

MUNICIPAL BOND MARKET MONTHLY

JANNEY FIXED INCOME STRATEGY

August 31, 2011



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Washington's Questionable Influence & Attractive Relative Value in Corporate Tax-Exempts

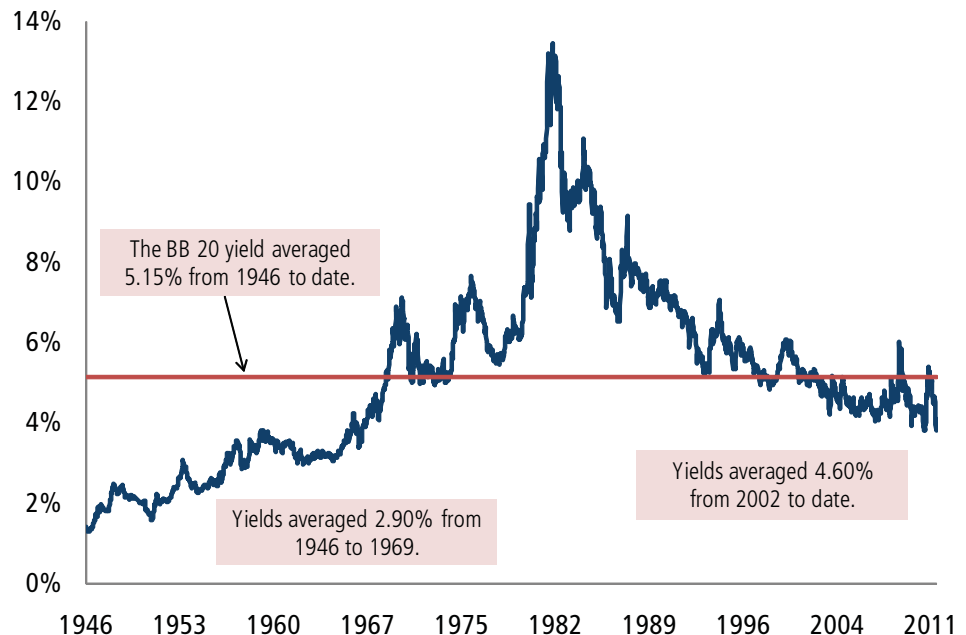
- We prefer a laddered portfolio and believe investors should resist temptation for higher yield.
- Flight-to-quality buying in Treasuries benefited municipals, though M/T Ratios are still high, leading cross-over buyers to dominate the market.
- While most of the consequences are uncertain we currently expect deficit reduction measures to only minimally affect municipal credit quality. However, some could be more influenced than others and we may see credit stress on a very limited case by case basis as details are finalized.
- We will continue to focus on federal level political factors as the potential for municipal credits to become affected by them increases. Political rhetoric will make it seem like "There Will Be Blood" over the next several years but we expect most threats will be overstated.
- There are many attractive corporate tax-exempt debt tax-equiv. yield relative value opportunities.
- S&P lowered the rating on the United States to "AA+" from "AAA"; S&P also lowered the ratings on municipals with a direct connection to the U.S.; Moody's placed nearly 300 municipals on Negative Outlook; and Central Falls, RI is on review for downgrade due to its bankruptcy filing.

MUNICIPAL MARKET COMMENTARY

Surviving Low Interest Rates

We may be in a low rate environment for a while, as the Fed has committed to keeping its low rate policy in place through mid 2013. Tax free yields were actually lower than today's levels for the twenty years after WWII. Further declines in months to come, given the low economy and benign

Bond Buyer 20 General Obligation U.S. Weekly Yields are Just Below Average



Source: Bloomberg and Janney Fixed Income Strategy.

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Tempting as it may be, investors should resist changing strategy with a sole goal of increasing yield, whether by extending duration or lowering credit standards.

Muni to Treasury ratios remain elevated making municipals attractive to cross-over buyers.

The pace of outflows was well below the numbers seen early this year, but a return to liquidation, after eleven weeks of inflows, may indicate a sea change.

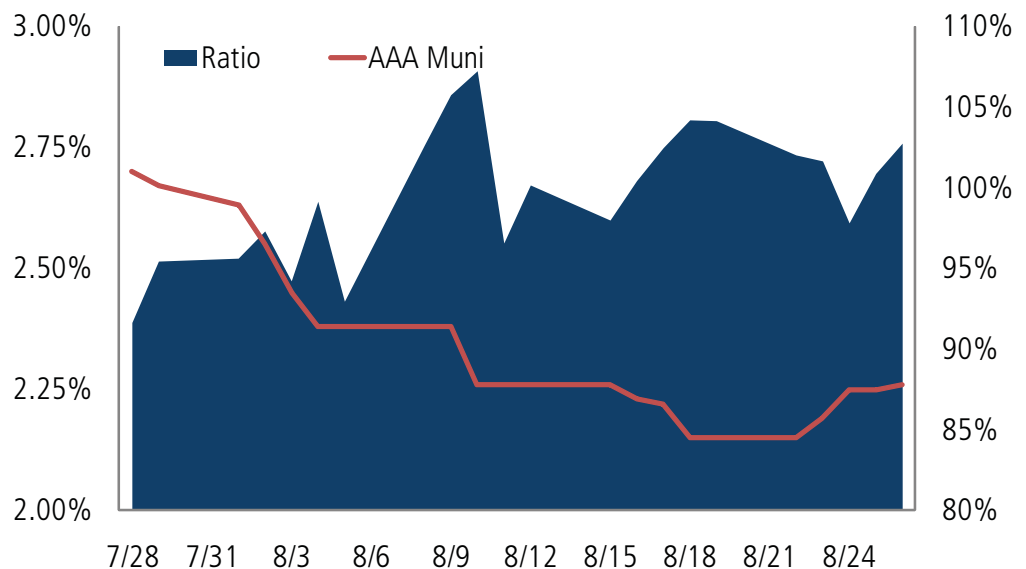
inflation rate, are possible. Tempting as it may be, investors should resist changing strategy with a sole goal of increasing yield, whether by extending duration or lowering credit standards. Our preferred tactic for designing and maintaining municipal portfolios remains the laddered approach, a longer term strategy which tends to weather the extremes of interest rate volatility.

With a laddered portfolio structure, bonds mature at regular intervals, providing liquidity with shorter maturities and yield from the longer end. The length of the optimal ladder depends on an investor's investment horizon and risk tolerance. As short maturities mature, the funds should then be invested in the higher yielding, longer maturity to maintain the structure over time. Dividing a \$500,000 portfolio into \$50,000 investments maturing each year over ten years is a fairly typical structure. Structuring such a portfolio to extend fifteen years will add yield in exchange for higher interest rate volatility, while a five year ladder drops income but adds stability. Other considerations such as credit quality and sector distribution should be part of an overall conversation with a financial advisor.

Municipal Market Ratios and Yields

Municipal yields finished higher last week, after plummeting for most of the month, approaching record territory in many maturities. Reports of soft economic data and flight to quality reactions to European turmoil sent yields on some Treasury maturities to the lows of the 2008 liquidity crisis, pulling tax free yields along for the ride. Muni to Treasury ratios remain elevated, with AAA benchmark yields on ten year maturities hovering around 100% of like maturity Treasury levels all month, and thirty year ratios well above 100%. New issue supply will drop to nearly nothing in the pre-Labor Day week. Although scheduled volume often increases as a week progresses, this week, sandwiched between a Hurricane weekend and a holiday weekend, could end up being one of the lowest volume weeks on recent record.

All Municipal / Treasury Ratios are Attractive



Source: Thomson Reuters and Janney Fixed Income Strategy.

Municipal Bond Mutual Fund Flows

From a technical view, muni markets may be facing some headwinds in September. After eleven consecutive weeks of inflows, investors in municipal mutual funds liquidated holdings in the four weekly periods ending August 17. Although fund flows typically reflect sentiment of the smaller investors who use mutual funds, they do shed light on overall confidence. The pace of outflows was well below the numbers seen early this year, but a return to liquidation, after eleven weeks of inflows, may indicate a sea change. Another change is the drop in available reinvestment funds. Maturing bonds and redemptions averaged above \$25 billion per month in June, July and August. In September, the number drops to half that amount, with no meaningful pickup until December.

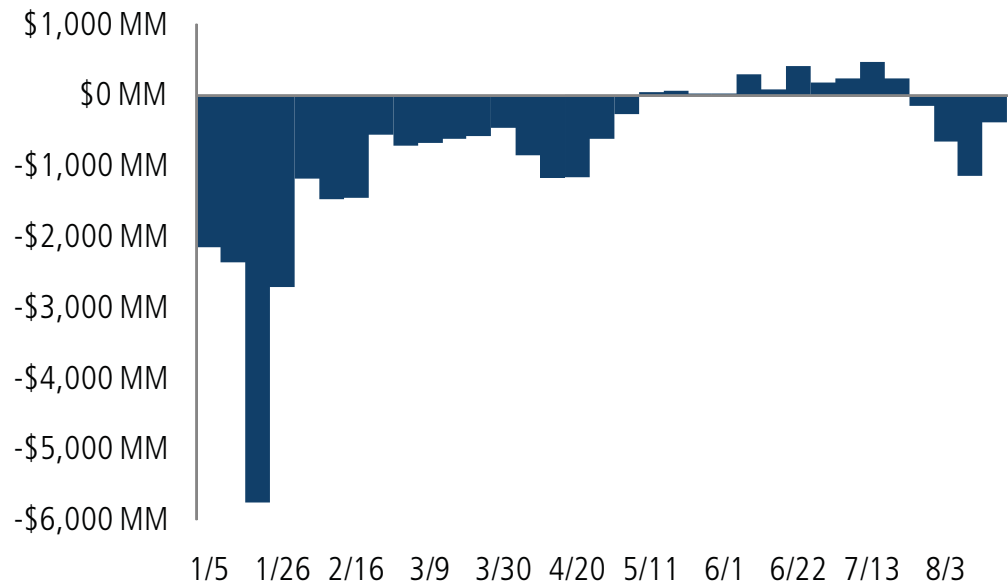
New issue volume will end up just over \$20 billion in August, slightly above this year's monthly average.

In the near term we do not think the potential budget alterations will be significant enough to negatively affect municipal issuers' credit profiles.

There are a collection of automatic measures that will be taken starting in 2013 if the U.S. Congress does not approve the JSC's reduction plan by the end of 2011.

New issue volume will end up just over \$20 billion in August, slightly above this year's monthly average. The low rate environment will likely generate an increase in refundings in coming months, but there is no sign that new money issue volume will increase post Labor Day, with the 30 day visible supply hovering around \$4 billion, the lowest level of the year.

Fund Flows Turned Negative Recently



Source: ICI Data and Janney Fixed Income Strategy.

WASHINGTON'S INFLUENCE REMAINS A QUESTION

Potential Consequences from the Budget Control Act are Uncertain

Recent rating agency and investor responses have varied in response to the Aug 2 debt ceiling compromise and BCA. Known deficit reductions will take the form of discretionary spending caps and the first phase amounts to about \$917 billion between 2012 and 2021. The greatest savings is back-loaded, minimizing near term effects. In addition, a proposal including at least \$1.2 trillion of additional adjustments is due from the BCA's Joint Select Committee on Deficit Reduction (JSC) at the end of November. There are a collection of automatic measures that will be taken starting in 2013 if the U.S. Congress does not approve the JSC's reduction plan by the end of 2011.

In the near term we do not think the potential budget alterations will be significant enough to negatively affect municipal issuers' credit profiles. However, we still need more information about where adjustments will be made to have a clearer picture about the possible consequences to municipals. Surely, it would be easy to simply assume issuers and issues which possess even a little federal government exposure are "at risk" or will be "negatively affected." Acknowledging such exposure is helpful, but such statements are premature in our opinion at the current time. The necessary details will become clearer after the JSC's proposal and through next year's budget process.

First Phase of BCA Deficit Reductions

2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total
-\$21	-\$42	-\$59	-\$75	-\$87	-\$99	-\$112	-\$126	-\$141	-\$156	-\$917

Source: Congressional Budget Office Aug. 2011 and Janney FIS. \$ in bill.

There is even more uncertainty connected to what might lie ahead for municipal issuers related to future deficit reduction efforts. We have deemed this potential next round as "Deficit Reduction Part 2." Speculation surrounding Part 2 will continue and our opinion is that while at this point there seems to be a great barrier in political actor's minds to considering tax increases we believe they

Do not be surprised if voters leading up to the 2012 elections send a message to political actors demanding a compromised solution.

We are leaving our sector outlooks unchanged, for now.

Janney's commentary has highlighted many factors stemming from the heightened political divide.

could become increasingly possible as time passes. Do not be surprised if voters leading up to the 2012 elections send a message to political actors demanding a compromised solution. Such a solution is not out of the realm of possibility despite Tea-Party activism, in our opinion.

JANNEY SECTOR OUTLOOK

We are Not Adjusting Sector Outlooks at This Time

We are leaving our sector outlooks unchanged, for now. Our sector outlooks could be adjusted, if we need to, as more deficit reduction details are released. We do not want investors to get ahead of themselves and declare the municipal market too risky just because of federal exposure. And we have believed for some time, that investors should concentrate on high quality underlying credits and only seek investment opportunities in riskier sectors on a case by case basis and only when disclosure and credit updates permit.

Janney Municipal Sector Outlook and Review

Sector	Janney Outlook	Last Month Change	Barclay's 12 Month Return	Key Sector Trends	Recent Janney Sector Review
Municipal Bond Index	-	-	3.24%	Barclay's Muni Index, 46k issues	-
State Government	Stable	Same	4.00%	Possess flexibility and autonomy	Aug 12 Note
Local Government	Cautious	Same	3.21%	Only 4% of revenues from fed govt	Nov MBMM
School Districts	Stable	Same	-	Less rev but States offer security	2011 Outlook
Airports	Cautious	Same	3.10%	Enplanements continue flying	2011 Outlook
Higher Education	Cautious	Same	2.90%	Exposure of \$30 bill of federal aid	2011 Outlook
Health Care	Cautious	Same	3.69%	54% of revenues from Medi-care/caid	May 2011 Note
Housing	Stable	Same	3.68%	Single family is stronger than multi	Jun 2011 Note
Public Power (Elec.)	Stable	Same	3.30%	Essential purpose, but volatile	2011 Outlook
Tobacco	Cautious	Same	3.42%	Stronger than ratings show	Jun 2011 Note
Toll Facilities	Stable	Same	3.10%	Fed infras spending questionable	2011 Outlook
Water and Sewer	Stable	Same	3.23%	Essential purpose, future scarcity	2011 Outlook

Source: Barclays Capital as of July 30, 2011 and Janney FIS.

WE WILL CONTINUE TO OFFER A BALANCED POLITICAL PERSPECTIVE

Washington Will Continue to Play a Role

It should not come as a surprise to our regular readers that we believe events in Washington are going to continue to play a formative role in influencing the U.S. economy's near and medium term performance and also could factor into the credit outlook for the municipal market. Our municipal market commentary has highlighted, especially since the 2010 mid-term elections, many factors ste-

Recent Janney Municipal Commentary Related to Federal Govt. and Politics

Title	Summary / Notes	Date / Pub.
State Fiscal Health Scorecard Update	Concerns from BCA alleviated by financial flexibility	Muni Note 8/12/11
Potential Effects of S&P Downgrade	Credits directly tied moved lower, waiting for more details	FI Weekly 8/8/11
Washington to Increasingly Affect Munis	Lawmakers to increasingly affect municipals, BQ legis.	MBMM 5/25/11
Wash DC Will Not Target Tax-Exemption	We do not believe lawmakers will eliminate tax-exempt.	MBMM 5/25/11
Muni Reaction to President's Budget	President Obama takes first shot in budget battle	FI Weekly 2/15/11
Midterm Election and the MBMM	"Consequences...may actually result in political gridlock."	FI Weekly 11/8/10

Source: Janney Fixed Income Strategy.

Once these rules of the game are determined and the politics are behind us, the public and private sector will be more comfortable and motivated to invest capital and economic activity will pick-up.

The US government has a history of political compromise and a legacy of supporting the municipal sector, especially states and local governments.

Many tax-exempt corporates' tax-equivalent yields are attractive.

mming from the heightened political divide and issues related to federal budget. With the heightened level of political rhetoric and potential consequences, which are really perceived more than anything at this point, Janney municipal analysts will continue to provide a guiding light through the fog of media and political messages that are often misleading at best, and just plain wrong at worst. We will attempt to decode the messages investors are being sent as we expect political headlines from both the left and right to rise to an unprecedented level over the near term, especially just before the 2012 elections, close to the scheduled end of the Bush tax cuts at the end of 2012 and just before the next debt ceiling extension in 2013.

Rhetoric Will Make it Seem Like "There Will Be Blood"

The upcoming budget debate will continue to divide Washington lawmakers and supporters more clearly than any budget battle in recent memory. At issue is the financial reputation of the U.S. and trillions of dollars of spending caps, cuts, or revenue increases. In other words, there is much riding on the upcoming debate for both Republicans and Democrats so observers must prepare for a time of heightened political rhetoric. At times the charged nature of the messages will make it seem like all of the potential budget adjustments, whether in the form of spending alterations or revenue enhancements, will destroy the economy and municipal issuers' ability to pay debt service. Nothing is further from the truth. No matter what happens as a result of the deficit committee or what occurs stemming from future deficit reduction the financial implications will likely not result in an outcome amounting to as much credit stress as say the recent recession. Granted, it is not going to be optimal timing if adjustments come at the same time of a second recession. But, we believe once these rules of the game are determined and the politics are behind us, the public and private sector will be more comfortable and motivated to invest capital and economic activity will pick-up.

U.S. History of Political Compromise and Support of the Municipal Market

A great amount of activity needs to play itself out in the political arena before we know for sure how federal deficit reduction will truly affect municipal credits. Although the tone seems dire at the moment, the US government does have a history of political compromise and a legacy of supporting the municipal sector, especially states and local governments.

Janney Expectations for the Future

Overall we expect short-term consequences to the municipal market to be rather muted. Over the medium term we expect municipal issuance to remain below historical averages, trading volatility to remain high, spreads to widen out, the future of tax-exemption to remain a question, and political actors to continue to present support for the municipal market in the form of programs such as: rebirth of Build America Bonds and bond qualified expansion, for example. We do believe significant tax-reform changes could occur, but that tax-exempt funding for state and local governments and some private activity bond issuers will remain. This will be at the expense of certain types of conduit financings which are not considered to be a priority such as those sold by corporations, for example.

TAX-EXEMPT CORPORATE ISSUES REMAIN ATTRACTIVE

A Good Relative Value Opportunity

There are some key factors worth considering with regard to tax-exempt bonds backed by corporate credits, in our opinion. The first, and probably most important is that the tax-equivalent yields (TEY) on many of these issues remain well above their taxable corporate brothers. Therefore, many tax-exempt bonds sold by corporate issuers remain attractive on a relative value basis.

Comparison of Tax-Exempt Ford to Taxable Ford Debt

Type	CUSIP	Issuer (Conduit)	Ratings	Last Trade Yield	Taxable Equiv. Yield
Tax-Exempt	677557AB6	Ohio St Environ. Fac Rev	Ba3/BB-/NR	6.19%	9.52%
Taxable (Corp.)	345370BZ2	Ford	Ba3/BB-/BB-	6.34%	6.34%

Source: Bloomberg and Janney FIS. TEY assumes a 35% income bracket.

Corporate bonds normally trade more frequently, are traded in much larger block sizes and are generally considered to be more liquid.

Relative Value Factors Investors Should Consider

One of the leading reasons for this is because corporations often have billions of dollars of taxable corporate debt outstanding (as does Ford, the example cited above) versus a small amount of tax-exempt municipal debt (Ford possesses only \$73 million of tax-exempt bonds). A consequence of this dynamic is because taxable corporate bonds normally trade more frequently, are traded in much larger block sizes and are generally considered to be more liquid. Thus, the corporation's tax-exempt debt could have a liquidity penalty factored into its return. This is an arbitrage opportunity investors should take advantage of. The second reason we believe these securities are attractive is because these types of tax-exempt bonds might be the easiest for political actors to eliminate when it comes time to for larger tax-reform. That does not mean the tax-exemption will be eliminated on existing bonds. It simply means that there might not be as many, or any, issued if comprehensive tax reform eliminates the option for corporations to utilize tax-exempt debt. So, there is a potential scarcity factor to also consider. For more information please see the November 19, 2010 Janney Municipal Bond Market Note titled, "A General Review of For-Profit Entities Tax-Exempt Debt Credit Structures."

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Select Recent Rating Outlook and Rating Changes (Aug 29, 2011)

Issuer	State	Recent Rating Action	Date	Underlying Rating(s)	Notes
New Jersey (State of)	NJ	Fitch downgraded to AA- from AA	17-Aug-2011	Aa3/AA-/AA-	Action evens out with others
Lackawanna County	PA	Moody's on review for downgrade	17-Aug-2011	(Baa1/NR/NR)	Materially worse financials
Salem (City of)	NJ	Moody's downgraded to Ba3 from Ba2	12-Aug-2011	(Ba3/NR)	Guaranteed payments on lease
U of Southern Cal	CA	S&P downgraded to AA from AA+	9-Aug-2011	(Aa1/AA)	Rising debt and hospital acqu
Muni with direct connect	US	S&P took action on various muni issuers	9-Aug-2011	Various	Direct federal govt exposure
United States	US	S&P downgraded to AA+ from AAA	5-Aug-2011	Aaa/AA+/AAA	Political uncertainty debt traj.
Nearly 300 Aaa Issuers	US	Moody's placed on Negative Outlook	4-Aug-2011	Various	Due to federal govt exposure
Central Falls (City of)	RI	Moody's places on review for downgrade	2-Apr-2011	Caa1/NR	Filed for bankruptcy prot. 4/1
Oyster Bay (Town of)	NY	S&P downgraded to AA from AAA	2-Aug-2011	AA/AA3/NR	Tapping reserves
Hackensack U Med Cent	NJ	Moody's upgraded to A3 from Baa1	27-Jul-2011	A3/NR/NR	Stong financial performance
Michigan (State of)	MI	Fitch raised outlook to positive from stable	27-Jul-2011	Aa2/AA-/AA-	Prudent budgeting
Manassas Park (City of)	VA	S&P multi-notch downgrade to BBB from AA-	20-Jul-2011	A1/BBB/NR	Financial deterioration
Ohio (State of)	OH	S&P raised outlook to stable from negative	19-Jul-2011	Aa1/AA+/AA+	Structurally balanced budget
Camden County	NJ	Moody's lowered outlook to neg from stable	13-Jul-2011	Aa2/AA-/NR	Structural challenges
Camden (City of)	NJ	Moody's placed on review for a downgrade	12-Jul-2011	Ba2/NR/NR	Possible stress to transitional aid
Los Angeles (City of)	CA	Moody's downgraded to Aa3 from Aa2	12-Jul-2011	Aa2/AA-/AA-	Financial deterioration
Florida (State of)	FL	Standard and Poor's raised outlook to Stable	12-Jul-2011	Aa1/AAA/AAA	Significant cost cutting
Long Island Power Auth	NY	Moody's lowered outlook to neg from stable	11-Jul-2011	A3/A-A	Strained liquidity
West Virginia (State of)	WV	Fitch upgraded to AA+ from AA	8-Jul-2011	NR/AA/AA+	Positive operations
California (State of)	CA	S&P raised outlook to stable from negative	7-Jul-2011	A1/A-/A-	On time budget delivery
Erie (City of)	PA	S&P raised outlook to positive from stable	1-Jul-2011	NR/BBB/NR	Positive GF balance

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

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State and Other Select Issuer Ratings (Aug 31, 2011)

State	Moody's Rating	Outlook	Last	S&P Rating	Outlook	Last	Rating	Fitch Outlook	Last
Alabama	Aa1	Stable	4/16/2010	AA	Stable	8/3/2007	AA+	Stable	5/3/2010
Alaska	Aaa	Stable	11/22/2010	AA+	Stable	3/27/2008	AA+	Stable	4/5/2010
Arizona (*)	Aa3	Negative	2/9/2011	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-	Stable	7/7/2011	A-	Stable	4/5/2010
Colorado (*)	NR	-	-	AA	Stable	7/10/2007	NR	-	-
Connecticut	Aa2	Negative	6/28/2011	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	Stable	7/12/2011	AAA	Negative	4/5/2010
Georgia	Aaa	Stable	-	AAA	Stable	7/29/1997	AAA	Stable	4/13/2006
Hawaii	Aa2	Stable	5/17/2011	AA	Stable	1/29/2007	AA	Stable	6/15/2011
Idaho (*)	Aa1	Stable	4/16/2010	AA+	Stable	3/30/2011	AA	Stable	6/15/2000
Illinois	A1	Negative	9/23/2010	A+	Negative	12/10/2009	A	Stable	1/21/2011
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	Negative	4/6/2011	AA+	Stable	5/20/2005	AA	Stable	2/13/2007
Kentucky (*)	Aa2	Negative	3/30/2011	AA-	Stable	6/23/2009	AA	Negative	4/5/2010
Louisiana	Aa2	Stable	4/16/2010	AA	Stable	5/4/2011	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	Positive	2/10/2011	AA+	Stable	4/5/2010
Michigan	Aa2	Stable	4/16/2010	AA-	Stable	5/22/2007	AA-	Positive	7/27/2011
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	Aa2	Stable	3/24/2011	AA	Stable	3/10/2011	AA+	Stable	4/5/2010
New Hampshire	Aa1	Stable	4/16/2010	AA	Stable	12/4/2003	AA+	Stable	4/5/2010
New Jersey	Aa3	Stable	4/27/2011	AA-	Stable	2/9/2011	AA-	Stable	8/17/2011
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	Positive	5/31/2011
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+	Stable	7/19/2011	AA+	Stable	4/11/2011
Oklahoma	Aa2	Stable	4/16/2010	AA+	Stable	9/5/2008	AA+	Stable	4/5/2010
Oregon	Aa1	Stable	4/16/2010	AA+	Stable	3/10/2011	AA+	Stable	4/5/2010
Pennsylvania	Aa1	Negative	4/16/2010	AA	Stable	11/6/1998	AA+	Negative	5/14/2010
Puerto Rico	A3	Watch Dwn	5/3/2011	BBB	Stable	3/7/2011	BBB+	Stable	1/19/2011
Rhode Island	Aa2	Negative	5/31/2011	AA	Stable	4/22/2011	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	3/25/2011	AA	Stable	4/5/2010
Tennessee	Aaa	Stable	4/16/2010	AA+	Positive	5/5/2011	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+	Stable	7/8/2011
Wisconsin	Aa2	Stable	4/16/2010	AA	Stable	8/15/2008	AA	Stable	4/5/2010
Wyoming (*)	NR	-	-	AAA	Stable	5/3/2011	NR	-	-

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

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Municipal Credit Rating Scale and Definitions

	Rating Agency			Definition
	Moody's	S&P	Fitch	
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.

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Janney Municipal Bond Market Publications

Title	Date	Pub	Notes
PA School Intercept Program	August 31, 2011	Note	Creates a level of security that enhances underlyings
State Fiscal Health Scorecard Update	August 12, 2011	Note	State are financially flexible and autonomous
New Jersey Debt Overview	August 3, 2011	Note	Review of New Jersey debt programs
Five States on Downgrade Watch	July 20, 2011	Note	Moody's placed 5 states on Review for Downgrade
SF Housing Spreads Highly Attractive	July 18, 2011	Note	Municipal bond buying opportunity as spreads widen
Tobacco Sector Update	June 22, 2011	Note	MSA Payments dropped in 2011 but better days ahead
Washington Will Not Target Tax-Exempts	May 25, 2011	Monthly	We do not expect lawmakers to eliminate tax-exemption
Non-Profit Healthcare Sector	May 23, 2011	Note	Risk reward favors large/higher rated issuers
New Jersey Bonds Oversold	May 10, 2011	Note	NJ yields offer investor value
State Fiscal Health Scorecard Update	April 28, 2011	Note	Stronger state health indicators
State Tax Revenues Continue to Grow	April 20, 2011	Note	Preliminary results show higher state revenues
Negative Rating Agency Moves...	April 20, 2011	Monthly	DeKalb County multi-notch downgrade
Pennsylvania Debt Overview	April 6, 2011	Note	Review of GO and Revenue programs
Diversify Across States	March 29, 2011	Note	Benefits outweigh the costs
Philadelphia Please Touch Museum	March 3, 2011	Credit	This credit should not be considered investment grade
Protests Have Not Spooked Investors	February 28, 2010	Monthly	Showed signs of recovery & state stress overblown
Connecticut- Overview of Debt	February 23, 2010	Note	Four CT Bond Issuance Programs
Muni Market Turmoil Equals Opp.	January 24, 2011	Note	Includes investor strategies for the market
Au Revoir to BABs, Concerns Overblown	January 14, 2011	Monthly	BABs were not renewed, we expect headline risk in 2011
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, 2010	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; Rtg's 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

Source: Janney Fixed Income Strategy.

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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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