VAN KAMPEN HIGH YIELD FUND
Form N-CSR
October 30, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM N-CSR
CERTIFIED SHAREHOLDER REPORT OF REGISTERED
MANAGEMENT INVESTMENT COMPANIES
Investment Company Act file number 811-02851
Van Kampen High Yield Fund

(Exact name of registrant as specified in charter)
522 Fifth Avenue, New York, New York 10036

(Address of principal executive offices) (Zip code)
Jerry W. Miller
522 Fifth Avenue, New York, New York 10036

(Name and address of agent for service)
Registrant s telephone number, including area code: 212-762-4000
Date of fiscal year end: 8/31
Date of reporting period: 8/31/08

Item 1. Reports to Shareholders.

The Fund s annual report transmitted to shareholders pursuant to Rule 30e-1
under the Investment Company Act of 1940 is as follows:

Welcome, Shareholder

In this report, you ll learn about how your investment in Van Kampen High Yield Fund performed during the annual period. The portfolio management team will provide an overview of the market conditions and discuss some of the factors that affected investment performance during the reporting period. In addition, this report includes the fund s financial statements and a list of fund investments as of August 31, 2008.

This material must be preceded or accompanied by a Class A, B, and C share or Class I share prospectus for the fund being offered. The prospectuses contain information about the fund, including the investment objectives, risks, charges and expenses. To obtain an additional prospectus, contact your financial advisor or download one at vankampen.com. Please read the prospectus carefully before investing.

Market forecasts provided in this report may not necessarily come to pass. There is no assurance that the fund will achieve its investment objective. The fund is subject to market risk, which is the possibility that the market values of securities owned by the fund will decline and, therefore, the value of the fund shares may be less than what you paid for them. Accordingly, you can lose money investing in this fund. Please see the prospectus for more complete information on investment risks.

NOT FDIC INSURED **OFFER NO BANK GUARANTEE** **MAY LOSE VALUE**
NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY **NOT A DEPOSIT**

Performance Summary as of 8/31/08

Performance of a $10,000 investment

This chart compares your fund s performance to that of the Lehman Brothers U.S. Corporate High Yield 2% Issuer Cap Index and the Lipper High Current Yield Bond Funds Index from 8/31/98 through 8/31/08. Class A shares, adjusted for sales charges.

	A Shares *since 10/2/78*		**B Shares** *since 7/2/92*		**C Shares** *since 7/6/93*		**I Shares** *since 3/23/05*
Average Annual Total Returns	**w/o sales charges**	**w/max 4.75% sales charges**	**w/o sales charges**	**w/max 4.00% sales charges**	**w/o sales charges**	**w/max 1.00% sales charges**	**w/o sales charges**
Since Inception	6.95%	6.78%	4.81%	4.81%	3.66%	3.66%	3.23%
10-year	2.60	2.10	2.00	2.00	1.81	1.81	
5-year	5.61	4.59	4.79	4.56	4.84	4.84	
1-year	2.01	6.69	2.74	6.38	2.77	3.68	1.76
30-Day SEC Yield	8.84%		8.45%		8.62%		9.56%

Past performance is no guarantee of future results, and current performance may be lower or higher than the figures shown. For the most recent month-end performance figures, please visit vankampen.com or speak with your financial advisor. Investment returns and principal value will fluctuate and fund shares, when redeemed, may be worth more or less than their original cost.

The returns shown in this report do not reflect the deduction of taxes that a shareholder would pay on fund distributions or the redemption of fund shares. Performance of share classes will vary due to differences in sales charges and expenses. As a result of recent market activity, current performance may vary from the figures shown. Average annual total return with sales charges includes payment of the maximum sales charge of 4.75 percent for Class A shares, a contingent deferred sales charge of 4.00 percent for Class B shares (in years one and two and declining to zero after year five), a contingent deferred sales charge of 1.00 percent for Class C shares in year one and combined Rule 12b-1 fees and service fees of up to 0.25 percent for Class A shares and up to 1.00 percent for Class B and C shares. The since inception and ten year returns for Class B shares reflect the conversion of Class B shares into Class A shares eight years after purchase. Class I shares are available for purchase exclusively by investors through (i) tax-exempt retirement plans with assets of at least $1 million (including 401(k) plans, 457 plans, employer-sponsored 403(b) plans, profit sharing and money purchase plans, defined benefit plans and non-qualified deferred compensation plans), (ii) fee-based investment programs with assets of at least $1 million, (iii) qualified state tuition plan (529 plan) accounts, (iv) institutional clients with assets of at least $1 million and (v) certain Van Kampen investment companies. Class I shares are offered without any sales charges on purchases or sales and do not include combined rule 12b-1 fees and service fees. Figures shown above assume reinvestment of all dividends and capital gains. SEC yield is a calculation for determining the amount of portfolio income, excluding non-income items as prescribed by the SEC. Yields are subject to change. Periods of less than one year are not annualized.

The Lehman Brothers U.S. Corporate High Yield-2% Issuer Cap Index is a broad-based index that reflects the general performance of the U.S. dollar denominated, fixed-rate, non-investment grade, taxable corporate bond market. Issuers are capped at 2% of the index. Lipper High Current Yield Current Bonds Fund Index is an index of funds with similar investment objectives as this fund. Indexes do not include any expenses, fees or sales charges, which would lower performance. Indexes are unmanaged and should not be considered an investment.

Fund Report
For the 12-month period ended August 31, 2008

Market Conditions

Market conditions were challenging for the high-yield market throughout most of the 12-month reporting period as the credit crisis and concerns about the economy kept volatility high and led investors to favor less risky assets. Although the pace of economic growth rose to 3.3 percent in the second quarter of 2008, after measuring just 0.9 percent in the first quarter of 2008 and -0.2 percent in the last quarter of 2007, the overall economic picture remained weak. Jobs figures weakened and the housing market remained in the doldrums. Accelerating food and energy prices have taken a toll on consumers as well, causing confidence to dwindle and prompting concerns about inflation. These factors, coupled with ongoing writedowns by several financial institutions and restricted credit and liquidity, weighed heavily on investor sentiment.

The Federal Reserve (the Fed) took several steps to help ease the pressure on the market, including a long series of reductions in the target federal funds rate, the last of which took place in April when the rate was cut to 2.0 percent. Although the slowing economy was still a concern, rising inflationary pressures prompted the Fed to maintain interest rates thereafter. The Fed s intervention briefly calmed the markets and resulted in an upsurge in high yield performance in April and May, but following the announcement of additional financial sector writedowns in June and growing recession fears, the market retreated again as high yield spreads moved wider. At the end of August, high yield spreads stood at 829 basis points over Treasuries, significantly wider than historical long-term averages. As a result, high yield bonds underperformed Treasury securities, though they still outpaced equities for the reporting year. As would be expected in this environment, higher-quality high yield bonds outperformed lower-quality issues. With regard to sectors, the wireless communications, healthcare and environmental sectors were the top performers in the high yield market, while finance companies, gaming and automotive turned in the worst performance. New issue volume slowed considerably, measuring approximately $50 billion in the first eight months of 2008 only 40 percent of the volume for the same period last year.

The financial crisis that has roiled capital markets since 2007 only intensified from September onward. Overnight lending rates rose to extreme levels and inter-bank lending effectively came to a halt as banks refused to lend, raising borrowing costs and hampering economic activity around the world. Banks and other large financial institutions worldwide faced collapse and, in some cases, outright nationalization as governments moved to attempt to shore up the financial system and to protect depositors. Indeed, recent weeks have seen announcements of an array of government actions around the world to support the orderly functioning of credit activity. Volatility in the capital markets has remained elevated, with the CBOE VIX index of equity volatility reaching record levels while a sustained flight to quality briefly sent short-term Treasury yields to negative rates. Such volatility could well remain a significant feature of the markets until the crisis abates.

Performance Analysis

All share classes of Van Kampen High Yield Fund underperformed the Lehman Brothers U.S. Corporate High Yield 2% Issuer Cap Index and Class A, B, and C shares underperformed and Class I shares outperformed the Lipper High Current Yield Bond Funds Index for the 12 months ended August 31, 2008, assuming no deduction of applicable sales charges.

Total returns for the 12-month period ended August 31, 2008

Class A	Class B	Class C	Class I	Lehman Brothers U.S. Corporate High Yield 2% Issuer Cap Index	Lipper High Current Yield Bond Funds Index
2.01%	2.74%	2.77%	1.76%	0.66%	2.00%

The performance for the four share classes varies because each has different expenses. The Fund s total return figures assume the reinvestment of all distributions, but do not reflect the deduction of any applicable sales charges. Such costs would lower performance. Past performance is no guarantee of future results. See Performance Summary for standardized performance information and index definitions.

The Fund s holdings in mortgage securities were a significant detractor from performance during the reporting period as the mortgage sector has continued to struggle in the wake of the subprime market meltdown and ongoing slump in residential housing. Mortgage securities are not included in the Lehman Brothers U.S. Corporate High Yield 2% Issuer Cap Index (the Index). As a result, the Fund s exposure to the sector and its decline was the primary reason for the Fund s relative underperformance for the period.

The Fund s defensive credit quality positioning, however, partially offset the negative impact of its mortgage holdings. We maintained a higher overall credit quality within the portfolio than that of the Index for most of the reporting period. This positioning was beneficial as the uncertain environment led to a flight to quality that helped higher-rated securities outpace those with lower credit ratings. As high yield spreads moved to levels much wider than long-term averages late in the period, we began to increase the Fund s credit exposure to a more neutral position. An emphasis on health care bonds was also additive to returns as the sector was the second best performer for the period. Additionally, an overweight allocation to utilities and energy also benefited returns, as did an underweight exposure to companies within the homebuilding sector.

As of the end of the reporting period, the Fund s major sector overweights relative to the Lehman Brothers U.S. Corporate High Yield 2% Issuer Cap Index were in the healthcare, chemicals, and energy sectors. The Fund s major sector underweights relative to the Index were in building products/home builders, manufacturing, and aerospace/defense.

There is no guarantee that any sectors mentioned will continue to perform as discussed herein or that securities in such sectors will be held by the Fund in the future.

Ratings Allocation as of 8/31/08

AAA/Aaa	0.2%
AA/Aa	0.1
A/A	0.7
BBB/Baa	10.6
BB/Ba	30.7
B/B	50.0
CCC/Caa	6.5
CC/Ca	0.1
Non-Rated	1.1

Summary of Investments by Industry Classification as of 8/31/08

Health Care	11.4%
Energy	9.2
Utility	9.1
Transportation	6.8
Telecommunications	6.7
Gaming & Leisure	6.7
Chemicals	5.1
Forest Products	4.6
Cable	4.4
Information Technology	4.1
Financial	3.8
Diversified Media	3.7
Food & Tobacco	2.8
Manufacturing	2.7
Wireless Communications	2.5
Metals	2.4
Retail	2.1
Housing	1.8
Food & Drug	1.8
Consumer Products	1.3
Services	0.9
Sovereigns	0.5
Broadcasting	0.5
Collateralized Mortgage Obligation	0.3
Total Long-Term Investments	95.2
Total Short-Term Investments	3.8
Total Investments	99.0
Other Assets in Excess of Liabilities	1.0
Net Assets	100.0%

Subject to change daily. Provided for informational purposes only and should not be deemed as a recommendation to buy or sell the securities mentioned or securities in the industries shown above. Ratings allocations are as a percentage of debt obligations. Industry allocations are as a percentage of net assets. Van Kampen is a wholly owned subsidiary of a global securities firm engaged in a wide range of financial services including, for example, securities trading and brokerage activities, investment banking, research and analysis, financing and financial advisory services. Ratings allocations based upon ratings as issued by Standard and Poor s and Moody s, respectively.

5

For More Information About Portfolio Holdings

Each Van Kampen fund provides a complete schedule of portfolio holdings in its semiannual and annual reports within 60 days of the end of the fund s second and fourth fiscal quarters. The semiannual reports and the annual reports are filed electronically with the Securities and Exchange Commission (SEC) on Form N-CSRS and Form N-CSR, respectively. Van Kampen also delivers the semiannual and annual reports to fund shareholders, and makes these reports available on its public Web site, www.vankampen.com. In addition to the semiannual and annual reports that Van Kampen delivers to shareholders and makes available through the Van Kampen public Web site, each fund files a complete schedule of portfolio holdings with the SEC for the fund s first and third fiscal quarters on Form N-Q. Van Kampen does not deliver the reports for the first and third fiscal quarters to shareholders, nor are the reports posted to the Van Kampen public Web site. You may, however, obtain the Form N-Q filings (as well as the Form N-CSR and N-CSRS filings) by accessing the SEC s Web site, http://www.sec.gov. You may also review and copy them at the SEC s Public Reference Room in Washington, DC. Information on the operation of the SEC s Public Reference Room may be obtained by calling the SEC at (800) SEC-0330. You can also request copies of these materials, upon payment of a duplicating fee, by electronic request at the SEC s email address (publicinfo@sec.gov) or by writing the Public Reference section of the SEC, Washington, DC 20549-0102.

You may obtain copies of a fund s fiscal quarter filings by contacting Van Kampen Client Relations at (800) 847-2424.

Householding Notice

To reduce Fund expenses, the Fund attempts to eliminate duplicate mailings to the same address. The Fund delivers a single copy of certain shareholder documents to investors who share an address, even if the accounts are registered under different names. The Fund s prospectuses and shareholder reports (including annual privacy notices) will be delivered to you in this manner indefinitely unless you instruct us otherwise. You can request multiple copies of these documents by either calling (800) 341-2911 or writing to Van Kampen Investor Services at P.O. Box 219286, Kansas City, MO 64121-9286. Once Investor Services has received your instructions, we will begin sending individual copies for each account within 30 days.

Proxy Voting Policy and Procedures and Proxy Voting Record

You may obtain a copy of the Fund s Proxy Voting Policy and Procedures without charge, upon request, by calling toll free (800) 847-2424 or by visiting our Web site at www.vankampen.com. It is also available on the Securities and Exchange Commission s Web site at http://www.sec.gov.

You may obtain information regarding how the Fund voted proxies relating to portfolio securities during the most recent twelve-month period ended June 30 without charge by visiting our Web site at www.vankampen.com. This information is also available on the Securities and Exchange Commission s Web site at http://www.sec.gov.

Expense Example

As a shareholder of the Fund, you incur two types of costs: (1) transaction costs, including sales charges (loads) on purchase payments of Class A Shares and contingent deferred sales charges on redemptions of Class B and C Shares; and redemption fees; and (2) ongoing costs, including management fees; distribution and service (12b-1) fees; and other Fund expenses. This example is intended to help you understand your ongoing cost (in dollars) of investing in the Fund and to compare these costs with the ongoing costs of investing in other mutual funds.

The example is based on an investment of $1,000 invested at the beginning of the period and held for the entire period 3/1/08 - 8/31/08.

Actual Expense

The first line of the table below provides information about actual account values and actual expenses. You may use the information in this line, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number in the first line under the heading entitled Expenses Paid During Period to estimate the expenses you paid on your account during this period.

Hypothetical Example for Comparison Purposes

The second line of the table below provides information about hypothetical account values and hypothetical expenses based on the Fund s actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Fund s actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing cost of investing in the Fund and other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of the other funds.

Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any transactional costs, such as sales charges (loads) or contingent deferred sales charges or redemption fees. Therefore, the second line of the table is useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds. In addition, if these transactional costs were included, your costs would have been higher.

	Beginning Account Value	**Ending Account Value**	**Expenses Paid During Period***
	3/1/08	**8/31/08**	**3/1/08-8/31/08**
Class A			
Actual	$ 1,000.00	$ 974.59	$ 4.47
Hypothetical	1,000.00	1,020.61	4.57
(5% annual return before expenses)			
Class B			
Actual	1,000.00	970.96	8.17
Hypothetical	1,000.00	1,016.84	8.36
(5% annual return before expenses)			

Class C			
Actual	1,000.00	970.61	8.17
Hypothetical	1,000.00	1,016.84	8.36
(5% annual return before expenses)			
Class I			
Actual	1,000.00	975.89	3.28
Hypothetical	1,000.00	1,021.82	3.35
(5% annual return before expenses)			

* Expenses are equal to the Fund s annualized expense ratio of 0.90%, 1.65%, 1.65% and 0.66% for Class A, B, C and I Shares, respectively, multiplied by the average account value over the period, multiplied by 184/366 (to reflect the one-half year period).

Assumes all dividends and distributions were reinvested.

Investment Advisory Agreement Approval

Both the Investment Company Act of 1940 and the terms of the Fund s investment advisory agreement require that the investment advisory agreement between the Fund and its investment adviser be approved annually both by a majority of the Board of Trustees and by a majority of the independent trustees voting separately.

Costs and expenses				
Salaries and employee benefits			4,073,000	4,250,000
Newsprint and printing expenses			358,000	432,000
Other outside services			704,000	978,000
Postage and delivery expenses			357,000	365,000
Depreciation and amortization			163,000	165,000
Other general and administrative expenses	873,000	894,000	6,528,000	7,084,000
Income from operations			2,582,000	2,568,000
Other income and (expense)				
Dividends and interest income			225,000	121,000
Gain on sales of investments --- - 76,000				
Interest expense			(9,000)	(10,000)
Income before taxes			2,798,000	2,755,000
Provision for income taxes			1,070,000	1,060,000
Net income			$1,728,000	$1,695,000
Weighted average number of common shares outstanding - basic and diluted			1,380,746	1,409,330
Basic and diluted net income per share			$1.25	$1.20

See accompanying Notes to Consolidated Financial Statements.

Index

DAILY JOURNAL CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	Six months ended March 31	
	2010	2009
Revenues		
Advertising	$11,521,000	$11,082,000
Circulation	3,625,000	4,004,000
Advertising service fees and other	2,046,000	1,927,000
Information systems and services	1,776,000	2,450,000
	18,968,000	19,463,000
Costs and expenses		
Salaries and employee benefits	8,178,000	8,353,000
Newsprint and printing expenses	760,000	968,000
Other outside services	1,524,000	1,898,000
Postage and delivery expenses	725,000	760,000
Depreciation and amortization	315,000	380,000
Other general and administrative expenses	1,727,000	1,837,000
	13,229,000	14,196,000
Income from operations	5,739,000	5,267,000
Other income and (expense)		
Dividends and interest income	445,000	275,000
Gain on sales of investments	--- -	76,000
Interest expense	(18,000)	(20,000)
Income before taxes	6,166,000	5,598,000
Provision for income taxes	2,350,000	2,155,000
Net income	$3,816,000	$3,443,000
Weighted average number of common shares outstanding - basic and diluted	1,380,746	1,420,263
Basic and diluted net income per share	$2.76	$2.42

Index

DAILY JOURNAL CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six months ended March 31	
	2010	2009
Cash flows from operating activities		
Net income	$3,816,000	$3,443,000
Adjustments to reconcile net income to net cash provided by operations		
Depreciation and amortization	315,000	380,000
Deferred income taxes	(132,000)	(134,000)
Net premium amortized and discount earned on U.S. Treasury Notes and Bills	---	61,000
Changes in assets and liabilities		
(Increase) decrease in current assets		
Accounts receivable, net	1,662,000	1,396,000
Inventories	(10,000)	1,000
Prepaid expenses and other assets	(22,000)	(20,000)
Increase (decrease) in current liabilities		
Accounts payable	(342,000)	364,000
Accrued liabilities	(352,000)	(540,000)
Income taxes	(134,000)	3,000
Deferred subscription and other revenues	(594,000)	(471,000)
Net cash provided by operating activities	4,207,000	4,483,000
Cash flows from investing activities		
Maturities and sales of U.S. Treasury Notes and Bills	20,140,000	16,748,000
Purchases of U.S. Treasury Notes and Bills	(22,678,000)	(2,203,000)
Purchases of marketable securities	---	(15,501,000)
Purchases of property, plant and equipment	(45,000)	(124,000)
Net cash used in investing activities	(2,583,000)	(1,080,000)
Cash flows from financing activities		
Purchase of common stock	---	(1,590,000)
Cash used in financing activities	---	(1,590,000)
Increase in cash and cash equivalents	1,624,000	1,813,000
Cash and cash equivalents		
Beginning of period	1,425,000	994,000
End of period	$3,049,000	$2,807,000

See accompanying Notes to Consolidated Financial Statements.

Index

DAILY JOURNAL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1 - The Corporation and Operations

The Daily Journal Corporation (the "Company") publishes newspapers and web sites covering California and Arizona, as well as the California Lawyer and NextGen magazines, and produces several specialized information services. Sustain Technologies, Inc. ("Sustain"), a wholly owned subsidiary, supplies case management software systems and related products to courts and other justice agencies, including administrative law organizations. These courts and agencies use the Sustain family of products to help manage cases and information electronically and to interface with other critical justice partners. Sustain's products are designed to help users manage electronic case files from inception to disposition, including all aspects of calendaring and accounting, report and notice generation, the implementation of standards and business rules and other corollary functions. Essentially all of the Company's operations are based in California, Arizona and Colorado.

Note 2 - Basis of Presentation and Recent Accounting Pronouncements

Basis of Presentation

In the opinion of the Company, the accompanying interim unaudited consolidated financial statements contain all adjustments (consisting of normal recurring accruals) considered necessary for a fair statement of its financial position as of March 31, 2010, and of its results of operations and cash flows for the three- and six-month periods ended March 31, 2010 and 2009. The results of operations for the six months ended March 31, 2010 and 2009 are not necessarily indicative of the results to be expected for the full year.

The consolidated financial statements included herein have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information presented not misleading. These financial statements should be read in conjunction with the financial statements and the notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2009.

Recent Accounting Pronouncements

In February 2010, the FASB issued an amendment to previously issued guidance on subsequent events. The amended guidance removed the requirement for SEC filers to disclose the date through which subsequent events were evaluated in both originally issued and reissued financial statements.

In January 2010, the FASB issued authoritative guidance related to Fair Value Disclosure requiring the Company to (i) disclose the amounts of transfers in and out of Level 1 and Level 2 fair value measurements and the reasons for the transfers and (ii) present separately information about purchases, sales, issuances and settlements in the reconciliation of Level 3 measurements. This guidance also provides clarification of existing disclosures requiring the Company to determine each class of the investments based on risk and to disclose the valuation techniques and inputs used to measure fair value for both Level 2 and Level 3 measurements. The Company adopted this guidance effective January 1, 2010, which did not have an impact on the Company's consolidated financial statements.

Index

Note 3 - Basic and Diluted Income Per Share

The Company does not have any common stock equivalents, and therefore the basic and diluted income per share are the same.

Note 4 - Revenue Recognition

Proceeds from the sale of subscriptions for newspapers, court rule books and other publications and other services are recorded as deferred revenue and are included in earned revenue only when the services are provided, generally over the subscription term. Advertising revenues are recognized when advertisements are published and are net of commissions.

The Company recognizes revenues from both the lease and sale of software products in accordance with ASC Topic 985-605 Software Revenue Recognition. Revenues from leases of software products are recognized over the life of the lease while revenues from software product sales are recognized normally upon delivery, installation or acceptance pursuant to a signed agreement. Revenues from annual maintenance contracts generally call for the Company to provide software updates and upgrades to customers and are recognized ratably over the maintenance period. Consulting and other services are recognized upon acceptance by the customers or as performed (using a percentage-of-completion method) according to ASC Topic 985-605.

Note 5 - Income Taxes

On a pretax profit of $6,166,000 and $5,598,000 for the six months ended March 31, 2010 and 2009, respectively, the Company recorded a tax provision of $2,350,000 and $2,155,000, respectively, which was somewhat lower than the amount computed using the statutory rate because of the available dividends received deduction and the domestic production activity deduction. Consequently, the Company's effective tax rate was 38% and 38.5% for the six months ended March 31, 2010 and 2009, respectively. The Internal Revenue Service has examined the Company's tax returns for years 2002 to 2007 and has proposed an assessment that, if upheld, would result in the disallowance of approximately $700,000 of previously claimed research and development credits. The Company is continuing to contest the issue in the United States Tax Court, and the ultimate resolution of this dispute cannot be ascertained at this time. At March 31, 2010 and September 30, 2009, the Company had a reserve of approximately $700,000 primarily pertaining to these claimed research and development tax credits. If these benefits are recognized, there would be an impact on the effective tax rate in the period of recognition. Interest accrued related to unrecognized tax benefits is recorded as interest expense, and as of March 31, 2010, the Company had accrued $232,000, including an additional $18,000 during the past six months ended March 31, 2010. The Company has not accrued any penalties related to any potential assessment. The Company files federal income tax returns in the United States and with various state jurisdictions and is no longer subject to examinations for years before 2002.

Note 6 - Investments in U.S. Treasury Notes and Bills and Marketable Securities

Investments in U.S. Treasury Notes and Bills and marketable securities categorized as "available-for-sale" are stated at fair value, with the unrealized gains and losses, net of taxes, reported in accumulated other comprehensive income. Consequently, as of March 31, 2010 and September 30 2009, an unrealized gain of $24,450,000 and $20,712,000, respectively, net of taxes, was recorded in "Accumulated other comprehensive income" in the accompanying Consolidated Balance Sheets. The Company uses quoted prices in active markets for identical assets (consistent with the Level 1 definition in the fair value hierarchy) to measure the fair value of its investments on a recurring basis pursuant to Accounting Standards Codification Topic 820.

Index

	March 31, 2010 (Unaudited)			September 30, 2009		
	Amortized cost basis	Aggregate fair value	Pretax unrealized gains	Amortized cost basis	Aggregate fair value	Pretax unrealized gains
U.S. Treasury Notes and Bills	$9,138,000	$9,138,000	$---	$6,601,000	$6,627,000	$26,000
Marketable securities						
Common stocks	15,501,000	53,160,000	37,659,000	15,501,000	47,917,000	32,416,000
Bonds	4,925,000	6,702,000	1,777,000	4,923,000	6,158,000	1,235,000
Total	$29,564,000	$69,000,000	$39,436,000	$27,025,000	$60,702,000	$33,677,000

At March 31, 2010, the U.S. Treasury Notes and Bills had maturity dates of less than one year, and the bonds mature in 2039. All investments are classified as "Current assets" because they are available for sale.

Note 7 - Comprehensive Income

Comprehensive income, which includes net income plus net unrealized gains (losses) on U.S. Treasury Notes and Bills and marketable securities, was $7,554,000 and $9,058,000 for the six-month periods ended March 31, 2010 and 2009, respectively. There were net unrealized gains of $3,738,000, net of taxes, for the six month period ended March 31, 2010 as compared to $5,615,000 in the prior comparable period.

Note 8 - Commitments

The Company owns its facilities in Los Angeles and leases space for its other offices under operating leases, which expire at various dates through 2012. The Company is responsible for a portion of maintenance, insurance and property tax expenses relating to certain leased property. Rental expenses for comparable six-month periods ended March 31, 2010 and 2009 were $328,000 and $302,000, respectively.

Note 9 - Contingencies

From time to time, the Company is subject to litigation arising in the normal course of its business. While it is not possible to predict the results of such litigation, management does not believe the ultimate outcome of these matters will have a materially adverse effect on the Company's financial position or results of operations.

Index

Note 10 - Operating Segments

Summarized financial information for the Company's reportable segments is shown in the following table:

	Reportable Segments		
	Traditional Business	Sustain	Total Results for both Segments
Six months ended March 31, 2010			
Revenues	$17,192,000	$1,776,000	$18,968,000
Pretax income (loss)	6,511,000	(345,000)	6,166,000
Total assets	92,716,000	1,039,000	93,755,000
Capital expenditures	45,000	---	45,000
Depreciation and amortization	287,000	28,000	315,000
Income tax benefit (expense)	(2,480,000)	130,000	(2,350,000)
Net income (loss)	4,031,000	(215,000)	3,816,000
Six months ended March 31, 2009			
Revenues	$17,013,000	$2,450,000	$19,463,000
Pretax income	5,581,000	17,000	5,598,000
Total assets	54,413,000	1,288,000	55,701,000
Capital expenditures	104,000	20,000	124,000
Depreciation and amortization	352,000	28,000	380,000
Income tax expense	(2,150,000)	(5,000)	(2,155,000)
Net income	3,431,000	12,000	3,443,000
Three months ended March 31, 2010			
Revenues	$8,212,000	$898,000	$9,110,000
Pretax income (loss)	2,903,000	(105,000)	2,798,000
Total assets	92,716,000	1,039,000	93,755,000
Capital expenditures	45,000	---	45,000
Depreciation and amortization	147,000	16,000	163,000
Income tax benefit (expense)	(1,110,000)	40,000	(1,070,000)
Net income (loss)	1,793,000	(65,000)	1,728,000
Three months ended March 31, 2009			
Revenues	$8,285,000	$1,367,000	$9,652,000
Pretax income	2,674,000	81,000	2,755,000
Total assets	54,413,000	1,288,000	55,701,000
Capital expenditures	21,000	10,000	31,000
Depreciation and amortization	152,000	13,000	165,000
Income tax expense	(1,030,000)	(30,000)	(1,060,000)
Net income	1,644,000	51,000	1,695,000

Index

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The Company continues to operate as two different businesses: (1) The "traditional business", being the business of newspaper and magazine publishing and related services that the Company had before 1999 when it purchased Sustain, and (2) the Sustain software business, which supplies case management software systems and related products to courts and other justice agencies, including administrative law organizations.

During the six months ended March 31, 2010, consolidated pretax income increased by $568,000 (10%) to $6,166,000 from $5,598,000 in the prior period. The Company's traditional business segment pretax profit increased by $930,000 (17%) to $6,511,000 from $5,581,000 primarily because of an increase in the number of trustee foreclosure notices that were published in the Company's newspapers or for which the Company received a placement fee. Sustain's business segment pretax loss increased to $345,000 from a pretax profit of $17,000 because of a decrease in consulting revenues from governmental agencies.

	Reportable Segments		
	Traditional Business	Sustain	Total Results for both Segments
Six months ended March 31, 2010			
Revenues	$17,192,000	$1,776,000	$18,968,000
Pretax income (loss)	6,511,000	(345,000)	6,166,000
Income tax benefit (expense)	(2,480,000)	130,000	(2,350,000)
Net income (loss)	4,031,000	(215,000)	3,816,000
Six months ended March 31, 2009			
Revenues	$17,013,000	$2,450,000	$19,463,000
Pretax income	5,581,000	17,000	5,598,000
Income tax expense	(2,150,000)	(5,000)	(2,155,000)
Net income	3,431,000	12,000	3,443,000

Consolidated revenues were $18,968,000 and $19,463,000 for the six months ended March 31, 2010 and 2009, respectively. This decrease of $495,000 was primarily from decreases of $409,000 (21%) in display advertising revenues, $238,000 (21%) in classified advertising revenues and $379,000 (9%) in circulation revenues, partially offset by an increase in public notice advertising revenues of $1,086,000. Sustain's information systems and services revenues decreased by $674,000 (28%) primarily because of a decrease in consulting revenues. The Company's revenues derived from Sustain's operations constituted about 9% and 13% of the Company's total revenues for the six months ended March 31, 2010 and 2009, respectively.

The Company continued to benefit from the large number of foreclosures in California and Arizona for which public notice advertising is required by law. The Company's smaller newspapers, those other than the Los Angeles and San Francisco Daily Journals ("The Daily Journals"), accounted for about 96% of the total public notice advertising revenues. Public notice advertising revenues and related advertising and other service fees constituted about 59% of the Company's total revenues. The Daily Journals accounted for about 81% of the Company's total circulation revenues. The court rule and judicial profile services generated about 13% of the total circulation revenues, with the other newspapers and services accounting for the balance. Advertising service fees and other increased by $119,000 (6%) due primarily to increased fees generated by the placement of more trustee foreclosure notices in publications not owned by the Company. Advertising service fees and other are traditional business segment revenues, which include primarily (i) agency commissions received from outside newspapers in which the advertising is placed and (ii) fees generated when filing notices with government agencies. (Consolidated revenues were $9,110,000 and $9,652,000 for the three months ended March 31, 2010 and 2009, respectively.)

Index

Costs and expenses decreased by $967,000 (7%) to $13,229,000 from $14,196,000. Newsprint and printing expenses decreased by $208,000 (21%) primarily resulting from fewer subscribers and a decrease in the price of paper. Other outside services decreased by $374,000 (20%) primarily resulting from reduced freelance writers and computer programming services. (Costs and expenses were $6,528,000 and $7,084,000 for the three months ended March 31, 2010 and 2009, respectively.) The trend of revenues and expenses was driven by the same force for the three month period as in the six months.

The Company's expenditures for the development of new Sustain software products are significant and will materially impact overall results at least through fiscal 2010. These costs are expensed as incurred until technological feasibility of the product has been established, at which time such costs are capitalized, subject to expected recovery. Sustain's internal development costs, which are primarily incremental labor costs for both employees and outside contractors, aggregated $1,075,000 and $1,061,000 for the six months ended March 31, 2010 and 2009, respectively. If Sustain's internal development programs are not successful, they will significantly and adversely impact the Company's ability to maximize its existing investment in the Sustain software, to service its existing customers and to compete for new opportunities in the case management software business.

Whether the increase in traditional business segment pretax profit will be sustained throughout fiscal 2010 is very much dependant on the number of California and Arizona foreclosure notices and the offsetting effect of a continuing decline in commercial advertising and subscriptions. At some point, the number of foreclosures undoubtedly will slow, and because fewer advertisements will then be required, so will the Company's traditional business segment earnings. Sustain's consulting revenues, which are subject to uncertainty because they depend on (i) the timing of the acceptance of the completed consulting tasks, (ii) the unpredictable needs of Sustain's existing customers, and (iii) Sustain's ability to secure new customers, have declined substantially in fiscal 2010 because many governments have reduced their budgets for services like those provided by Sustain.

Consolidated net income was $3,816,000 and $3,443,000 for the six months ended March 31, 2010 and 2009, respectively. On a pretax profit of $6,166,000 and $5,598,000 for the six months ended March 31, 2010 and 2009, the Company recorded a tax provision of $2,350,000 and $2,155,000, respectively. The Internal Revenue Service has been examining the tax returns for years 2002 to 2007 and has proposed an assessment that, if upheld, would result in disallowance of about $700,000 of previously claimed research and development credits. As of March 31, 2010, the Company had approximately $700,000 of unrecognized tax benefits, all of which would have an effective rate impact if recognized. The Company is continuing to contest the issue in the United States Tax Court, and the ultimate resolution of this dispute cannot be ascertained at this time. Net income per share increased to $2.76 from $2.42.

Liquidity and Capital Resources

During the six months ended March 31, 2010, the Company's cash and cash equivalents, U.S. Treasury Notes and Bills and marketable security positions increased by $9,922,000. In February 2009, the Company took advantage of near-panic selling in the stock market and redeployed some of its cash, which had been invested in Treasury securities and was generating only nominal interest, to purchase the common stock of two Fortune 200 companies and certain bonds of a third. So far, these investments have been very successful. As of March 31, 2010, there were unrealized gains of $39,436,000, almost all of which were in the common stocks.

The cash provided by operating activities of $4,207,000 included a net decrease in deferred subscription and other revenues of $594,000. Proceeds from the sale of subscriptions from newspapers, court rule books and other publications and for software licenses and maintenance and other services are recorded as deferred revenue and are included in earned revenue only when the services are rendered. Cash flows from operating activities decreased by $276,000 during the six months ended March 31, 2010 as compared to the prior period primarily resulting from the decreases in accounts payable and accrued liabilities of $518,000, partially offset by the increases in net income of

$373,000.

Index

As of March 31, 2010, the Company had working capital of $54,915,000, including the liability for deferred subscription and other revenues of $4,746,000 which are scheduled to be earned within one year and the deferred tax liability of $14,986,000 for the unrealized gains in its investments.

The Company believes that it will be able to fund its operations for the foreseeable future through its cash flows from operating activities and its current working capital and expects that any such cash flows will be invested in its two businesses or used to repurchase its common stock. The Company also may entertain business acquisition opportunities. Any excess cash flows will be invested as management and the Board of Directors deem appropriate at the time.

Such investments may include additional securities of the companies in which the Company has already invested, securities of other companies, government securities (including U.S. Treasury Notes and Bills) or other instruments. The decision as to particular investments will be driven by the Company's belief about the risk/reward profile of the various investment choices at the time, and it may return to government securities as a default if attractive opportunities for a better return are not available. The Company's Chairman of the Board, Charles Munger, is also the vice chairman of Berkshire Hathaway Inc., which maintains a substantial investment portfolio. The Company's Board of Directors utilized his judgment and suggestions, as well as those of J.P. Guerin, the Company's vice chairman, when selecting the investments that were made last year, and both of them will continue to play an important role in monitoring those investments and selecting any future investments.

But as noted above, the investments are concentrated in just three companies. Accordingly, a significant decline in the market value of one or more of the Company's investments may not be offset by the hypothetically better performance of other investments, and that could result in a large decrease in the Company's stockholders' equity and, under certain circumstances, in the recognition of losses in the Company's income statement.

Critical Accounting Policies

The Company's financial statements and accompanying notes are prepared in accordance with U.S. generally accepted accounting principles. Preparing financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. These estimates and assumptions are affected by management's application of accounting policies. Management believes that revenue recognition, accounting for capitalized software costs and income taxes are critical accounting policies.

The Company's critical accounting policies are detailed in its Annual Report on Form 10-K for the year ended September 30, 2009.

The above discussion and analysis should be read in conjunction with the unaudited consolidated financial statements and the notes thereto included in this report.

Disclosure Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Certain statements contained in this document, including but not limited to those in "Management's Discussion and Analysis of Financial Condition and Results of Operations", are "forward-looking" statements that involve risks and uncertainties that may cause actual future events or results to differ materially from those described in the forward-looking statements. Words such as "expects," "intends," "anticipates," "should," "believes," "will," "plans," "estimates," "may," variations of such words and similar expressions are intended to identify such forward-looking statements. We disclaim any intention or obligation to revise any forward-looking statements whether as a result of new information, future developments, or otherwise. There are many factors that could cause actual results to differ materially from those contained in the forward-looking statements. These factors include, among others: risks associated with Sustain's internal software development efforts; Sustain's reliance on the time and materials professional services engagement with the California Administrative Office of the Courts for a substantial portion of its consulting revenues; an adverse outcome of the Internal Revenue Service's audit of our past research and development tax credits; material changes in the costs of postage and paper; possible changes in the law, particularly changes limiting or eliminating the requirements for public notice advertising; a further decline in subscriber and commercial advertising revenues; collectibility of accounts receivable; the Company's reliance on its president and chief executive officer; and changes in accounting guidance. In addition, such statements could be affected by general industry and market conditions, general economic conditions (particularly in California) and other factors. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to have been correct. Important factors that could cause actual results to differ materially from those in the forward-looking statements are disclosed in this Form 10-Q, including in conjunction with the forward-looking statements themselves. Additional information concerning factors that could cause actual results to differ materially from those in the forward-looking statements is contained from time to time in documents filed by the Company with the Securities and Exchange Commission, including in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2009.

Index

Item 4T. CONTROLS AND PROCEDURES

An evaluation was performed under the supervision and with the participation of the Company's management, including Gerald L. Salzman, its Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of March 31, 2010. Based on that evaluation, Mr. Salzman concluded that the Company's disclosure controls and procedures are effective in ensuring that information required to be disclosed by the Company in reports it files or submits under the Securities Exchange Act of 1934, as amended, is (1) recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities Exchange Commission and (2) accumulated and communicated to the Company's management, including Mr. Salzman, in such a way as to allow timely decisions regarding required disclosure. There have been no material changes in the Company's internal control over financial reporting or in other factors reasonably likely to affect its internal control over financial reporting during the quarter ended March 31, 2010.

Index

PART II

Item 5. OTHER INFORMATION

The Company's annual meeting was held on February 3, 2010. The matters submitted to a vote of security holders were the election of directors and the ratification of the appointment of Ernst & Young LLP as independent accountants for the Company for the current fiscal year.

Each of the nominees to the board of directors was elected. The following votes were received as to the election of the board of directors:

Nominee's Name	For	Votes Withheld Authority	Broker Non-Votes
Charles T. Munger	1,230,225	167,981	0
J. P. Guerin	1,230,270	167,936	0
Gerald L. Salzman	1,226,267	171,939	0
Peter D. Kaufman	1,229,512	168,694	0
George C. Good	1,229,527	168,679	0

Ernst & Young LLP was ratified as the Company's independent accountants with 1,340,133 votes in favor, 774 votes against, 4,276 abstentions and no broker non-votes.

Index

Item 6. EXHIBITS

31 Certification by Chief Executive Officer and Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32 Certification by Chief Executive Officer and Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Index

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

DAILY JOURNAL CORPORATION
(Registrant)

/s/ Gerald L. Salzman

Gerald L. Salzman
Chief Executive Officer
President
Chief Financial Officer
Treasurer
(Principal Executive Officer and
Principal Accounting Officer)

DATE: May 12, 2010