15:00 - 14:20 Bar Value Area Hist Abv/Blw MAvg Scale 0-00%



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 02-Jun-2008 14:09:08

GT10 Govt IMAC Govt IMAC
 US TREASURY N/B T 3 7/8 05/15/18 99-09+ / 99-10+ (3.96 /96) BGN @14:00

GT10 GOVT Hide Scroll IMAC - Intraday MA Convergence/Divergence Page 1/27

Period 10 Range 3 Upper Bar Chart Mov. Avgs 5 10 15 Currency USD
 Time 15:00 - 14:20
 MACD 12 - 26 Signal 9 MACD Diff Histogram

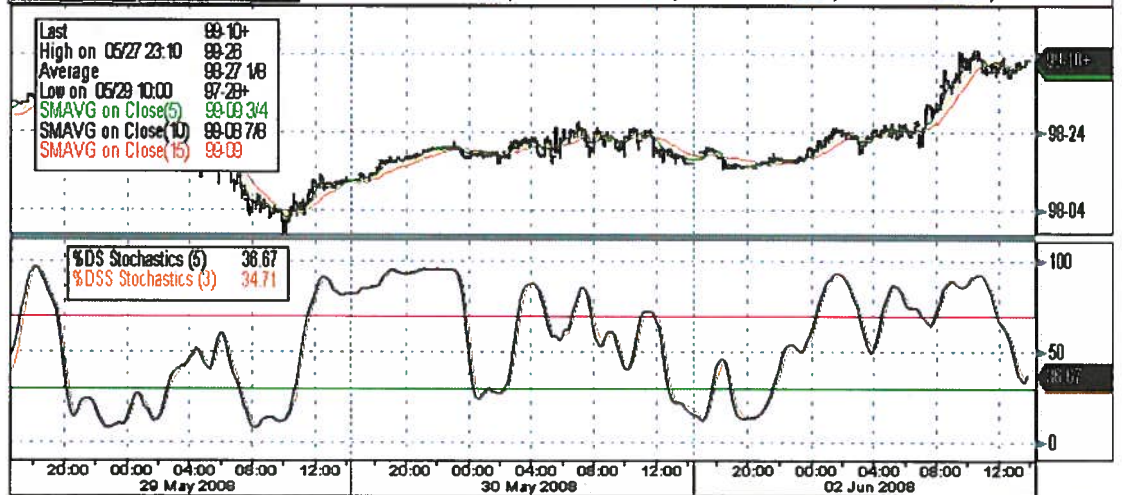


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Period 10 Range 3 Upper Bar Chart Mov. Avgs 5 10 15 Currency USD
 Time 15:00 - 14:20
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New Issues: Agencies

Issuer	Cpn (%)	Mty (M/D/Y)	Sprd (BP)	Outstand Amt (Mil)	Book Mgr (*=group)	Note
FRIDAY, JULY 16						
1) FED HOME LN BANK	STEP	08/04/14		USD 50	UBS	4-NC3MO BERM
2) FED HOME LN BANK	STEP	07/28/15		USD 45	MK,WSAX	5-NC1 BERM
3) FED HOME LN BANK	.98	05/29/13		USD 50	WFS	2.75-NC
4) FANNIE MAE	STEP	07/27/20		USD 50	JPM	10-NC2 1X
5) FANNIE MAE	2½	08/04/16		USD 50	UBS,WFS	6-NC6MO BERM
6) FREDDIE MAC	STEP	07/28/15		USD 250	BAML,GS	5-NC6MO INC
7) FED HOME LN BANK	1.69	08/04/14		USD 100	UBS	4-NC6MO INC
8) FED HOME LN BANK	STEP	07/29/20		USD 15	AMHST,PER	10-NC1 BERM
9) FED HOME LN BANK	1	02/04/13		USD 80	RBS,UBS	2.5-NC3M INC
10) FED HOME LN BANK	2.17	08/10/15		USD 95	UBS	5-NC6MO CONT
11) FED HOME LN BANK	STEP	08/02/17		USD 15	CITI	7-NC1 BERM
12) FED HOME LN BANK	3	08/10/18		USD 25	HSBC	8-NC3MO CONT
13) FED HOME LN BANK	1¼	08/02/13		USD 40	HSBC,NOM	3-NC3MO CONT
14) FED HOME LN BANK	4.05	08/12/25		USD 105	JOINT LEADS	15-NC1 CONT
15) FED HOME LN BANK	2.83	08/09/17		USD 75	MS	7-NC1 CONT
16) FREDDIE MAC	STEP	07/27/22		USD 200	HAPSEC,STFL	12-NC2 INC
17) FED HOME LN BANK	STEP	07/28/15		USD 50	UBS	5-NC1 BERM
18) FREDDIE MAC	1.3	07/26/13		USD 250	JOINT LEADS	3-NC6MO BERM
19) FED HOME LN BANK	STEP	10/26/18		USD 15	MK,VS	8.25-NC1

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9

Corp DES

SECURITY DESCRIPTION

Page 1 / 2

FED HOME LN BANK FHLB 1 02/04/13 99.950/100.069 (1.02/0.72) BVAL

ISSUER INFORMATION		IDENTIFIERS		1) Additional Sec Info 2) Call Schedule 3) ALLQ 4) TRACE Trade Recap 5) TRACE Trade History 6) Corporate Actions 7) Cds Spreads/RED Info 8) Ratings 9) Custom Notes 10) Identifiers 11) Sec. Specific News 12) Involved Parties 13) Pricing Sources 14) Related Securities 15) Issuer Web Page 66) Send as Attachment
Name FEDERAL HOME LOAN BANK		CUSIP 313370D96		
Type Sovereign Agency		ISIN US313370D968		
Market of Issue US Domestic		BB Number EI3281090		
SECURITY INFORMATION		RATINGS		
Country US Currency USD		Moody's NA		
Collateral Type Bonds		S&P AAAe		
Calc Typ(1)STREET CONVENTION		Composite NR		
Maturity 2/ 4/2013 Series				
CALLABLE CALL 11/ 4/10@ 100.00		ISSUE SIZE		
Coupon 1 Fixed		Amt Issued/Outstanding		
S/A 30/360		USD 80,000.00 (M)/		
Announcement Dt 7/16/10		USD 80,000.00 (M)		
Int. Accrual Dt 8/ 4/10		Min Piece/Increment		
1st Settle Date 8/ 4/10		10,000.00/ 5,000.00		
1st Coupon Date 2/ 4/11		Par Amount 5,000.00		
Iss Pr 100		BOOK RUNNER/EXCHANGE		
NO PROSPECTUS DTC		RBS,UBS		
		TRACE		

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CALL SCHEDULE Page 2/ 2

CALL WITH **MIN 5 BUSINESS DAYS NOTICE** Call Page 1/ 1

MAY BE CALLED IN FULL OR PART

****CALLABLE ON AND ANYTIME AFTER DATE(S) SHOWN****

Date	Price	Date	Price	Date	Price
11/ 4/10	100				

MEMO to return to main DES page. **PGFWD** only one page

FED HOME LN BANK FHLB 1 02/04/13

1) Actions 2) Workbooks 3) Settings YAS 2.2 Old Style/My Workbook 1/R

FHLB 1.000 02/04/13 (313370D96)		RISK	1,000 M	Risk	M.Dur	Cvx	
Spread	41.5 bp vs 2y 0% 06/30/12	Workout 11/10		0.249	0.249	N.A.	
Price	100-00	OAS		2.125	2.125	-9	
Yield	1.000	Hedge Bond OAS		1.939	1.937	0.05	
Wk.out	11/04/10 @ 100	Workout Hedge Amt			129 M		
Settle	08/04/10 07/19/10	OAS Hedge Amt			1,096 M		
		Proceeds Hedge Amt			999 M		
G-Sprd	84.6 US Treasury Actives Cu I25	TICKET				Risk	
I-Sprd	43.6 US Dollar Swap Rates I52	Cusip	313370D96				
Basis	(No CDS Rates)	Face		1,000 M			
Z-Sprd	39.7 US Dollar Swap Rates Curve	Principal		1,000,000.00			
ASW	38.8 US Dollar Swap Rates Curve	Accrued (Days 0)		0.00			
OAS	23.8 I111 Oval 0 Vol 14	Total(USD)		1,000,000.00			
TED	-53.4						
SPRD	Cash	FPA					
US Treasury Actives Curve (I25)		Repo Rate	0.15	Days	1	Amt (MM)	1
Sprd	Term Yld (%) Security	Int. Inc.	NaN	Constant Yield			
+85.5	3mo 0.145 B 0 10/14/10	Fin Cost	4.17	Carry P&L		23.54	
+84.6	0.25yr 0.154 G-Sprd (Interpolated)	Fwd Prc	99.997639	Honey At			
+81.7	6mo 0.183 B 0 01/13/11	Price Drop	0.002361	Settle		1,000,000	
		Yld Drop bp	0.096	Term		1,000,004.17	

Old Style YAS Activity Market Data Spreads Description Credit Relative Value Call Schedule

<HELP> for explanation, <MENU> for similar functions.
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Corp **CRPR**

Related Functions Company Tree Ratings Alert CREDIT PROFILE Page 1/1
Federal Home Loan Banks

MOODY'S

- 1) Outlook STABLE
- 2) Long Term Rating Aaa
- 3) Senior Unsecured Debt Aaa
- 4) Short Term P-1

STANDARD & POOR'S

- 5) FHLB 1 02/04/13 AAAe

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Corp **BXT**

Enter 1<GO> to send Ticket via MSG and VCON.

7/16/2010 13:46

TRADE TICKET

AS OF: 7/16/10

ISIN US313370D968

313370D96

DATED 8/ 4/10

TRADER DON COLLINS
At WEDBUSH MORGAN SECURITIES, INC.

BUY 2000 M OF FHLB 1 02/04/13

PRICE 100 YIELD 1.000000 to Worst 11/ 4/10 100

(100.0000000)

SETTLEMENT ON 8/ 4/10

Ratings: Moody's: NA S&P: AAAe Comp: NR

NOTES EXAMPLE

Agent
Commission
Enable
 No

** NEXT CALL on 11/ 4/10 @ 100.00 ** CALLABLE W/ 5 DAYS NOTICE

VIEW AMOUNTS IN USD @ 1.000000000(US /US) INVERT? Highlights off? N

Flat Traded? N(Y/N)

TRADE NUMBERS

PRINCIPAL	\$	2,000,000.00
ACCRUED (0 DAYS)		0.00
TOTAL	\$	2,000,000.00

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SN 605654 H712-1299-3 16-Jul-2010 13:46:18

	AGY	CPN	Maturity	1st Call	Structure	Settle	Notes	PRC	YTC	YTM
1	1 YR	0.28	9/2/2014	1/2/2013	1.9/3 MONTH CONTINUOUS CALL	REG	AMERICAN	100	0.280	0.280
2										
3										
4										
5	2 YR	0.3	1/9/2015	1/9/2013	2.2/2 MONTHS CONTINUOUS CALL	REG	AMERICAN	100	0.300	0.300
6	FFCB	0.3	1/9/2015	1/9/13.	2.25/3 MONTH CONTINUOUS CALL	9-Oct	AMERICAN	100	0.300	0.300
7	FFCB	0.32	3/12/2015	12/12/2012	2.5/3 MONTH CONTINUOUS CALL	REG	AMERICAN	100	0.320	0.320
8	FFCB	0.33	4/9/2015	1/9/2013	2.5/3 MONTH CONTINUOUS CALL	9-Oct	AMERICAN	100	0.330	0.330
9										
10										
11										
12										
13										
14										
15										
16	3 YR	0.55	4/29/2015	4/29/2013	3.5/6 MONTH QUARTERLY CALL	29-Oct	BERMUDA	100	0.550	0.550
17	FFCB	0.42	10/9/2015	1/9/2013	3/3 MONTH CONTINUOUS CALL	9-Oct	AMERICAN	100	0.420	0.420
18	FFCB	0.44	10/16/2015	1/16/2013	3/3 MONTH CONTINUOUS CALL	16-Oct	AMERICAN	100	0.44	0.44
19	FNMA	0.46	10/30/2015	4/30/2013	3/6 MONTH QUARTERLY CALL	30-Oct	BERMUDA	100	0.46	0.46
20	FFCB	0.48	1/4/2016	1/4/2013	3.25/3 MONTH CONTINUOUS CALL	4-Oct	AMERICAN	100	0.480	0.480
21	FFCB	0.48	1/4/2016	1/4/2013	3.25/3 MONTH CONTINUOUS CALL	REG	AMERICAN	100	0.480	0.480
22	FFCB	0.47	1/11/2016	1/11/2013	3.25/3 MONTH CONTINUOUS CALL	11-Oct	AMERICAN	100	0.470	0.470
23	FFCB	0.5	4/18/2016	1/18/2013	3.5/3 MONTH CONTINUOUS CALL	18-Oct	AMERICAN	100	0.500	0.500
24	FHLB	0.5	4/29/2016	1/29/2013	3.5/3 MONTH CONTINUOUS CALL	29-Oct	AMERICAN	100	0.500	0.500
25										
26										
27										
28										
29										
30	4 YR	0.62	10/24/2016	10/24/2013	4/1 YEAR CONTINUOUS CALL	24-Oct	AMERICAN	100	0.620	0.620
31	FFCB	0.65	10/24/2016	1/24/2013	4/3 MONTH CONTINUOUS CALL	24-Oct	AMERICAN	100	0.650	0.650
32	FHLB	0.6	10/24/2016	4/24/2013	4/6 MONTH CONTINUOUS CALL	24-Oct	AMERICAN	100	0.600	0.600
33	FHLB	0.625	10/24/2016	1/24/2013	4/3 MONTH CONTINUOUS CALL	24-Oct	AMERICAN	100	0.625	0.625
34	FHLB	0.64	11/1/2016	5/1/2013	4/6 MONTH CONTINUOUS CALL	1-Nov	AMERICAN	100	0.64	0.64
35	FFCB	0.64	1/11/2017	1/11/2013	4.25/3 MONTH CONTINUOUS CALL	REG	AMERICAN	99.85	1.27	0.676
36	FFCB	0.7	4/11/2017	1/11/2013	4.5/3 MONTH CONTINUOUS CALL	REG	AMERICAN	99.85	1.330	0.734
37	FNMA	0.75	4/26/2017	4/26/2013	4.5/6 MONTH QUARTERLY CALL	26-Oct	BERMUDA	100	0.750	0.750
38	FHLB	0.74	5/8/2017	2/8/2013	4.5/3 MONTH CONTINUOUS CALL	8-Nov	AMERICAN	100	0.740	0.740
39	FFCB	0.82	7/11/2017	1/11/2013	4.75/3 MONTH CONTINUOUS CALL	REG	AMERICAN	100	0.820	0.820
40	5 YR	0.87	10/18/2017	10/18/2013		18-Oct	AMERICAN	100	0.870	0.870
41	FNMA	0.9	10/25/2017	10/25/2013		25-Oct	BERMUDA	100	0.900	0.900

42	FHLB	0.95	11/1/2017	11/1/2013	5/1 YEAR CONTINUOUS CALL	1-Nov	AMERICAN	100	0.950	0.960
43	FNMA	0.9	11/7/2017	5/7/2013	5/6 MONTH QUARTERLY CALL	7-Nov	BERMUDA	100	0.900	0.900
44	FNMA	0.9	11/14/2017	5/14/2013	5/6 MONTH QUARTERLY CALL	14-Nov	BERMUDA	100	0.900	0.900
45	FHLB	1	11/15/2017	5/15/2013	5/6 MONTH QUARTERLY CALL	15-Nov	BERMUDA	100	1.000	1.000
46	FHLB	1.05	11/15/2017	2/15/2013	5/3 MONTH QUARTERLY CALL	15-Nov	BERMUDA	100	1.050	1.050
47										
48										
49										
50										
51										
52	STEP	AGY	CPN	Maturity	1st Call	Structure	Notes	PRC	YTC	YTM
53		FNMA	STEP	4/25/2017	10/25/2013	4.5/1 YEAR QTR CALL, 0.500 % TO 04/25/2014, 0.625 % TO 10/25/2014, 0.750 % TO 04/25/2015, 0.875 % TO 10/25/2015, 1.000 % TO 04/25/2016, 2.000 % TO 10/25/2016, 3.000 % TO 04/25/2017	BERMUDA	100	0.500	1.074
54		FNMA	CANARY	10/17/2017	10/17/2013	5/1 YEAR CANARY TO 10/17/14, COUPONS, 0.500 % TO 10/17/2014, 1.500 % TO 10/17/2017	BERMUDA	100	0.500	1.093
55		FNMA	STEP	10/25/2017	10/25/2013	5/1 YEAR ANNUAL CALL, 0.500 % TO 10/25/2013, 0.750 % TO 10/25/2014, 1.000 % TO 10/25/2015, 1.250 % TO 10/25/2016, 2.000 % TO 10/25/2017	BERMUDA	100	0.500	1.092
56		FHLB	STEP	10/30/2017	1/30/2013	5/3 MO QTR, 0.500 % TO 10/30/2013, 0.750 % TO 10/30/2014, 1.000 % TO 10/30/2015, 1.250 % TO 10/30/2016, 2.000 % TO 10/30/2017	BERMUDA	100	0.500	1.092
57		FNMA	STEP	10/30/2017	10/30/2013	5/1 QTR, 0.600 % TO 10/30/2014, 0.750 % TO 04/30/2016, 1.000 % TO 10/30/2016, 1.500 % TO 04/30/2017, 3.500 % TO 10/30/2017	BERMUDA	100	0.600	1.056
58		FNMA	STEP	10/30/2017	10/30/2013	5/1 YEAR ANNUAL CALL, 0.500 % TO 10/30/2013, 0.625 % TO 10/30/2014, 0.875 % TO 10/30/2015, 1.000 % TO 10/30/2016, 2.050 % TO 10/30/2017	BERMUDA	100	0.500	1.003
59		FNMA	VERDE	11/8/2017	11/8/2013	5/1 YEAR VERDE CALL, 0.500 % TO 11/08/2014, 1.000 % TO 11/08/2016, 2.000 % TO 11/08/2017	VERDE	100	0.500	1.000
60		FNMA	STEP	11/8/2017	11/8/2013	5/1 YEAR SEMI, 0.500 % TO 11/08/2013, 0.625 % TO 05/08/2014, 0.750 % TO 11/08/2014, 0.875 % TO 05/08/2015, 1.000 % TO 11/08/2015, 1.250 % TO 05/08/2016, 1.500 % TO 11/08/2016, 1.750 % TO 05/08/2017, 2.000 % TO 11/08/2017	BERMUDA	100	0.500	1.067
61		FNMA	CANARY	10/25/2017	10/25/2013	5/1 YEAR CANARY TO 10/17/15, COUPONS, 0.700% TO 10/25/2015, 1.400 % TO 10/25/2017	CANARY	100	0.700	0.967
62		FNMA	STEP	11/15/2017	11/15/2013	5/1 YEAR QTR, 0.600 % TO 05/15/2015, 0.750 % TO 05/15/2016, 1.000 % TO 11/15/2016, 1.500 % TO 05/15/2017, 3.250 % TO 11/15/2017	BERMUDA	100	0.600	1.017

63		FHLB	STEP	11/15/2017	2/15/2013		5/3 MO QTR, 0.500 % TO 11/15/2013, 0.750 % TO 11/15/2014, 1.000 % TO 11/15/2015, 1.500 % TO 11/15/2016, 2.000 % TO 11/15/2017	15-Nov	BERMUDA	100	0.500	1.141
64		FNMA	CANARY	11/15/2017	5/15/2013		5/6 MONTH CANARY CALL TO 11/15/15, 0.700 % TO 11/15/2017	15-Nov	CANARY	100	0.700	0.970
65		FHLB	CANARY	10/26/2017	11/26/2012		5/1 MONTH CANARY CALL TO 10/26/14, 0.625 % TO 10/26/2014, 1.250 % TO 10/26/2017	26-Oct	CANARY	100	0.625	0.996
66												
67												
68												
69												
70												
71												
72												
73												
74												
75												
76												
77										0.716		
78	TKR		CPN	Maturity	1st Call		Structure	Settle	Notes	PRC	YTC	YTM
79	BA		2.125	8/15/2016	A2/A		BOEING . STABLE STABLE	CORP				0.650
80	TOYOTA		2.00	9/15/2016	AA3/AA-		TOYOTA MOTOR CREDIT	CORP				0.900
81	CAT		2.05	8/1/2016	A2/A		CATAPILLAR FINANCE	CORP				0.750
82	XOM		1/6/1900	8/1/2017	AAA/AAA		EXXON MOBIL	CORP				0.680
83												
84												
85										2yr	3yr	5yr
86										0.26	0.358	0.680
87	AGY		CPN	Maturity	AMMOUNT		Structure	Settle	Notes	PRC	YTC	YTM
88	TOYOTA		1.25	11/17/2014	AA3/AA-		TOYOTA MOTOR CREDIT	CORP	0.23			0.490
89												
90	TOYOTA		0.875	7/17/2015	AA3/AA-		TOYOTA MOTOR CREDIT	CORP	0.26			0.618
91												
92	CAT		2.65	4/1/2016	A2/A		CATAPILLAR FINANCE	CORP	0.12			0.800
93	CAT		2.05	8/1/2016	A2/A		CATAPILLAR FINANCE	CORP	0.145			0.825
94	BA		2.125	8/15/2016	A2/A		BOEING . STABLE STABLE	CORP	0.03			0.710
95	TOYOTA		2.00	9/15/2016	AA3/AA-		TOYOTA MOTOR CREDIT	CORP	0.275			0.965
96	TOYOTA		2.00	9/15/2016	AA3/AA-		TOYOTA MOTOR CREDIT	CORP	0.245			0.925
97	KO		1.80	9/1/2016	AA3/AA-		COKE	CORP	0.02			0.700

