Municipal Bond Market Monthly

JANNEY FIXED INCOME STRATEGY

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Janney CAPITAL MARKETS

CONTENTS PAGE

MARKET COMMENTARY	1
FEAR GENERATES OPPORTUNITY	3
MUNICIPAL SECTOR OUTLOOK	6
STATES' ABILITY AND WILL TO PAY	7
EXPECT HEADLINE RISK IN 2011	9
STATE FISCAL HEALTH SCORECARD	11
SELECT CREDIT CHANGES	12
STATE ISSUER RATINGS	13
MUNICIPAL RATING DEFINITIONS	14
JANNEY MUNICIPALS PUBLICATIONS	15
DISCLOSURE	16

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Au Revoir to BABs, for Now - Investors Need Not Panic Amid Overblown Credit Concerns

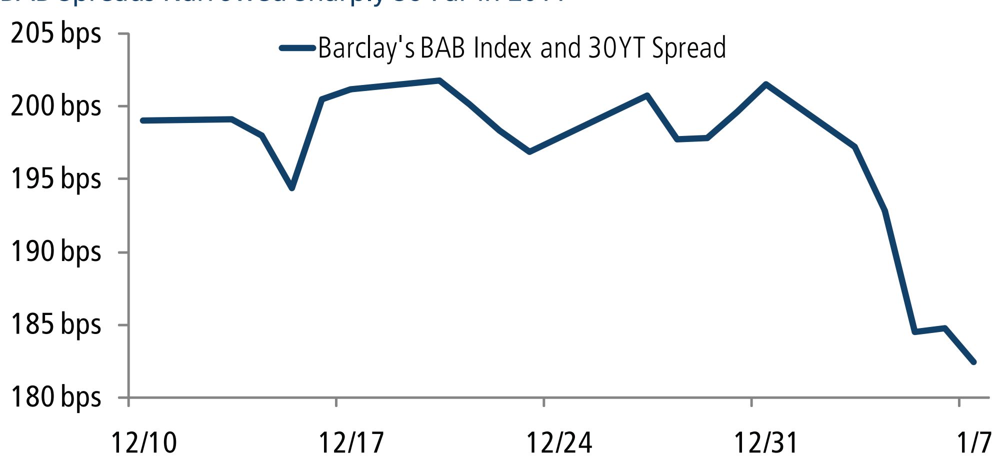
- Build America Bond spreads narrowed in the first days of 2011 as the program, born out of the 2009 Recovery Act, and its 35% interest subsidy, expired.
- Mutual fund demand for municipals turned negative in the last two months after 22 months of positive inflows.
- The perceived crisis is presenting an opportunity because municipal bonds are cheap - investors can take advantage of the turmoil and acquire well-rated bonds.
- States' ability and willingness to pay is strong – a key strength of states is their sovereign ability to cut spending and increase revenues.
- The Janney State Fiscal Health Scorecard is an effective way to compare indicators and evaluate states' financial conditions.
- Persistent headline risk containing political tactics and uniformed opinions will continue to concern investors through 2011 – we advise investors to be greedy when others are fearful with guidance from your Janney advisors.
- S&P is reviewing Illinois' rating in the wake of its tax increase; Alaska was upgraded to Aaa by Moody's; Nevada's outlook was lowered to Negative by Moody's; the city of Philadelphia was downgraded to A2 by Moody's; and the Philly Please Touch Children's Museum's outlook was lowered to negative by S&P.

Market Commentary

The End of BABs

What seemed highly likely at mid-year, an extension of the Build America Bond (BAB) program, became more uncertain in the aftermath of the November elections. As it became increasingly apparent that the issuance of taxable BABs would end when the ball dropped in Times Square, there was a rush by issuers to take advantage of the federal interest subsidy before it disappeared. November and December, each with close to $17 billion in BABs volume, were the busiest months of the program's 22 month lifetime, driving total municipal volume for the year to $432 billion, just above

BAB Spreads Narrowed Sharply So Far in 2011



Source: Barclays and Janney Fixed Income Strategy.

the previous record in 2007. When the dust settled, $185 billion of taxable BABs had been issued since the first bonds hit the market in April 2009.

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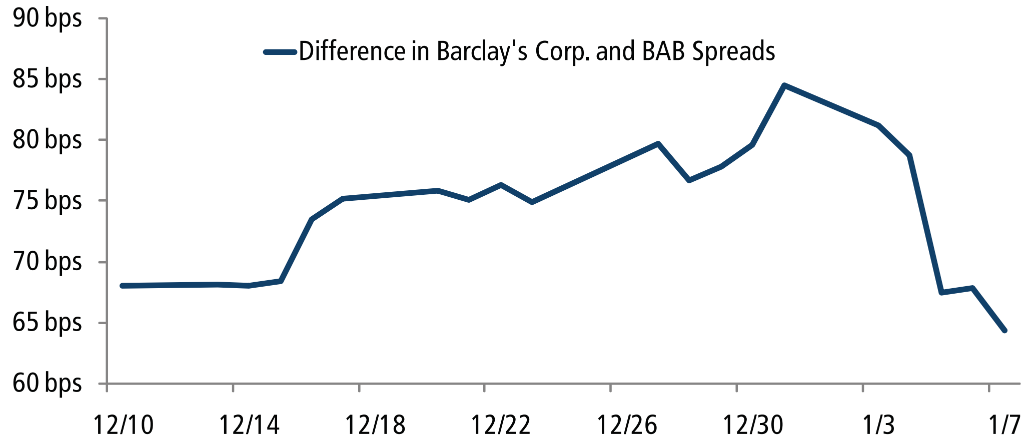
BAB Yields are Still Higher Than Corporates



Source: Barclays and Janney Fixed Income Strategy.

BAB spreads tightened by almost twenty basis points in the first days of 2011.

With no primary market, the secondary market for BABs improved significantly, tightening spreads by almost twenty basis points in the first days of the New Year. An early December thirty year issue for the New Jersey Turnpike Authority (A3/A+/A) priced at a yield of 7.20%, 262 basis points above the thirty year Treasury yield. In the second week of the New Year, institutional size trades of the same bond posted a 6.36% yield, about 188 basis points over Treasuries. Despite narrower spreads, BABs still compare very favorably to other taxable fixed income alternatives. Corporate bond index spreads still exceed BABs index spreads by sixty basis points or more. Concerns that an end to BABs would severely reduce liquidity have been thus far unfounded, although in time, given the relatively small outstanding amount of bonds, liquidity could diminish.

Discussions about future legislative action to restart the Build America Bond program continue, but action seems unlikely in the near future.

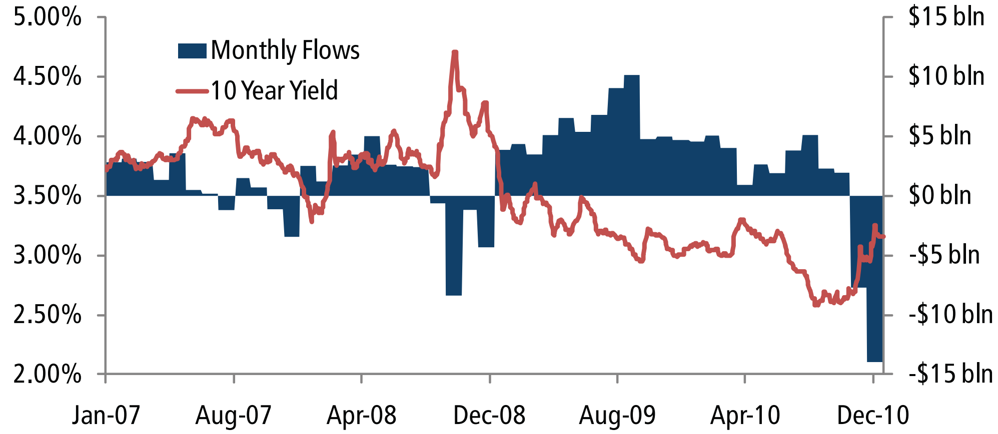
Discussions about future legislative action to restart the Build America Bond program continue, but action seems unlikely in the near future. The strong success of the program established a market for taxable municipal bonds, which could be a harbinger of future changes. The President's Bipartisan Commission on Fiscal Responsibility and Reform produced a December report which included elimination of tax exemption on newly issued municipal bonds as a component of a larger, comprehensive tax reform plan. The 18 member commission fell three votes short of the 14 required to send the entire proposal to Congress, but we would not rule out future proposals to end tax free bonds as part of a comprehensive reform strategy. BABs have shown that buyers exist for taxable municipal bonds.

Mutual Fund Demand for Munis Has Eroded

The majority of the $2.9 trillion in outstanding municipal bonds are owned either directly by households (37%) or indirectly through mutual funds and similar investment vehicles (33%). Flows to and from tax free mutual funds are a strong indicator of demand for bonds. After 22 months of consistent inflow, the direction turned negative and investors pulled unprecedented amounts out of tax free mutual funds in November and December, eclipsing even the withdrawals of the final quarter in 2008, when the financial and liquidity crisis rolled through the municipal market. Sharply rising yields (lower fund net asset values) during the last two months of the year undoubtedly generated some of the selling pressure, but reinvigorated equity markets also distracted bond investors, with the S&P 500 rising nearly 20% from September 1 to year end. Outflows are continuing into 2011 with reports of continued fund selling, but the light supply of new issues as the year begins provides some offset to negative fund demand. **Alan Schankel**

After 22 months of inflows, action turned negative and investors pulled unprecedented amounts out of tax free mutual funds in November and December.

Municipal Mutual Fund Inflows Turned to Outflows



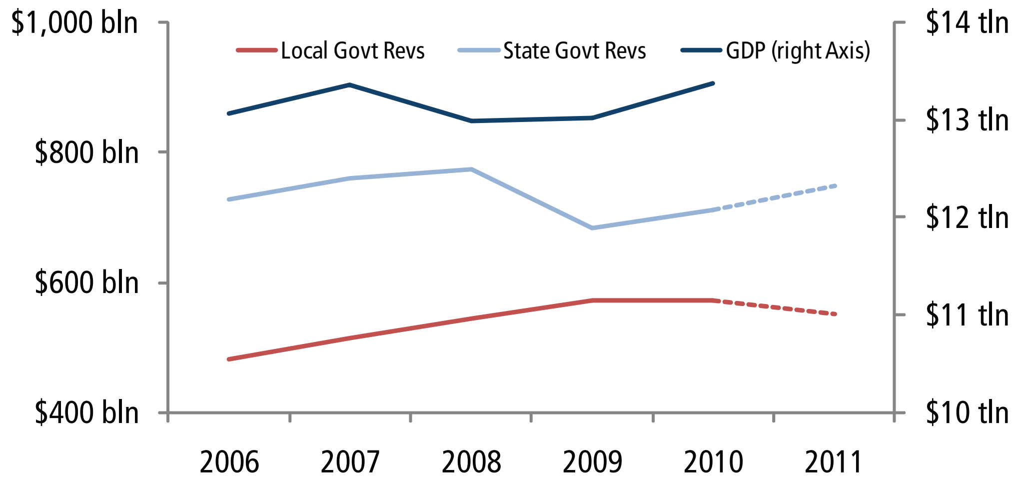
Source: Investment Company Institute, Municipal Market Advisors and Janney Fixed Income Strategy.

FEAR GENERATES OPPORTUNITY

The past year has seen heightened media focus on financial challenges in the municipal market.

The past year has seen heightened media focus on financial challenges in the municipal market. Deteriorating finances of many state and local bond issuers, in the aftermath of the Great Recession, are cause for concern and scrutiny. The national unemployment rate rose from 5% in 2007 to 10.1% in October 2009, and is still persistently elevated with a 9.4% reading in December. State coffers were hit first as sales and income tax revenues fell in 2008, and while states have seen some revenue recovery local government revenue declines are still in their early stages. The soft real estate market is contributing to lower property assessments, which will be reflected in property tax collections in future years. Perhaps more significantly, state aid to local governments will continue to be reduced as governors and legislatures work to fill budget gaps and downstream fewer dollars to local government.

State and Local Government Lagged the Change in the Economy



Source: U.S Census, Commerce Department and Janney Fixed Income Strategy.

Banking analyst Meredith Whitney predicted fifty to one hundred sizeable municipal defaults for 2011, on an episode of 60 Minutes. We believe this forecast to be grossly exaggerated.

On a Sixty Minutes show, titled Day of Reckoning, analyst Meredith Whitney predicted fifty to one hundred sizeable municipal defaults. Fed Chairman Ben Bernanke, in response to a question following January 7 testimony to the Senate Budget Committee, noted "while there is no question that there is a lot of stress at state and local governments, at this point the municipal market seems to be operating fairly normally." Although Bernanke characterized warnings of a looming crisis as "overly pessimistic", investors have reacted to the media drumbeat by selling bonds, as evidenced by municipal bond mutual fund redemptions rising above $20 billion in the last two months of 2010.

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Stress - But, No Meltdown for State and Local Governments

There will be no rash of defaults. Since 1980 there have been municipal bankruptcies each year, averaging twelve annually, including ten in 2009 and six last year. Municipal Market Advisors, a municipal research and strategy firm, maintains a database of defaulted and impaired municipal issues going back to July 2009. In 18 months only five "Safe Sector" (general obligation, water and sewer and sales tax) municipal bonds have defaulted, with total debt amounting to $48 million. Extending beyond safe sector bonds the numbers jump to 256 issues totaling $8.1 billion, with 62% of that amount initially sold with no rating. $8.1 billion represents less than one third of one percent of outstanding municipal debt. In a February 2010 report, Moody's notes that only 54 Moody's rated municipal issuers defaulted on their debts from 1970 to 2009, with 42 of those in the housing and healthcare sectors.

It would be reckless to predict a number of safe sector defaults for 2011, but it will be closer to ten, than the fifty to one hundred predicted by Whitney.

We will likely see more defaults and even bankruptcies, primarily in the more risky sectors such as land backed issues (dirt bonds), multi-family housing, senior living and health care. The jury is out on a few municipal issuers such as Harrisburg and Detroit Schools, but problems are largely isolated based on specific issuer circumstances. It would be reckless to predict a number of safe sector defaults for 2011, but it will be closer to ten, than the fifty to one hundred predicted by Whitney.

The Essential Purpose Municipal Sector Remains Strong

States face another year of large budget deficits, with underfunded pensions, an end to federal stimulus money and increasing Medicaid obligations as ongoing issues. However states enjoy a sovereign strength which corporations can only envy. They can raise revenues and reduce spending with minimal short term impact. In Illinois, perhaps the most strapped of states, legislation was passed and signed this week to increase the state personal income tax rate from 3% to 5%. In New Jersey, Governor Christie has led a charge to drastically slash spending. Illinois taxpayers and laid off New Jersey school teachers are paying the price for reckless spending habits of the past, but states are showing a willingness and ability to address current financial problems.

States are showing a willingness and ability to address current financial problems.

Local government (counties, cities and towns) continues to face challenging times, as the financial impact of the recession has yet to run its course. Janney has had a Cautious outlook on the sector since mid 2009. The localities which run into trouble have tended to have a problem with reach exceeding grasp. We would not be reading about Harrisburg if they hadn't pursued a bloated incinerator project. Jefferson County, AL got tangled up with interest rates swaps and corruption convictions. On the other hand areas such as Detroit are just flat out battered by the economic trends and recession. Although local government debt is rarely guaranteed by a state, many states offer a financial support framework to assist communities with financial challenges, Pennsylvania's Act 47 being an example of such a program. Michigan is very involved in seeking a long term solution to Detroit school district's financial problems. The vast majority of local government issuers are weathering the economy well, reducing spending as needed.

Municipal debt in other sectors of the market is typically impacted by factors other than tax revenue fluctuations. Toll road and airport bonds are impacted by the economy as well as energy prices. The changing landscape, in the wake of healthcare reform, may help or hurt healthcare issuers in the future. State single family housing issues generally have strong structures and credit metrics, belying the turmoil of the overall real estate market. We are cautious on the higher education sector, primarily the lower rated issues, because public schools are receiving less state support while private schools are stressed by the lower priced competition from public schools.

Rating agencies do a good job on municipals but the analysis becomes stale if not updated regularly.

Ratings Matter

The vast majority of municipal issues carry ratings from Moody's, S&P and to a lesser degree Fitch. The rating agencies have received well deserved criticism for doing a poor job in assessing and rating mortgage backed securities. On the municipal side, however they do good work. They consider big picture issues and trends as well as issuer specific information when formulating ratings, and are prompt to change outlook or rating when conditions and information change. According to a recent Moody's report, in the 1970 to 2009 period no issuers rated Aaa defaulted and the cumulative 10 year default rate for all investment grade (Baa3 and above) issues was 0.06%.

In years past, as much as 50% of municipial issuers received AAA insurance, but in 2007 and 2008, most insurers were downgraded. There is now no AAA rated municipal insurer.

Ten year M/T ratios recently crossed above 100%, and long maturity ratios are above 115%, which means AAA bonds offer tax free yields which are above taxable yields.

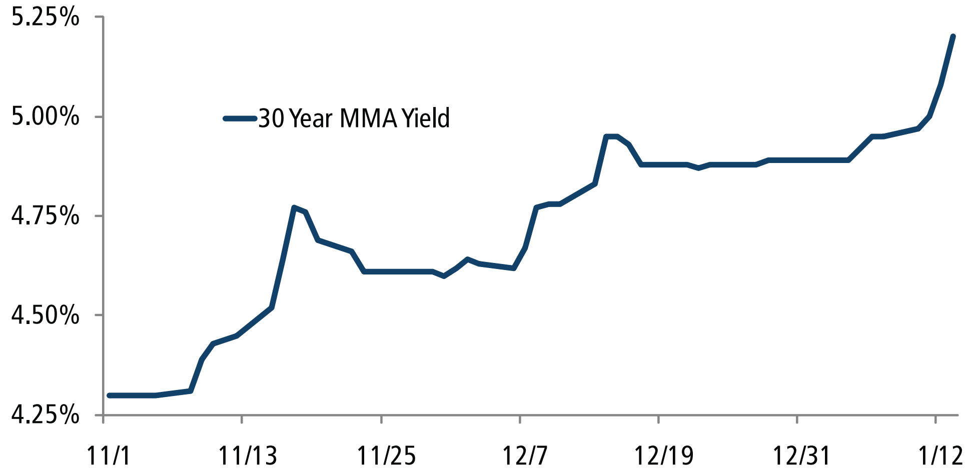
The tax equivalent yield for a thirty year maturity in the 35% tax bracket jumps to 8.00%.

In years past, the municipal market was dominated by bond insurers, but in 2007 and 2008, most AAA rated insurers were downgraded substantially, primarily based on their exposure to mortgage related derivative products. Today only a small percent of new issues are insured, primarily through Assured Guaranty's two arms (Aa3/AA+). One positive result is that few new issues, even when insured, are marketed without underlying ratings, which assures that a rating agency will monitor the issue going forward.

Tax Free Bonds are Cheap

Tax free yields have been rising, with the thirty year yield up 100 basis points since early October and ten year yields 80 basis points higher in the same period. Although much of this increase is due to a general increase in interest rates, it also reflects investor concern about state and municipal creditworthiness, and associated selling. Thirty year yields are above 5% for the first time in eighteen months. Another way of evaluating yields is through Municipal to Treasury or M/T ratios. Dividing the yield of a AAA benchmark muni by that of a like maturity Treasury offers a view of the relative value of the tax-frees. Ten year ratios recently crossed above 100%, and long maturity ratios are above 115%, which means AAA bonds offer tax free yields which are above taxable yields.

The 30 Year Tax-exempt Yield has Moved Higher



Source: Municipal Market Advisors and Janney Fixed Income Strategy.

Taxable equivalent yields (TEY) help to quantify the taxable vs tax-free differential. A top bracket (35%) investor would need a 5.28% yield on a taxable security to beat the 3.43% tax free yield represented by the AAA benchmark. Moving out to a thirty year maturity the TEY for the 35% bracket jumps to 8.00%.

Tax Equivalent Yield is as High as 8.00%

Maturity	Treasury	AAA Muni	M/T Ratio	TEY 35%	TEY 28%
2 Year	0.58%	0.88%	153%	1.35%	1.22%
5 Year	1.91%	1.88%	98%	2.89%	2.61%
10 Year	3.30%	3.43%	104%	5.28%	4.76%
30 Year	4.49%	5.20%	116%	8.00%	7.22%

Source: Bloomberg, Municipal Market Advisors and Janney Fixed Income Strategy.

Diversification Reduces Exposure to Risk

A key tenant of prudent investing, diversification, is the backbone of a well constructed municipal bond portfolio. It's difficult to achieve strong diversification with smaller investment amounts, so a mutual fund or municipal ETF may be best in those cases. For more significant investment assets, a portfolio of individual bonds should be diversified across issuers, sectors (GO, revenue, housing etc.), and geography. There are advantages to holding bonds issued within the state of residence, in most cases avoiding state and local income tax on the interest earnings, but investors should consider sacrificing some of this tax advantage in exchange for the risk reduction achievable with diversification. When no tax advantage exists, diversification is near mandatory. Florida has no individual income tax, so a Florida resident gains no advantage with a portfolio comprised solely of Florida issues.

Investor Recommendation

Investors can take advantage of the turmoil, and resultant market softness, by acquiring well rated bonds in a diversified portfolio.

The state and local government sectors of the municipal bond market have been impacted by the Great Recession, raising concerns about the ability and willingness of issuers to meet their debt obligations. We believe the media hubris has been overblown, and see little likelihood of a spate of defaults or a municipal meltdown as suggested by some. Most state and local issuers remain financially strong, with governors, mayors, legislators and other stakeholders taking the steps needed to bring budgets and finances back into balance. There will be further problems, but they will not be widespread. Investors can take advantage of the turmoil, and resultant market softness, by acquiring well rated bonds in a diversified portfolio. **Alan Schankel**

Janney Muncipal Sector Outlook

We continue to believe defaults among traditional general obligation, tax-backed and essential purpose revenue issuers will remain few and far between in the near term.

At the beginning of January 2011 we published a Municipal Market Note recommending investors consider State HFA backed single family housing bonds.

Some municipal issuers' experienced a greater amount of credit deterioration versus historical experience due to the severe economic downturn over the last two years. But, we continue to believe defaults among traditional general obligation, tax-backed and essential purpose revenue issuers will remain few and far between in the near term. State governments (Stable) are cutting support of their smaller local government (Cautious) constituencies, which is creating divergent credit pressures on various municipal issuers connected to states through their tree of funding, though school districts (Stable) generally remain secure as a result of state intercept programs. Among the more volatile sectors, we hold Cautious outlooks on airport, higher education, hospital, and tobacco bond issuers' credit profiles. In December, we improved our opinion on the tobacco sector. We raised our outlook to Cautious from Negative on Master Settlement Agreement tobacco-backed bonds based on improved relative value in the wake of price drops due to rating reductions. We hold Stable credit outlooks on more traditional essential purpose revenue sectors including single family housing, public power utilities, mainstream toll road facilities, and water and sewer authorities. At the beginning of January 2011 we published a Municipal Market Note recommending investors consider State HFA backed single family housing bonds. **Tom Kozlik**

Janney Municipal Sector Outlook

Sector	Janney Outlook	Last Month Change	Barclay's 12 Month Return	Key Sector Trends	Recent Janney Sector Review
Muni Bond Index	-	-	2.38%	Barclay's Muni Index, 46k issues	-
State Government	Stable	Same	3.10%	States raises taxes and cutting some	This MBMM
Local Government	Cautious	Same	2.07%	Less revenue, look for over-leverage	Nov MBMM
School Districts	Stable	Same	-	Less rev but State prog offer security	2011 Outlook
Airports	Cautious	Same	2.50%	Enplanements flying again in 2010	2011 Outlook
Higher Education	Cautious	Same	1.81%	Publics less $, privates face pressure	2011 Outlook
Health Care	Cautious	Same	3.58%	Sector mixed, ratios are improving	2011 Outlook
Housing	Stable	Same	4.01%	Single family is stronger than multi	Jan Muni Note
Public Power (Elec.)	Stable	Same	2.45%	Essential purpose, but volatile	2011 Outlook
Tobacco	Cautious	Higher	0.36%	Stronger than ratings show	Dec 6 Note
Toll Facilities	Stable	Same	2.50%	Traffic rising, DS cov. strong	2011 Outlook
Water and Sewer	Stable	Same	2.26%	Essen purpose, scarcity to be an issue	2011 Outlook

Source: Barclays Capital and Janney Fixed Income Strategy.

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There should be little question in investors' minds about states' ability or willingness to pay tax backed debt obligations.

A key strength of states is their sovereign ability to cut spending and increase revenues in the form of taxes and fees.

The overpromising of employment and post-employment benefits such as health care and pension packages are stretching state budgets.

States' Ability And Willingness To Pay Is Strong

The fiscal health of most U.S. states has strengthened since the beginning of 2010 and there should be little question in investors' minds about states' ability or willingness to pay tax backed debt obligations. Three consecutive quarters of higher overall state tax revenue through 3Q2010 is a positive trend, although receipts are still not back to pre-2007 levels. Now, at the forefront of most investors' minds is what the FY2012 budget negotiations have in store. Negotiations will undoubtedly be harsh. Most scheduled federal aid has expired and many political actors have still not fully grasped the current economic reality. This could make party politics all too common resulting in political gridlock. Over the next six months we will have a seat front and center as news of budget negotiations will likely take center stage.

States Possess Sovereign Power to Modify Budgets

The key strength of state governments, especially where their budgets are concerned, is that they and only they are the masters of their own destinies. This is despite what some lawmakers want observers to believe. In most cases states will be able to balance budgets by making spending cuts. Agreeing on where that pain will take place will be the difficult part. A few states will likely also need to hike taxes and or fees in order to balance their budgets. The budget situations are direst as a % of FY2011 spending plans in Illinois and New Jersey, and Nevada.

Top 5 Projected FY2012 Budget Shortfalls

State	Shortfall as a % of FY2011 Budget	Projected FY2012 Budget Deficit	Spread to AAA MMD- Jan 4, 2010 (basis points)	Spread to AAA MMD- Jan 4, 2011 (basis points)
Illinois	51%	$17 billion	95	210
New Jersey	37%	$10 billion	28	54
Nevada	37%	$1.3 billion	78	80
South Carolina	27%	$1.3 billion	5	2
Minnesota	25%	$3.9 billion	3	3

Source: Center on Budget and Policy Priorities, Thomson Reuters and Janney Fixed Income Strategy.

Overspending and Lack of Political Will are Leading Problems

The issues facing U.S. states with budget deficits generally comes down to overspending, or a general inability of lawmakers to keep their fiscal houses in order. The stresses facing many state and local governments are based primarily on two factors. First, is past overspending partly stemming from unrealistic assumptions that revenues would continuously grow. Lavish government spending habitually took the form of the overpromising of employment and post-employment benefits such as health care and pension packages. We are seeing trends where rising government employee pension and health care expenses are making up a higher % of overall spending and are forecast to grow at unsustainable rates unless changes are made. A second leading cause of state budget deficits is a lack of political will among political actors. They have been routinely unwilling to adjust to the economic realities faced by most issuers, states in this case. Public sector employment, while always a lagging indicator, has not been reduced at comparative levels as in the private sector. Elected officials and public sector administrators are consistently slow to shed workers. Also, thirteen state governments are grappling with underfunded pension plans funded at or below 70%, a level underneath the General Accounting Office's healthy point of 80%. Too often political actors choose to "kick the can down the road" when addressing the issue of underfunded pensions. Frequently officials choose a quick fix, such as funding a single year's budget by securitizing multi-year payment streams, as states often do with tobacco bond issues. In some cases, larger spending reform is needed but opponents argue it is politically unviable.

States budget shortfalls are estimated to reach as high as $140 billion according to a Center on Budget and Policy Priorities December 2010 report.

Despite their unpopularity spending cuts and revenue enhancements have been occurring and are further necessary in some cases.

The tax increases were concentrated mostly on sin type taxes or were "temporary" sales tax increases.

Estimated $140 billion State Budget Gap for FY2012

With the Great Recession over and two challenging years for state budgets behind us governors and state legislative bodies are faced with obstacles in the form of FY2012 budgets and isolated cases where political actors have not kept spending in check with revenues. Although states' revenues continue to make progress and are slowly trending up, state spending has not remained in line with overall declines. This has not only been a trend since the beginning of the 2008 recession but in some states spending has far outpaced revenues through several recessions. Currently, states are reporting shortfalls equal to $113 billion for FY2012 and they are estimated to reach as high as $140 billion according to a Center on Budget and Policy Priorities December 2010 report. The stage is being set for epic battles among involved political interests. The most magnified will be in the lowest rated states of California (A1/A-/A-) which has an estimated $19 billion (20% of budget) deficit and Illinois (A1/A+/A) which possesses a $17 billion (51% of budget) deficit.

Budget Adjustments are Not Popular but Crucial

There seems to be little support for austerity from the general public according to a Pew Research Center poll. Overall, it appears the public supports the idea of raising taxes opposed to making spending cuts, excluding cuts to transportation funding, but there is not a tremendous amount of support for any of the cost-cutting or revenue enhancement measures.

Little Support for Auserity from the U.S. Public

To balance your state's budget, favor or oppose	Favor	Oppose	Don't Know
Cut transportation funding	43%	50%	7%
Raise taxes	39%	58%	3%
Health services cuts	27%	65%	8%
Police and fire cuts	25%	71%	4%
K-12 school cuts	22%	74%	4%

Source: Pew Research & National Journal- June 2010 and Janney FIS.

Despite their unpopularity either spending cuts or revenue enhancements have been occurring and are further necessary in some cases. Last year the most common service or program reductions took place in the areas of public school spending and funding for higher education. To complement these spending reductions many states also used small tax or fee increases, but nothing very substantial. The tax increases were concentrated mostly on sin type taxes or incorporated "temporary" sales tax increases.

But States Have Been Raising Taxes

State	Revenue Measure	Rate
Arizona	Temporary sales tax increase	To 6.6% from 5.5%
Colorado	Expansion of sales tax	Various
Kansas	Sales tax hike	To 6.3% from 5.3%
Hawaii	Increased cigarette tax, petroleum product, renewed estate tax, etc.	Various
New Mexico	Higher sales and cigarette taxes, changes to tax deductions	Various
New York	Increased cigarette tax	To $4.35 from $2.75 a pack
Oklahoma	Suspension of certain tax credits	Various
South Carolina	Higher cigarette tax	To $0.57 from $0.07 per pack
Utah	Increased cigarette tax	To $1.70 from $0.70 a pack
Washington	Soda excise tax, cigarette tax, business and occupation taxes, beer tax, sales tax on candy and bottled water	Various

Source: Center on Budget and Policy Priorities and Janney FIS. Strategy.

We are seeing several state and local governments contemplating and some even using innovative solutions to reduce costs while maintaining public service levels. Nevada, California and the city of

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Newark, NJ entered into sale lease-back agreements where they sold state and city assets to help balance budgets, for example. Another positive is that most governments still have classic personal income and business tax hikes as an option, although they might not be politically palatable. Spending on certain programs may also be questioned. The time leading up to the 2012 Presidential election will be crucial as political actors (and investors) are called on to make fundamental and difficult decisions about the products, services and benefits government should be expected to provide and how much constituents are willing and able to pay to fund them.

"To retain respect for sausages and laws, one must not watch them in the making," Otto von Bismark, 19th century Prussian-German statesman.

Recent Budget Proposals Lower Spending and Raise Taxes

Two of the states with close to the largest budget deficits have recently announced potential spending plans which are doing more on the tax hike side than on the program cutting side. While the news of Illinois' budget agreement, which included higher personal income, corporate and cigarette taxes, is encouraging it was not unexpected. Its announcement is an example of states' sovereign authority in action. California's recent budget proposal also adds an additional tax burden while lawmakers try to keep as many programs as possible.

State Fiscal Health Scorecard

In the Appendix we have listed a collection of relevant data that should give investors an idea of where each state is positioned relative to one another. The data compares state credit spreads to AAA Municipal Market Data (MMD) yields of a year ago to current levels. See the AAA MMD scale for comparison purposes. **Tom Kozlik**

AAA GO Municipal Market Data (MMD) Yields

Date	1 Year	3 Year	5 Year	7 Year	10 Year	15 Year	20 Year	25 Year	30 Year
January 4, 2011	0.37%	1.05%	1.72%	2.36%	3.18%	3.97%	4.47%	4.66%	4.68%
January 4, 2010	0.30%	0.91%	1.67%	2.43%	3.04%	3.42%	3.77%	4.10%	4.16%
One Year Change	0.07%	0.14%	0.05%	-0.07%	0.14%	0.55%	0.70%	0.56%	0.52%

Source: Thomson Reuters and Janney Fixed Income Strategy.

We believe headline and political risk will greatly intensify as politics, political gridlock and policy paralysis takes center stage in 2011.

We Expect Intense Political and Headline Risk in 2011

While we do not believe there will be 50 to 100 high-profile local government defaults in 2011, as was irresponsibly predicted, we do believe investors can expect the headline risk to greatly intensify as politics, political gridlock and policy paralysis takes center stage. Suggestions of factors stressing the municipal market were excessively overblown throughout 2010 and we expect exaggerations to worsen in 2011. Concern about municipal market credit risk will be heavily mixed with headlines of imminent danger stemming from political posturing during state and local government budget negotiations. Factions will battle over wages, program cuts, and general spending. You name it and it will likely be fought over and the conflicts will be likely be covered excessively by the media. Increased "threats" of Chapter 9 municipal bankruptcy will also become more prominent. These threats will continue to confuse observers and investors because they will be coming from lawmakers trying to negotiate with labor unions, for example. That being said, investors should not buy into artificial intimidation tactics but ought to be mindful of the effect of the current economic environment on municipal holdings. Many involved parties have a vested interest in portraying the current fiscal situation in as dire a light as possible.

The media is looking for the next big "economic collapse" story. They will not find it in the municipal market.

Who Gains by Claims of Exaggerated Municipal Stress

- The media is looking for the next big "economic collapse" story and sensationalism sells. They are looking for anyone to come out and make a "forecast." Unfortunately the press does not receive extra credit for offering fair and balanced opinions.
- Current governors, mayors and their legislatures want more federal or state aid. It is in their interest to paint as dark a picture as possible. We have ruled out additional federal stimulus, all things being equal. Existing lawmakers also may be trying to negotiate new employment contracts with unions and use scare devices as part of their negotiation tactics.
- The newly elected political actors have an incentive to cast a shadow over the current fiscal state of affairs to better earn support for campaign promises.
- Conservative special interests are trying to show the "consequences of liberal governance."

- Liberal special interests may use the current circumstances as a reason to make social and economic programs more widespread and generous.

Investors Should be Greedy When Others are Fearful

Our recommendation is that savvy municipal bond investors should be greedy when others are fearful, just as Warren Buffett advises, and scoop up bonds at bargain prices amidst the credit questions. Investors should only do this with a detailed understanding of the underlying credit and take comfort in the fact that your specialized Janney professionals are available to help you through this explosive time. **Tom Kozlik**

Investors should be greedy when others are fearful...

...and be aware of underlying credit.

Newly elected political actors have an incentive to cast a shadow over the current fiscal state of affairs to better earn support for campaign promises.

State Fiscal Health Scorecard

State	Bond Ratings	Spreads to 10Y AAA MMD-Jan 4, 2010	Spreads to 10Y AAA MMD-Jan 4, 2011	Projected Budget Deficits-($ MM)	Total % Change in Tax Collections	Tax-Supported Debt as % of GSDP	State Pension Funding %	Mortgage Foreclosures (All Loans)	Unemploy. Rate
United States	Aaa/AAA/AAA				3.9%			9.40%	9.80%
Alabama	Aa1AA/NR	40	30	$0	-0.5%	2.20%	77%	10.44%	9.00%
Alaska	Aa1/AA+/AA+	28	25	$0	-15.0%	1.96%	76%	4.76%	8.00%
Arizona	Aa2/A+/NR	45	38	$1,400	4.3%	2.24%	80%	10.89%	9.40%
Arkansas	Aa1/AA/NR	30	30	$0	6.1%	0.92%	87%	8.43%	7.90%
California	A1/A-/A-	146	125	$19,200	0.6%	4.73%	87%	10.39%	12.40%
Colorado	NR/AA/NR	28	30	$1,100	5.3%	0.81%	70%	6.36%	8.60%
Connecticut	Aa2/AA/AA	28	21	$3,700	12.6%	7.91%	62%	8.16%	9.00%
Delaware	Aaa/AAA/AAA	0	0	$0	11.7%	3.56%	98%	8.32%	8.40%
Florida	Aa1/AAA/AAA	38	38	$2,500	5.9%	2.80%	101%	10.97%	12.00%
Georgia	Aaa/AAA/AAA	2	2	$1,700	7.9%	2.77%	92%	12.39%	10.01%
Hawaii	Aa1/AA/AA+	28	27	Yes- unknown	-13.6%	8.11%	69%	6.84%	6.40%
Idaho	Aa1/AA/AA-	32	30	$300	1.8%	1.58%	93%	7.19%	9.40%
Illinois	A1/A+/A	95	210	$17,000	2.7%	3.78%	54%	9.97%	9.60%
Indiana	Aaa/AAA/AA+	30	30	$0	6.9%	1.24%	72%	10.35%	9.80%
Iowa	Aaa/AAA/AAA	27	23	$294	7.6%	0.16%	89%	6.30%	6.60%
Kansas	Aa1/AA+/NR	70	35	$492	11.6%	2.62%	59%	7.16%	6.80%
Kentucky	Aa1/AA-/AA	40	28	$780	5.8%	4.65%	64%	8.85%	10.02%
Louisiana	Aa2/AA-/AA	40	33	$1,700	-7.5%	2.57%	70%	10.61%	8.20%
Maine	Aa2/AA/AA+	28	25	$436	7.6%	2.02%	80%	8.52%	7.30%
Maryland	Aaa/AAA/AAA	0	0	$1,600	5.8%	3.35%	78%	9.78%	7.40%
Massachusetts	Aa1/AA/AA+	24	28	$2,000	10.2%	8.32%	63%	8.80%	8.20%
Michigan	Aa2/AA-/AA-	110	80	$1,400	1.4%	1.95%	84%	11.41%	12.40%
Minnesota	Aa1/AAA/AAA	3	3	$3,900	11.4%	2.08%	81%	6.45%	7.10%
Mississippi	Aa2/AA/AA+	37	32	$634	4.0%	4.75%	73%	13.66%	9.90%
Missouri	Aaa/AAA/AAA	3	0	$1,100	2.6%	1.96%	83%	8.81%	9.40%
Montana	Aa1/AA/AA+	30	25	$154	11.3%	0.97%	84%	5.11%	7.20%
Nebraska	Aa2/AA+/NR	30	40	$314	2.8%	0.03%	92%	5.85%	4.60%
Nevada	Aa1/AA+/AA+	78	80	$1,300	ND	1.86%	76%	13.23%	14.30%
New Hampshire	Aa1/AA/AA+	20	16	$0	0.2%	1.47%	68%	8.20%	5.40%
New Jersey	Aa2/AA/AA	28	54	$10,500	1.7%	6.73%	73%	8.78%	9.20%
New Mexico	Aaa/AA+/NR	30	24	$410	ND	3.52%	83%	7.42%	8.50%
New York	Aa2/AA/AA	30	31	$9,000	4.5%	5.35%	107%	8.80%	8.30%
North Carolina	Aaa/AAA/AAA	0	1	$3,800	6.8%	1.79%	99%	9.39%	9.70%
North Dakota	Aa1/AA+/NR	30	30	$0	29.5%	0.68%	87%	3.54%	3.80%
Ohio	Aa1/AA+/AA-	35	32	$3,000	6.6%	2.28%	87%	10.03%	9.80%
Oklahoma	Aa2/AA+/AA+	35	28	Yes- unknown	9.0%	1.43%	61%	7.93%	6.90%
Oregon	Aa1/AA/AA+	30	24	$1,800	6.7%	4.40%	80%	6.30%	10.60%
Pennsylvania	Aa1/AA/AA+	19	17	$2,400	5.9%	2.14%	87%	8.77%	8.60%
Rhode Island	Aa2/AA/AA	40	50	$290	10.7%	4.73%	61%	10.44%	11.60%
South Carolina	Aaa/AA+/AAA	5	2	$1,300	2.8%	2.68%	70%	9.63%	10.60%
South Dakota	A1/AA/AA	30	40	$0	-3.1%	0.30%	97%	4.57%	4.50%
Tennessee	Aaa/AA+/AAA	6	4	Yes- unknown	4.0%	0.79%	95%	10.47%	9.40%
Texas	Aaa/AA+/AAA	22	26	$10,000	4.8%	1.05%	91%	9.28%	8.20%
Utah	Aaa/AAA/AAA	4	2	$0	19.9%	2.43%	84%	8.11%	7.50%
Vermont	Aaa/AA+/AAA	20	18	$112	5.8%	1.73%	88%	5.59%	5.70%
Virginia	Aaa/AAA/AAA	0	0	$2,300	-1.5%	1.78%	84%	7.31%	6.80%
Washington	Aa1/AA+/AA+	34	24	$2,900	3.1%	4.60%	100%	7.27%	9.20%
West Virginia	Aa1/AA/AA	32	35	$155	17.8%	3.18%	64%	9.83%	9.30%
Wisconsin	Aa2/AA/AA	42	30	$1,800	5.5%	4.05%	100%	6.65%	7.60%
Wyoming	NR/AA+/NR	33	30	$0	0.7%	0.12%	79%	5.23%	6.60%

Sources: Janney Fixed Income Strategy; spreads are per Thomson Reuters; projected budget shortfalls from Center on Budget and Policy Priorities Dec 16, 2010; % change in tax revenue is 3Q2010 to 3Q2009 and per the Rockefeller Institute. Alaska's change actual change was -48.1%; NTSD to state GDP is per Moody's May 2010 State Debt Medians Report; State pension data from Pew 2010 report (most data is actually from 2008). A plan 80% funded is considered healthy by the GAO; Mortgage foreclosure data from the Mortgage Bankers Association 2Q 2010; and Unemployment rate per the Bureau of Labor Statistics as of Nov 2010.

Janney CAPITAL MARKETS

Select Recent Rating Outlook and Rating Changes (Jan. 13, 2011)

Issuer	State	Recent Rating Action	Date	Underlying Rating(s)	Notes
Philly Please Touch Museum	PA	S&P lowered outlook to negative	12-Jan-2011	NR/BBB-/NR	Exposure to fund-raising
Rockland County	NY	Moody's downgraded to A1 from Aa3	4-Jan-2011	A1/A/NR	Lower overall revenues cited
National/MBIA (Insurer)	US	S&P lowered rating to BBB from A	22-Dec-2010	Baa1/BBB/NR	Loss projections
Las Vegas (City of)	NV	Moody's downgraded to Aa2 from Aa1	17-Dec-2010	Aa2/AA/AA+	Budgetary pressures
Newark (City of)	NJ	Moody's downgraded to A3 from A2	9-Dec-2010	A3/NR/NR	Budget gap
New Rochelle (City of)	NY	Moody's downgraded to Aa3 from Aa2	3-Dec-2010	Aa3/NR/NR	Weakening financials
Reading (City of)	PA	Moody's downgraded to Baa3 from Baa2	2-Dec-2010	Baa3/NR/NR	New member of PA's Act 47
NJ Turnpike	NJ	Moody's lowered outlook to negative	1-Dec-2010	A3/A+/A	Siphoning of revenues
St. Barnabas Health System	NJ	Fitch upgraded to BBB- from BB+	1-Dec-2010	Ba1/BBB-/BBB-	Fiscal and ratio improvements
Nevada (State of)	NV	Moody's lowered outlook to negative	30-Nov-2010	Aa1/AA+/AA+	Pressures on state economy
St. Barnabas Health System	NJ	S&P upgraded to BBB- from BB+	29-Nov-2010	Ba1/BBB-/BBB-	Fiscal and ratio improvements
Puerto Rico (State of)	PR	S&P raised outlook to positive from stable	27-Dec-2010	A3/BBB-/NR	Balanced budget- cost cutting
New Brunswick (City of)	NJ	Moody's downgraded to A2 from A1	24-Nov-2010	A2/A+/NR	Falling balances and pensions
Pittsburgh (City of)	PA	Moody's lowered outlook to negative	23-Nov-2010	A1/BBB/NR	Pension fund concerns
Hartford (City of)	CT	Moody's downgraded to A1 from Aa3	23-Nov-2010	A1/A/NR	Low prop value and unemploy
Alaska (State of)	AK	Moody's upgraded to Aaa from Aa1	22-Nov-2010	Aaa/AA+/AA+	$14 billion of reserves
Akron (City of)	OH	Fitch downgraded to AA- from AA	22-Nov-2010	Aa3/AA-AA-	Lower revenues
Philadelphia (City of)	PA	Moody's downgraded to A2 from A1	18-Nov-2010	A2/BBB/A-	Weak city finances

Source: Moody's; S&P; Fitch and Janney FIS.

State and Other Select Issuer Ratings (Jan 13, 2011)

	Moody's			S&P			Fitch		
State	Rating	Outlook	Last	Rating	Outlook	Last	Rating	Outlook	Last
Alabama	Aa1	Stable	4/16/2010	AA	Stable	8/3/2007	NR	-	-
Alaska	Aaa	Stable	11/22/2010	AA+	Stable	3/27/2008	AA+	Stable	4/5/2010
Arizona (*)	Aa3	Stable	7/15/2010	AA-	Negative	5/25/2010	NR	-	-
Arkansas	Aa1	Stable	4/16/2010	AA	Stable	1/10/2003	NR	-	-
California	A1	Stable	4/16/2010	A-	Negative	1/14/2010	A-	Stable	4/5/2010
Colorado (*)	NR	-	-	AA	Stable	7/10/2007	NR	-	-
Connecticut	Aa2	Stable	4/16/2010	AA	Stable	9/26/2003	AA	Stable	6/3/2010
Delaware	Aaa	Stable	-	AAA	Stable	2/22/2000	AAA	Stable	4/13/2006
Dist. of Columbia	Aa2	Stable	4/16/2010	A+	Stable	6/6/2007	AA-	Stable	4/5/2010
Florida	Aa1	Stable	4/16/2010	AAA	Negative	1/14/2009	AAA	Negative	4/5/2010
Georgia	Aaa	Stable	-	AAA	Stable	7/29/1997	AAA	Stable	4/13/2006
Hawaii	Aa1	Negative	4/16/2010	AA	Stable	1/29/2007	AA+	Negative	4/5/2010
Idaho (*)	Aa1	Stable	4/16/2010	AA	Stable	7/20/2009	AA-	Stable	2/13/2007
Illinois	A1	Negative	9/23/2010	A+	Negative	12/10/2009	A	Negative	6/11/2010
Indiana (*)	Aaa	Stable	4/16/2010	AAA	Stable	7/18/2008	AA+	Stable	4/5/2010
Iowa (*)	Aaa	Stable	4/16/2010	AAA	Stable	9/11/2008	AAA	Stable	4/5/2010
Kansas (*)	Aa1	Stable	4/16/2010	AA+	Stable	5/20/2005	-	-	-
Kentucky (*)	Aa1	Negative	4/16/2010	AA-	Stable	6/23/2009	AA	Negative	4/5/2010
Louisiana	Aa2	Stable	4/16/2010	AA-	Stable	10/9/2009	AA	Stable	4/5/2010
Maine	Aa2	Stable	4/16/2010	AA	Negative	3/10/2010	AA+	Stable	4/5/2010
Maryland	Aaa	Stable	-	AAA	Stable	5/7/1992	AAA	Stable	4/13/2006
Massachusetts	Aa1	Stable	4/16/2010	AA	Stable	3/15/2005	AA+	Stable	4/5/2010
Michigan	Aa2	Stable	4/16/2010	AA-	Stable	5/22/2007	AA-	Stable	4/5/2010
Minnesota	Aa1	Stable	4/16/2010	AAA	Stable	7/24/1997	AAA	Stable	4/5/2010
Mississippi	Aa2	Stable	4/16/2010	AA	Stable	11/30/2005	AA+	Stable	4/5/2010
Missouri	Aaa	Stable	-	AAA	Stable	2/16/1994	AAA	Stable	4/13/2006
Montana	Aa1	Stable	4/16/2010	AA	Stable	5/5/2008	AA+	Stable	4/5/2010
Nebraska (*)	Aa2	Stable	4/16/2010	AA+	Stable	10/11/2006	NR	-	-
Nevada	Aa1	Negative	11/30/2010	AA+	Stable	6/23/2006	AA+	Stable	4/5/2010
New Hampshire	Aa1	Stable	4/16/2010	AA	Stable	12/4/2003	AA+	Stable	4/5/2010
New Jersey	Aa2	Negative	9/23/2010	AA	Stable	7/19/2005	AA	Stable	4/5/2010
New Mexico	Aaa	Stable	4/16/2010	AA+	Stable	2/5/1999	NR	-	-
New York	Aa2	Stable	4/16/2010	AA	Stable	9/14/2004	AA	Stable	4/5/2010
North Carolina	Aaa	Stable	1/12/2007	AAA	Stable	6/25/1992	AAA	Stable	4/13/2006
North Dakota (*)	Aa1	Stable	4/16/2010	AA+	Stable	3/17/2009	NR	-	-
Ohio	Aa1	Negative	4/16/2010	AA+	Negative	9/23/2009	AA-	Stable	4/5/2010
Oklahoma	Aa2	Stable	4/16/2010	AA+	Stable	9/5/2008	AA+	Stable	4/5/2010
Oregon	Aa1	Stable	4/16/2010	AA	Stable	8/23/2007	AA+	Stable	4/5/2010
Pennsylvania	Aa1	Negative	4/16/2010	AA	Stable	11/6/1998	AA+	Negative	5/14/2010
Puerto Rico	A3	Negative	8/10/2010	BBB-	Positive	11/29/2010	NR	-	-
Rhode Island	Aa2	Stable	4/16/2010	AA	Negative	3/9/2009	AA	Negative	4/5/2010
South Carolina	Aaa	Stable	3/23/2007	AA+	Stable	7/11/2005	AAA	Stable	4/13/2006
South Dakota (*)	A1	Stable	-	AA	Stable	12/21/2006	AA	Stable	4/5/2010
Tennessee	Aaa	Stable	4/16/2010	AA+	Stable	10/12/2006	AAA	Stable	4/5/2010
Texas	Aaa	Stable	4/16/2010	AA+	Stable	8/10/2009	AAA	Stable	4/5/2010
Utah	Aaa	Stable	-	AAA	Stable	6/7/1991	AAA	Stable	4/13/2006
Vermont	Aaa	Stable	2/2/2007	AA+	Stable	9/11/2000	AAA	Stable	4/5/2010
Virginia	Aaa	Stable	5/27/2004	AAA	Stable	11/11/1992	AAA	Stable	4/13/2006
Washington	Aa1	Stable	4/16/2010	AA+	Stable	11/12/2007	AA+	Stable	4/5/2010
West Virginia	Aa1	Stable	7/9/2010	AA	Stable	8/21/2009	AA	Positive	4/5/2010
Wisconsin	Aa2	Stable	4/16/2010	AA	Stable	8/15/2008	AA	Stable	4/5/2010
Wyoming (*)	NR	-	-	AA+	Stable	6/30/2008	NR	-	-

Source: Moody's; S&P; Fitch and Janney FIS. (*) Denotes a Lease or Issuer Credit Rating.

Municipal Credit Rating Scale and Definitions

	Rating Agency			
	Moody's	S&P	Fitch	Definition
Investment Grade	Aaa	AAA	AAA	Exceptionally strong credit quality and minimal default risk.
	Aa1	AA+	AA+	Upper medium grade and subject to low credit risk.
	Aa2	AA	AA	Upper medium grade and subject to low credit risk.
	Aa3	AA-	AA-	Upper medium grade and subject to low credit risk.
	A1	A+	A+	Strong credit quality and subject to low default risk.
	A2	A	A	Strong credit quality and subject to low default risk.
	A3	A-	A-	Strong credit quality and subject to low default risk.
	Baa1	BBB+	BBB+	Subject to moderate risk and possess some speculative characteristics.
	Baa2	BBB	BBB	Subject to moderate risk and possess some speculative characteristics.
	Baa3	BBB-	BBB-	Subject to moderate risk and possess some speculative characteristics.
Sub-Investment Grade	Ba1	BB+	BB+	Weak credit quality with speculative elements and substantial credit risk.
	Ba2	BB	BB	Weak credit quality with speculative elements and substantial credit risk.
	Ba3	BB-	BB-	Weak credit quality with speculative elements and substantial credit risk.
	B1	B+	B+	Very weak credit quality, very speculative with high credit risk.
	B2	B	B	Very weak credit quality, very speculative with high credit risk.
	B3	B-	B-	Very weak credit quality, very speculative with high credit risk.
	Caa1	CCC+	CCC+	Extremely weak credit quality and subject to very high credit risk.
	Caa2	CCC	CCC	Extremely weak credit quality and subject to very high credit risk.
	Caa3	CCC-	CCC-	Extremely weak credit quality and subject to very high credit risk.
	Ca	CC	CC+	Highly speculative and are in or near default with some prospect for recovery.
		C	CC	Lowest class of rated bonds and may be in default with little prospect for recovery.
			CC-	Lowest class of rated bonds and may be in default with little prospect for recovery.
	D	D	DDD	Issuer is in default and/or has failed to make a payment.

Source: Moody's; S&P; Fitch and Janney FIS.

Janney Municipal Bond Market Publications

Title	Date	Pub	Notes
States' Ability/Will to Pay is Strong	January 10, 2011	Note	Includes State Fiscal Health Scorecard
SF Housing Bonds are Attractive	January 3, 2011	Note	Wider spreads, housing indicators and strong credit
Tobacco Sector Upgrade	December 21, 2010	Note	We raised our outlook on MSA payment-backed bonds
No Looming Municipal Crisis	December 21, 2010	Note	Suggestions of stress have been overblown
Munis Attractive, Credit Pressures	December 20, 2010	Outlook	Mixed performance, mixed messages and metaphors
North Shore Long Island Health	December 9, 2010	Credit	Dominant provider in its area is rated Baa1/A-/A-
Tobacco Bonds	December 6, 2010	Note	Downgrades and lower consumption, IL Railsplitter
Inexpert Advice Continues	December 6, 2010	FI Weekly	Doomsday forecasts persist
For-Profit Entities TE Debt	November 19, 2010	Note	Private companies sometimes sell tax-exempt debt
Heavy New Issue Supply	November 18, 2010	Note	Municipal yields moved sharply higher
BABS Last Year? Marcellus Shale	November 12, 2010	Monthly	Odds of BABs at 50% and local govt sector review
Muni Bond Insurance Update	November 3, 2010	Note	The end of the AAA era- Assured downgraded
PA Turnpike	October 5, 2010	Credit	New Special Sub debt maintains Aa3/NR/AA ratings
State Taxes Were Stronger	September 21, 2010	Monthly	Harrisburg side-stepped a default and NJ charged
Brethren Village, PA	August 30, 2010	Credit	A PA CCRC with lower than expected occupancy
Tobacco Sector and PA Act 47	August 13, 2010	Monthly	We lowered our tobacco outlook and explain PA Act 47
NYC TFA	July 22, 2010	Credit	Bondholders have first priority, 10x dsc
Harrisburg Update	July 15, 2010	Note	Officials are addressing the city's weak finances
The Truth Shall Set You Free	July 14, 2010	Monthly	Municipal Myths and Truths
The Front of the Line	July 7, 2010	Note	New types of bonds with enhanced security
Detroit- Dist. State Aid	July 7, 2010	Credit	Details the strong security mechanism
COFINA	June 29, 2010	Credit	Strongest of the Puerto Rico credits
Factors Stressing the MBM	June 15, 2010	Note	There is not going to be a "Municipal Meltdown"
Battle Uncertainty with Diver.	June 7, 2020	Monthly	Battle uncertainty, CA will not be the next Greece
Harrisburg Update	April 30, 2010	Note	Harrisburg May 1, 2010 payment will not be made
CIFG Insurance	April 30, 2010	Note	Details of CIFG insured bonds remain uncertain
DC Ballpark	April 22, 2010	Credit	DC Ballpark possesses strong ds coverage
In Like a Lamb Out Like	April 9, 2010	Monthly	Health-care reform impact mixed; Rtgs recalibration
Moody's Rating Changes	March 17, 2010	Note	Moody's ratings may be "recalibrated" higher
Historical Defaults are Low	March 5, 2010	Monthly	Low Ratios; Exaggerated risk of defaults and Chp 9
Montgomery County, PA	March 3, 2010	Credit	One of the handful of Aaa rated PA issuers
Pitt. & Allgh. Hotel Tax	March 3, 2010	Credit	Review of the Hotel Room Excise Tax Rev Bonds
Recession Weakens States	February 12, 2010	Monthly	IL, NJ, NY, RI, CA & PR experiencing fiscal stress
Harrisburg Update	February 4, 2010	Note	City Council reviewing options including bankruptcy
Miami-Dade County	January 20, 2010	Note	S&P lower its outlook to negative from stable
2010 Municipal Outlook	January 1, 2010	Outlook	Expectations for 2010 in the municipal market
2009 Municipal Review	December 1, 2009	Review	Review of municipal market in 2009
New Jersey Tobacco	December 9, 2009	Credit	Tobacco Settlement Asset-Backed Bonds
Long Island Power Auth	October 19, 2009	Credit	Credit will remain strong in the near term
Miami-Dade County	October 15, 2009	Credit	Stress in short intermediate term
Hackensack U Med Center	October 8, 2009	Credit	Some near term questions
Review of 1H 2009	September 29, 2009	Note	A "New Normal" municipal market
Insured Bond Review	September 18, 2009	Note	Your insured bonds may now be unrated
E. Stroudsburg, PA Stu Hsg	August 31, 2009	Credit	Low cost, high qual ed should secure enrollment
Municipal Insurer Update	August 19, 2009	Note	Only four insurers are rated above invest grade
Municipal Sect Scorecard	August 17, 2009	Note	Janney's municipal sector outlooks
PA School District Intercept	July 27, 2009	Credit	Intercept is based on PA's rating
Slippery Rock, PA Stu Hsg	July 23, 2009	Credit	If enrollment is high, occupancy should remain high
Build America Bonds	July 21, 2009	Note	Build America Bond Update
Florida Hurricane Fund	July 15, 2009	Credit	Strong credit despite uncertainties
Maryland CDA Hsg	July 9, 2009	Credit	Facing pressure but management is committed
Penn College of Tech, PA	April 3, 2009	Credit	Expect continued favorable results
Local Government Outlook	April 1, 2009	Note	Moody's assigned neg outlook to local govt

Source: Janney Fixed Income Strategy.

Analyst Certification

We, Tom Kozlik and Alan Schankel, the Primarily Responsible Analysts for this report, hereby certify that all of the views expressed in this report accurately reflect our personal views about any and all of the subject sectors, industries, securities, and issuers. No part of our compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this research report.

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Positive: Janney FIS believes there are apparent factors which point towards improving issuer or sector credit quality which may result in potential credit ratings upgrades

Stable: Janney FIS believes there are factors which point towards stable issuer or sector credit quality which are unlikely to result in either potential credit ratings upgrades or downgrades.

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Overweight: Janney FIS expects the target asset class or sector to outperform the comparable benchmark (below) in its asset class in terms of total return

Marketweight: Janney FIS expects the target asset class or sector to perform in line with the comparable benchmark (below) in its asset class in terms of total return

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Asset Classes: Janney FIS ratings for domestic fixed income asset classes including Treasuries, Agencies, Mortgages, Investment Grade Credit, High Yield Credit, and Municipals employ the "Barclay's U.S. Aggregate Bond Market Index" as a benchmark.

Treasuries: Janney FIS ratings employ the "Barclay's U.S. Treasury Index" as a benchmark.

Agencies: Janney FIS ratings employ the "Barclay's U.S. Agency Index" as a benchmark.

Mortgages: Janney FIS ratings employ the "Barclay's U.S. MBS Index" as a benchmark.

Investment Grade Credit: Janney FIS ratings employ the "Barclay's U.S. Credit Index" as a benchmark.

High Yield Credit: Janney FIS ratings for employ "Barclay's U.S. Corporate High Yield Index" as a benchmark.

Municipals: Janney FIS ratings employ the "Barclay's Municipal Bond Index" as a benchmark.

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