

MUNICIPAL BOND MARKET MONTHLY

JANNEY FIXED INCOME STRATEGY

May 25, 2011



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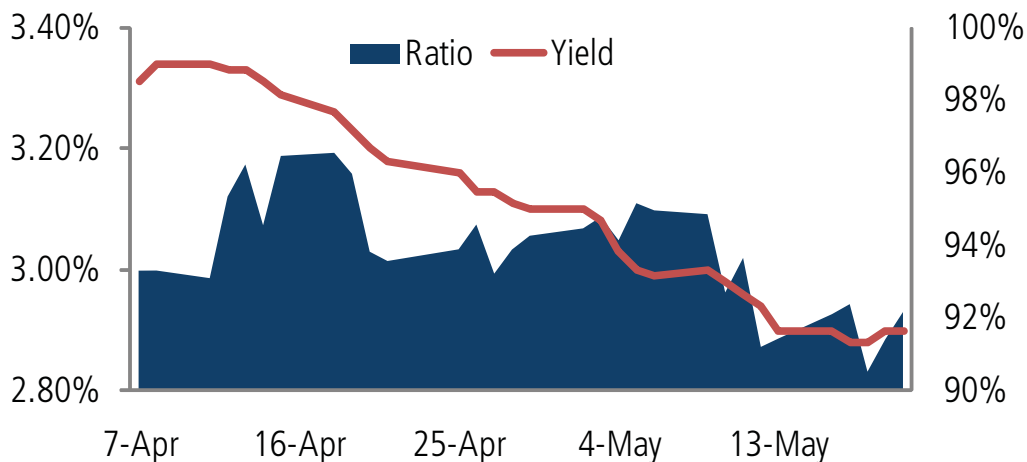
Washington Will Not Target Tax-Exemption Despite the Current Fiscal Pressures

- June technicals should be supportive of a strong municipal market, although tax free rates will generally move in the direction of Treasury yields.
- A Look at Illinois, California, New Jersey and New York fiscal situations and spreads.
- We expect Washington lawmakers will increasingly affect the municipal bond market in coming years.
- There is a low probability that Washington will eliminate municipal bonds' tax-exemption despite the current political and economic environment.
- The U.S. Treasury's suspension of state and local government securities (SLGs) will not cause any fiscal stress to municipal issuers, but it will inconvenience them.
- We are not concerned about the small increase in the number of S&P rating withdrawals due to a lack of information we found in 1Q2011.
- Liquidity facility expirations have been handled better than expected with most providers offering extensions.
- We reiterate that drilling in Pennsylvania's Marcellus Shale could be a negative for local governments if state and local lawmakers do not plan for increased infrastructure and service costs.
- Hawaii downgraded by Moody's; Tennessee outlook raised by S&P; Nebraska, Louisiana and Wyoming upgraded by S&P and New Jersey downgraded by Moody's.

MARKET COMMENTARY

After a solid run of falling yields extending beyond a month, the municipal market rally lost steam last week and is unchanged coming into the holiday weekend. Muni to Treasury ratios are on the low side of recent range, but we see continued room to run for munis given the dearth of new issues, and the strong reinvestment flows expected in June and July. In June alone, about \$50 billion of municipals will mature or be redeemed, dwarfing the \$15 billion of average monthly new issuance through April. It looks like May's total volume, even with the Memorial Day hiatus, will be close to \$20 billion.

Ten Year M/T Ratios are Trending Lower



Source: MMA and Janney Fixed Income Strategy.

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See page 18 for important information regarding certifications, our ratings system as well as other disclaimers.

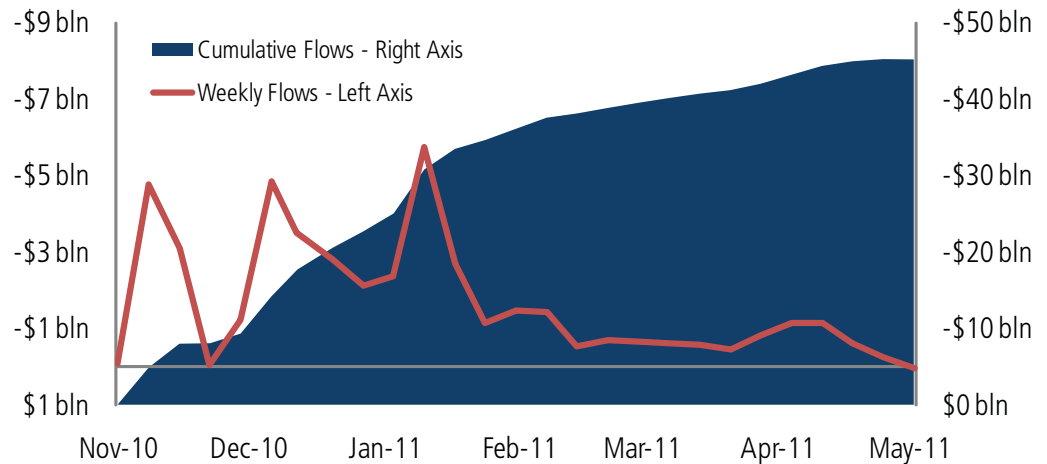
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May's total volume, even with the Memorial Day hiatus, will be close to \$20 billion.

New issue volume will not approach the record months of last year, but we will see acceleration as we head into the third quarter.

Illinois spreads have narrowed from 225 bps in mid January, but are still above spreads of other states.

\$46 Billion Has Left Municipal Mutual Funds in 2011



Source: ICI Data and Janney Fixed Income Strategy.

When municipal mutual fund flows turned sharply negative in November, outflows, representing shareholder redemptions, persisted for 26 straight weeks, with the pace diminishing in February, and finally flattening in the week ending May 11, but only after more than \$46 billion of assets had been pulled from the funds. \$46 billion is indeed a big number, but the \$50 billion available for re-investment in June alone adds perspective. A less measurable, but more significant offset to smaller investors who redeemed mutual fund shares is the consistent appetite for bonds displayed by larger municipal investors acting either directly or through the separately managed account divisions of the same investment companies experiencing outflows at the fund level.

Coming into June the technicals should be supportive of a strong municipal market, although as always tax free rates will generally move in the direction of Treasury yields. Beyond June, we expect new issue supply to build, as most states and many other issuers enter new fiscal years with new borrowing needs. New issue volume will not approach the record months of last year, but we will see acceleration as we head into the third quarter. **Alan Schankel**

A LOOK AT FOUR STATES- IL, CA, NJ AND NY

There is plenty of news from state government as most are pushing to deliver a balanced budget by July 1, the start of FY2012 for most states. It is estimated that states in total face \$112 billion of structural budget deficits which must be closed. The progress of four states offers some interesting and telling contrasts.

Illinois- Dire Challenges and Widest Spreads

Illinois, faces a deficit estimated as high as \$9 billion, despite a significant income tax increase enacted in January. Much of this deficit is in the form of unpaid bills from the soon to end fiscal year. The market perceives Illinois as the state with the most dire fiscal challenges. Ten year maturity Illinois debt is trading at distressed levels, as indicated by the additional 165 basis points of yield investors require to hold bonds, compared to bonds of AAA rated states such as Delaware and Virginia. This differential, known as spread, has narrowed from 225 bps in mid January, but is still above spreads from other states.

California- Closing Shortfall and Falling Spreads

California, started with an estimated \$25 billion deficit, knocked it down to about \$15 billion, and recently saw the gap close to about \$9 billion, as state tax revenue estimates for the coming fiscal year have improved dramatically. The executive branch of California, the land of government by proposition, has a relatively weak palette of powers to be used in trimming spending, so agreement between the legislature and new, or recycled Governor Jerry Brown, is elusive. Nevertheless, all sides are approaching the process with energy, and the market has rewarded the state's efforts by drop-

New Jersey spreads have narrowed by 10 bps in the past week alone.

the spread on ten year bonds from 130 bps to 87 bps this year.

New Jersey- Saw Rating Downgrades but Revenues Improving

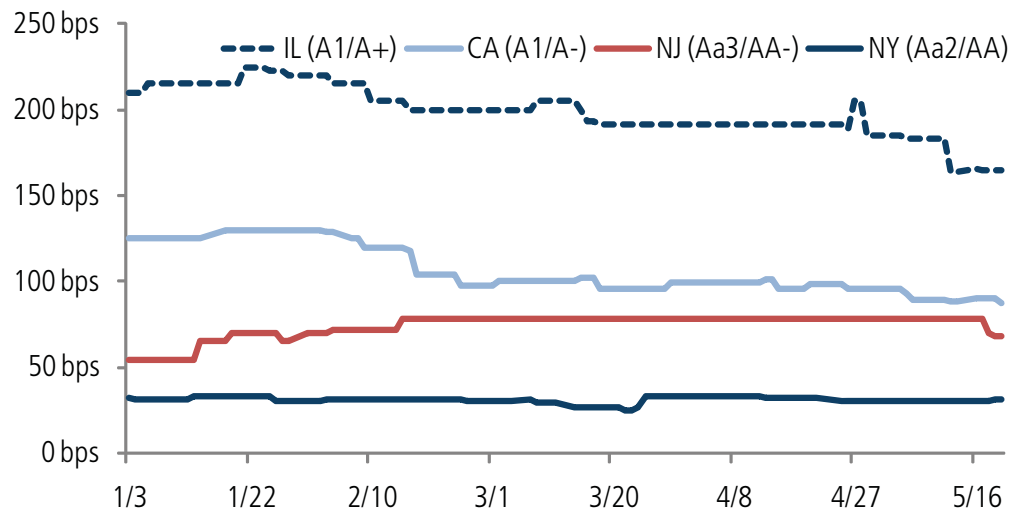
New Jersey's constitution gives Governor Christie a stronger ability to cut spending on the way to budget balance, but the state, although among the five wealthiest by measures such as per capita income, is struggling with a legacy of high debt and underfunded pension plans. Downgrades from Moody's and S&P this year, did not improve trading levels, but recent news has been more positive with employment on the rise, including 14,000 new jobs in April, state tax revenues improving, and the pension system showing a 15.7% gain in the first nine months of the current fiscal year. Spreads have narrowed by 10 bps in the past week alone.

New York- Enacted Budget and Consistent Spreads

Finally there is New York. With an April/March fiscal calendar, three months before most states, New York enacted a balanced budget on time, for the first time in many years. It was not all peaches and cream, as new Governor Cuomo had significant disagreements with legislators in the run-up to enactment, but in the end leadership came together and passed an on time budget. New York contrasts with the other states noted with market spreads consistently around the 30 bps level this year. **Alan Schankel**

New York spreads have been consistently around the 30 bps level this year.

Spreads on Illinois and California Have Contracted in 2011



Source: Thomson Reuters MMD Interactive and Janney Fixed Income Strategy.

Last week we saw the Obama Administration's Treasury Department attempt to influence tax policy with a favorable review of the BABs program.

WASHINGTON TO INCREASINGLY AFFECT MUNICIPALS

Actions of Washington lawmakers are increasingly going to affect the municipal bond market in the near term and in coming years. Last week we saw the Obama administration's Treasury Department attempt to influence tax policy as it relates to state and local government financing. Treasury helped make the case to bring back the highly successful Build America Bond-like taxable municipal bonds subsidized by the federal government. The Treasury Department released a report titled, "Treasury Analysis of Build America Bonds Issuance and Savings." In the Treasury's report it was highlighted that BABs saved municipal issuers an average of 84 basis points on interest costs compared to traditional tax-exempt financing. In all, issuers saved an estimated \$20 billion of borrowing costs according to the Treasury's analysis. It was highlighted that this savings was, "considerably greater than the net cost to the federal government..." We should remind our readers that President Obama proposed a reinstatement of BABs in his FY2012 budget proposal, but at a revenue neutral 28% subsidy, lower than BAB's original 35% subsidy. Lawmakers are in the process of considering various proposals that may or may not include such a BAB restoration.

The Municipal Bond Market Support Act of 2011 received bi-partisan support and was introduced by five senators.

We do not believe lawmakers will eliminate tax-exemption, especially for state and local governments.

A more likely scenario may include reinstating a revenue-neutral BAB-like subsidy, while adjusting tax-exemption for certain types of private activity bonds.

Another Legislative Proposal for BQ

On the legislative front U.S. Senator Jeff Bingaman (D-NM) introduced, in the middle of May, the Municipal Bond Market Support Act of 2011 which would re-raise the small issuer limit for bank qualified (BQ) bonds to \$30 million from \$10 million and index it for inflation. The bill received bi-partisan support and was introduced by five senators. Co-sponsors were Senate Finance committee members: Mike Crapo (R-ID), John Kerry (D-MA), Olympia Snowe (R-ME), Ben Cardin (D-MD), and Charles Grassley (R-IA). Bingaman noted positives from the proposed adjustment in a press release, "The higher bank qualified limit was a great success and deserves to be made permanent. As the strong support from my five colleagues demonstrates, this is an issue that crosses party lines and affects communities across the country. We must ensure that our small municipalities can raise capital."

U.S. Representative Sander Levin (D-MI) launched legislation in March 2011 called the Building American Jobs Act of 2011, HR 992. Levin's bill would reinstate several of the municipal related programs popular under the American Recovery and Reinvestment Act. HR 992 would restore a BAB like taxable bond subsidy and include a higher small-issuer limit for BQ bonds, among other bond and tax credit programs. **Tom Kozlik**

WASHINGTON WILL NOT TARGET TAX-EXEMPTION

While the larger debate about proposals to force U.S. spending reductions and the expected debt ceiling expansion take center stage, questions about broader U.S. tax reform and specifically municipal bonds' tax-exempt status are circulating. The U.S. is entering a period, unlike almost any other, when federal government spending will be scrutinized at a microscopic level. While this detailed level of examination for all government expenses causes many to think that the current political and economic environment could pose a threat to tax-exemption (this would only be for new issues, the tax-exempt status of past issues would remain) we do not believe the potential is strong enough for us to think lawmakers will eliminate it, especially for state and local governments.

Future of Municipal Market to be Influenced by Politics

We are not seeing evidence of an imminent danger to municipal bonds' tax-exemption even though some bills, proposed legislation and budget plans call for its adjustment and even elimination in some cases. Readers need to remember that it has been very common over the years for the significance and cost of tax-exemption to be re-considered. But it has been just as common over the years for it to stay especially after state and local governments stress the importance it plays with regard to their financing needs. We again think that this significance will help trump rhetoric and political pressure calling for its elimination.

It is still very early on in the federal budget negotiation process, a course which will remain very politically charged. We should not forget the fiscally conservative fervor which helped the Republicans take control of the U.S. House in Nov 2010 fueling a minimalist view in all areas of spending. So, moving forward it may seem like there is a tremendous threat because of certain fiscal and political pressures. But, we do not think it is likely lawmakers will eliminate tax-exemption based on these influences. Our key reasons for taking this viewpoint are because:

- The tax-exemption expenditure is relatively small.
- Tax-exempt bonds have proven to be a successful financing vehicle with strong support from state and local governments despite questions of efficiency, and because
- Lawmakers are also under pressure to provide relief not additional strain to state and local government.

A more likely scenario may be that political negotiations result in some type of compromise reinstating a revenue-neutral BAB-like subsidy, keeping tax-exemption for state and local government bonds, while adjusting certain types of private activity bonds currently not considered a priority, for example.

Recent historically significant rating agency action is setting the stage for some changes in Washington.

Standard and Poor's made history recently. Never before has the U.S.' rating possessed a negative outlook.

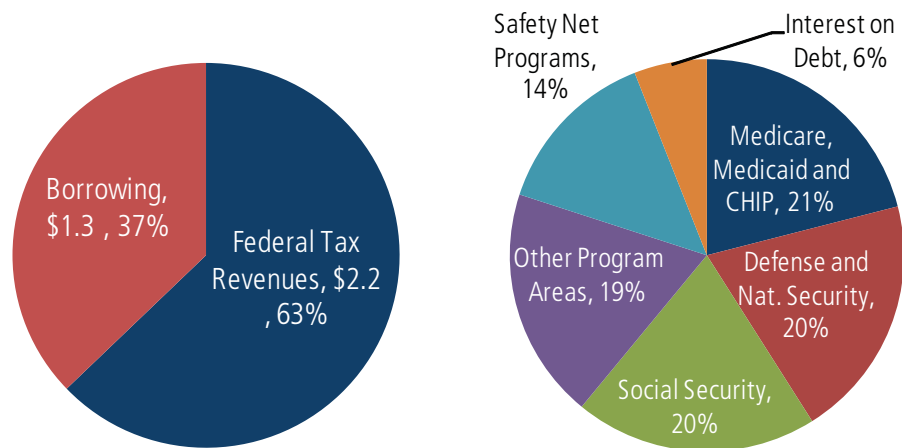
"The stable outlook depends on the U.S. adopting measures this year or next to control the federal government's debt trajectory," according to Moody's.

Under such a compromise state and local government issuers will benefit from the ability to utilize the positive factors associated with a revenue neutral subsidized taxable bond and the tax-exempt market while fiscal conservatives will be able to claim they have weeded out inefficiency by eliminating issues that are a non-priority.

Why a Perceived Threat to Tax-Exemption?

Let us back-up and review the broader U.S. budget situation in order to fully understand why there may be a perceived threat to tax-exemption. Recent historically significant rating agency action is setting the stage for some potentially momentous changes in how Washington taxes, borrows and spends. If we look at the U.S. budget from a very big picture perspective we see that \$1.3 trillion of the U.S.'s total spending of \$3.5 trillion in 2010 was financed by borrowing. The majority, \$2.2 trillion, is from federal taxes. The largest area of U.S. government direct spending, is when the government uses tax revenue, or debt, for Medicare, Medicaid and the Children's Health Insurance Program (CHIP). Direct spending on national security and Social Security were close behind health care costs.

U.S. Federal Government 2010 Revenue and Spending- \$3.5 trillion



Source: Congressional Budget Office, Center on Budget and Policy Priorities and Janney Fixed Income Strategy.

S&P Lowers U.S. Outlook to Negative and Sets a 2013 Deadline

Standard and Poor's made history recently. Never before has the U.S.' rating possessed a negative outlook. When S&P lowered its outlook (April 18, 2011) on the United States to negative from stable the firm wrote, "U.S. policymakers have still not agreed on a strategy to reverse recent fiscal deterioration or address longer-term fiscal pressures." The day of the announcement, an S&P analyst stated that the extension of the Bush era tax cuts further added to the country's debt burden and helped prompt the negative outlook assignment. Probably most importantly, when communicating this negative outlook S&P gave U.S. lawmakers until 2013 to develop some type of austerity agreement and most significantly, begin implementing it. The rating agency outlined this ultimatum, "Some compromise that achieves agreement on a comprehensive budgetary consolidation program--containing deficit reduction measures in amounts near those recently proposed, and combined with meaningful steps toward implementation by 2013--is our baseline assumption and could lead us to revise the outlook back to stable. Alternatively, the lack of such an agreement or a significant further fiscal deterioration for any reason could lead us to lower the rating."

Moody's might also reevaluate their outlook if U.S. debt ratios continue to move toward the negative area of the Moody's Aaa range. "The stable outlook depends on the U.S. adopting measures this year or next to control the federal government's debt trajectory," Moody's wrote in an April 21, 2011 publication. In fact, one could argue that Moody's is already assuming in their rating that meaningful progress will be made in deficit reduction planning.

"You can always count on Americans to do the right thing – after they've tried everything else!" Winston Churchill

The final National Commission proposal included comprehensive tax reform.

The status of the Gang of Six negotiations remains a question.

And if some type of agreement is not reached then Moody's will likely take action. In other words, it is as though the rating agency is giving the U.S. latitude by offering the U.S. the benefit of any doubt that exists. Moody's wrote, "Our baseline assumption is that meaningful progress toward this goal will be achieved within the next eighteen months." We think Moody's baseline assumption overestimates the likelihood of fiscal reform before 2013.

The Bloodsport of Washington

We do not believe that the current hyper-partisan atmosphere in Washington is conducive to Republicans and Democrats agreeing on anything, at least not in the next eighteen months. The time allotted is barely long enough for political actors to change the tone and manner of their rhetoric, much less come to an actual agreement of revolutionary proportions. There is too much at stake for each political party as we approach the 2012 Presidential election and it is unlikely that the Congressional leadership or the candidates in 2012 will overstep their historic comfort zones in the meantime. If current U.S. spending habits, the overdue 2011 funding bill, and concern over the expansion of the federal debt ceiling symbolize anything, it is that Washington does not understand the fiscal implications outside of their Washington DC power brokering and gamesmanship.

Fiscal Reform Recommendations

There are several groups and organizations offering U.S. fiscal reform plans. In December 2010 President Obama's bipartisan National Commission on Fiscal Responsibility and Reform presented its final report titled, "The Moment of Truth: Report of the National Commission on Fiscal Responsibility and Reform." The eighteen member panel, co-chaired by Erskine Bowles, former chief of staff to President Clinton and former Senator Alan Simpson, came up with a plan that would reduce the deficit, ensure the solvency of Social Security and reduce federal debt. The final proposal included cuts to security and non security discretionary programs, major comprehensive tax reform, reductions to health care spending, lower agriculture subsidies, among other spending changes. Although the commission voted 11-7 in favor of the report, the vote fell three short of the 14 needed for formal approval.

National Commission Proposed Major Tax Reform

The major comprehensive tax reform proposed by the National Commission would reduce individual and corporate tax rates and most interestingly for municipal market investors, eliminate all tax expenditures, including the tax-exemption on new municipal bonds. Eliminating all tax-expenditures would create \$1 trillion a year in revenue, according to Commission estimates, a small portion of which would be from the elimination of the tax-exemption on state and local government and private activity bonds. Now, we do not think that this is a clear indicator that tax-exemption is going to go away, but it does show that lawmakers are considering a tough stance on tax expenditures, including tax-exemption.

Other Fiscal Reform Proposals- Gang of Six (or Five Now?)

Numerous other budget discussions have been occurring and one of particular note has been going on behind closed doors. The 2011 Gang of Six on National Debt, a nonpartisan group of senators led by Mark Warner (D-Virginia) and Saxby Chambliss (R-Georgia), has been working behind the scenes to craft a bi-partisan approach to deficit reduction based on the National Commission's report. This effort offers some hope for a constructive compromise, but was dealt a blow recently when Senator Tom Coburn (R-OK) suspended his participation. The status of the Gang's negotiations remains a question.

Vice-President Biden, the Next Hope for a U.S. Debt and Fiscal Agreement

With Senator Coburn's recent departure, attention has shifted to talks Vice President Joe Biden has been leading since the beginning of May. Vice President Biden, or Captain America, as some White House staffers refer to him because of his United States optimism, may be the next hope for a U.S. fiscal plan. A third set of talks is soon expected from Biden's group, results which could be more meaningful because of the postponement of the Gang of Six negotiations.

The Argument for Tax-Exemption

As lawmakers buckle down and navigate the federal budget debate it is perceived by some that municipal bonds' tax exemption "tax-expenditure" is under threat, as reviewed above.

Tax-expenditures support government policies by providing a taxpayer benefit and hopefully achieve specific strategic goals.

There have recently been a collection of proposals that have included changes that could, if executed, fundamentally alter the municipal market as we know it. A variety of proposals include ideas which are trying to gain political traction that could keep, replace, eliminate or limit the tax-exemption "tax-expenditure." Tax expenditures are a category of federal spending in the form of incentives or exemptions created by tax-code regulations. While direct federal spending uses taxpayer dollars or debt to pay for programs, tax expenditures indirectly pay for government initiatives. Tax-expenditures support government policies by providing a taxpayer benefit and hopefully achieve specific strategic goals. The indirect spending incentivizes taxpayers to buy a home, save for retirement, fund a college education, or even buy a tax-exempt investment security, for example.

Federal Expenditure Estimates for Municipal Bonds (\$ in billions)

Function	2010	2011	2012	2013	2014	Total
Private activity bonds	8.0	9.1	9.6	10.7	11.1	48.5
State and local govt	26.8	30.4	32.1	35.2	37.1	161.6
Total	34.8	39.5	41.7	45.9	48.2	210.1

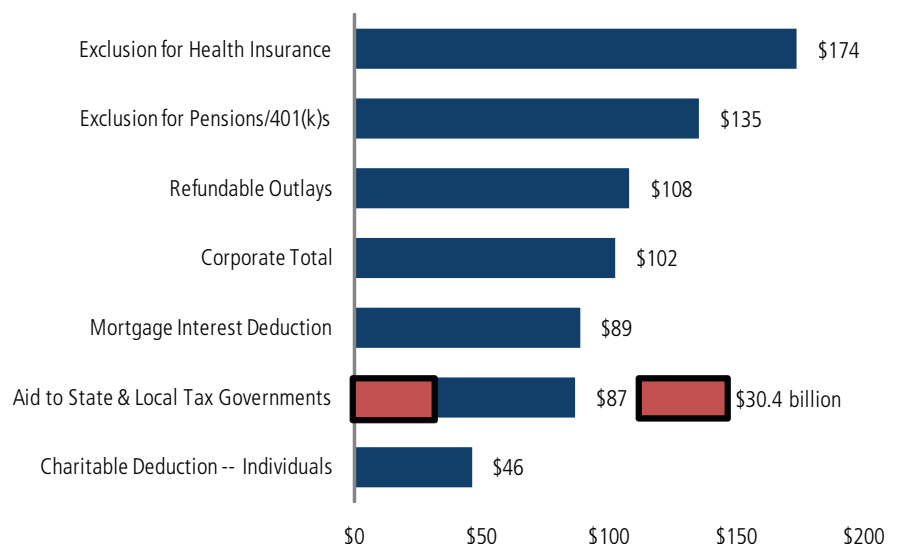
Source: Joint Comm. on Taxation- Estimates of Federal Tax Expenditures for FY 2010-2014 and Janney FIS

Tax Exempt Bonds are a Relatively Small Tax Expenditure

When we compare Washington's major tax-expenditures we can see that the tax-exemption for state and local governments is relatively small. Data from Scott Hodge, President of the Tax Foundation, shows that the amount of money that the tax-exemption accounts for is smaller than some of the largest tax expenditures in the federal budget. Hodge shows that the largest major category of tax expenditures was \$173 billion for health insurance. Another category, commonly discussed as a potential item to be cut is the \$89 billion mortgage interest deduction. Total aid to state and local governments is listed as \$87 billion. Only \$30.4 billion of the \$87 billion was due to revenue give-up from the tax-exemption on state and local government debt.

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Major Categories of U.S. Tax Expenditures FY2011 (\$ in billions)



Source: Scott Hodge Statement to US Budget Cmt March 9, 2011 and Janney Fixed Income Strategy.

A Question of Efficiency

While the municipal bond tax-exemption is a relatively small part of the pie, questions about the efficiency of the tax-exemption, especially in the wake of the success of the Build America Bond program, are the key questions which need to be debated and answered. In other words, some have argued that a direct pay subsidy is a more efficient method of the federal government subsidizing state and local government borrowing. Many critics argue that tax expenditures, unlike direct federal spending receive less critical scrutiny because they are less closely monitored.

Some have argued that a direct pay subsidy is a more efficient method of the federal government subsidizing state and local government borrowing.

There is usually great support for tax-exemption from state and local governments because it subsidizes borrowing costs and minimizes federal government oversight and/or requirements.

Rather than take action that could raise expenses for states and locals it would be more likely for Washington to devise a plan to help state and local governments considering the current economic environment.

The SLGs suspension was one of many extraordinary measures Treasury has taken because Congress has not increased the debt limit.

Direct spending is budgeted for and debated regularly. Some make a case against tax expenditures because, according to some statistics, they have been able to grow at a faster pace than direct spending. These and numerous other issues will likely continue to be debated during the current budget reform process.

State and Local Government Support for Tax-Exemption

There is usually great support for tax-exemption from state and local governments because it subsidizes borrowing costs and minimizes federal government oversight and/or requirements. In a recent panel discussion, Scott Pattison, Executive Director of the National Association of State Budget Officers, said states will be "extremely aggressive" about any attempt to abolish tax-exemption for municipal securities, according to the Bond Buyer. We also know that the Bond Dealers Association is organizing a group to help persuade and educate decision makers to support the tax exemption. It is also likely that other groups will join the cause to keep the tax exemption as discussions continue.

The Anthony Commission's 1989 Report

We expect the most powerful arguments for tax-exemption will come from the issuers themselves. There is a historical precedent of state and local government issuers supporting tax-exempt financing. For example, in the wake of the 1986 Tax Act, the Anthony Commission on Public Finance presented a report titled "Preserving the Federal-State-Local Partnership: The Role of Tax-Exempt Financing." The Anthony Commission and its effort was sparked by Wooten Epes, former President of the Arkansas Development Finance Authority who brought to the attention of then Arkansas Governor Bill Clinton that further changes to the tax-code would drastically affect municipal bond issuers' costs of funds. Governor Clinton enlisted Congressman Beryl Anthony Jr. to head a group, mostly from state and local governments, to make a case from the state and local government side. The Commission's report argued that, "The ability of state and local governments to finance the projects needed by their citizens is more critical than ever to economic growth and the health and welfare of our citizens." If Washington truly becomes serious about abolishing tax-exemption for state and local governments we believe the push back from the issuers themselves would be so great that lawmakers would quickly reconsider.

What Can Investors and Market Observers Expect?

At this point it is still very early in the process of political negotiation, despite the short time horizon set by the rating agencies. We believe it is highly unlikely lawmakers will come to an agreement about tax reform before the 2012 election and in the process eliminate tax-exemption. However, the question of where the tax-exemption game piece fits and will end up in Washington's zero-sum game remains open to speculation.

It is increasingly possible that a larger tax reform compromise is reached as part of larger fiscal reform. Rather than take action that could raise expenses for states and locals it would be more likely for Washington to devise a plan to help state and local governments considering the current economic environment, not harm them. Therefore, it is more probable that under such reform a revenue neutral subsidized taxable bond could be re-instated and some form of tax-exemption could remain. This is an important ongoing issue we will continue to monitor. We will share our revised thoughts if and when additional information is released that helps us revise our opinions. **Tom Kozlik**

TREASURY SUSPENDS SLGS ISSUANCE

In a May 2, 2011 letter to Congress U.S. Treasury Secretary Timothy Geithner announced that Treasury would be suspending, until further notice, the issuance of State and Local Government Series (SLGS) Treasury securities because of the fear of running too close to the U.S. federal debt limit. The SLGS suspension was one of many extraordinary measures Treasury has taken because Congress has not increased the debt limit.

What are SLGS?

SLGS are special purpose securities issued by Treasury's Bureau of Public Debt and purchased by state and local governments usually with refunding bond proceeds. SLGS have been a valuable vehicle for issuers to use during the re-investment of these bond proceeds and to comply with IRS reinvestment rules.

The suspension of SLGS will not have a negative impact on the fiscal conditions of state and local governments.

While the rating agencies' municipal teams are staffed with some excellent credit analysts, we need to remember obstacles associated with the issuer pay arrangement and ratings' lag.

While ratings are frequently withdrawn because an issue is not sold or because a bond is refunded we have not commonly seen this reason given so we wondered how widespread this action was for S&P.

The suspension of SLGS will not have a negative impact on the fiscal conditions of state and local governments. We view the suspension of the issuance of SLGS as more of an inconvenience for issuers than a credit risk.

Treasury Suspended SLGS Issuance Before

Before the May suspension Treasury has suspended SLGS Issuance six times (in the last 20 years) for an average of 63 days, according to the Treasury.

Those suspensions included:

- 1) September 27, 2007-September 28, 2008
- 2) February 16, 2006-March 16, 2006
- 3) October 14, 2004-November 21, 2004
- 4) February 19, 2003-May 26, 2003
- 5) May 15, 2002-July 7, 2002
- 6) October 18, 1995-March 28, 1996 **Tom Kozlik**

NOT CONCERNED WITH SMALL INCREASE OF S&P RATING WITHDRAWALS

Some investors were left wondering how relevant and or valuable municipal market credit ratings are in the wake of the multi-notch downgrade and withdrawal (due to a lack of information) of DeKalb County, Georgia on March 28, 2011. We advise investors to, in the absence of a more comprehensive arrangement, remain mindful of the current system's drawbacks. While the rating agencies' municipal teams are staffed with some excellent credit analysts, we need to remember obstacles associated with the issuer pay arrangement. We also need to consider that municipal ratings, while generally pretty close indicators of an issue's credit quality, are lagging indicators because of the absence of comprehensive forward looking analysis and because sometimes the ratings are not updated for years. Smaller issuers' ratings often become stale sooner. See below for the dates of the last published S&P reviews, for example.

Recent S&P Ratings Withdrawals Due to Lack of Information

Date Withdrawn	Issuer	State	Ratings before action	Last S&P Review
4-Apr-11	Gateway Reg. High School Dist	NJ	NR/AA-	2/19/2004
1-Apr-11	Frankfort (Town of)	NY	NR/BBB+	1/2/2008
1-Apr-11	Shawsheen Valley Reg Voc Tech SD	MA	Aa2/AA	11/2/2005
31-Mar-11	Allegheny Inter Unit	PA	NR/A	9/24/2007
30-Mar-11	Lake County School Board	FL	NR/A	9/28/2007

Source: S&P and Janney Fixed Income Strategy.

Withdrawn Due to a Lack of Information

Our curiosity was heightened after we read DeKalb County's rating was withdrawn due to a lack of information. While ratings are frequently withdrawn because an issue is not sold or because a bond is refunded we have not commonly seen this reason given so we wondered how widespread this action was for S&P. It seems intuitive that this might be on the rise in an era when issuers, especially smaller issuers, might have a negative story to tell, are negotiating budgets, or just do not want to take the time to respond to investors or the rating agencies. While many observers have indicated that they expect this action to rise in the near future, we expected that it probably already has risen without investors noticing. When we dove into the S&P activity we found our expectations were correct.

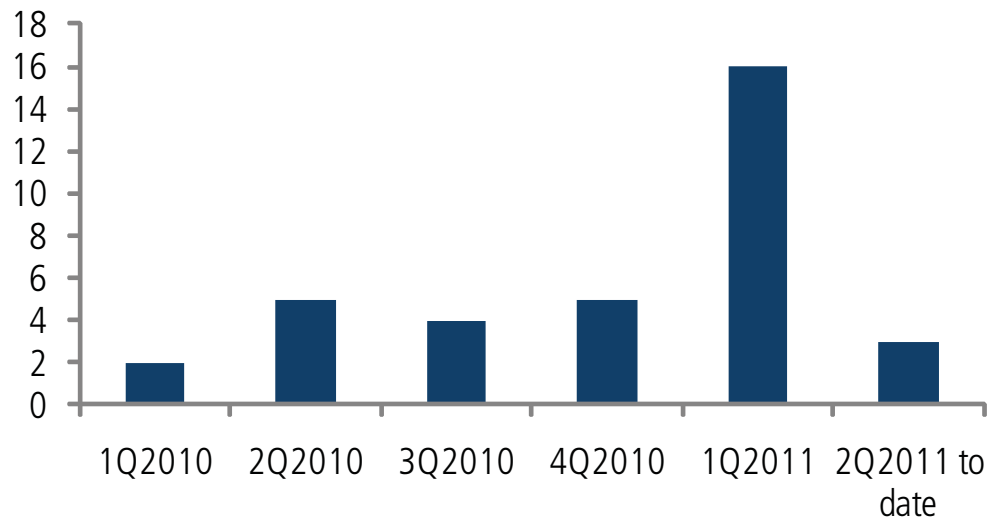
In 1Q2011 S&P withdrew ratings 16 times due to a lack of information.

Investors should reward issuers who have a history of and take seriously their role of communicating with investors and the rating agencies.

We noted concern about liquidity renewals in the March 28 Janney Fixed Income Weekly and November 2010 Janney Municipal Bond Market Monthly.

In 2010 ratings were withdrawn by S&P for a lack of information about 4 times a quarter. In the 1Q2011 alone this jumped to 16 times. The action increased in 2011 and our expectation is that not only will this continue in the near term but we expect that it could worsen as issuers realize that there is no real penalty to shunning the rating agencies.

Recent S&P Ratings Withdrawals Due to Lack of Information



Source: S&P and Janney Fixed Income Strategy.

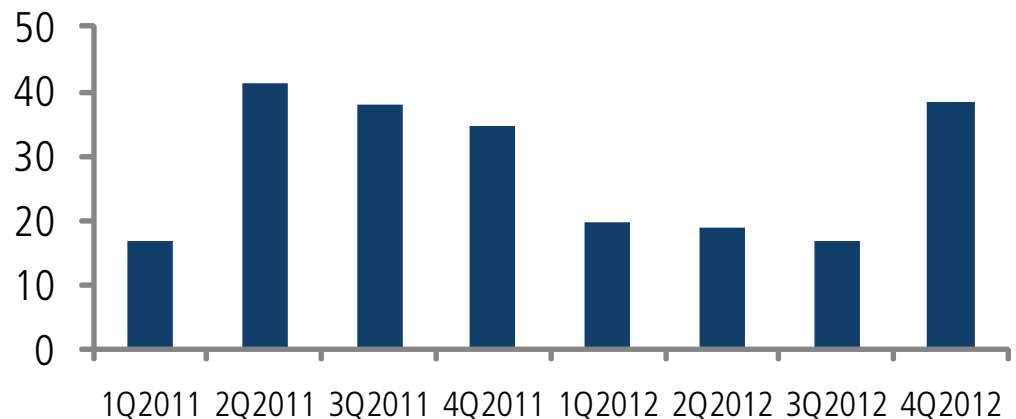
Janney Recommendation

We are monitoring rating actions to make sure this type of behavior does not become habit forming among issuers but we currently do not think investors need to be overly concerned with this development. While the frequency increased, it has been by no means a significant increase. Investors should, however, reward issuers who have a history of and take seriously their role of communicating with investors and the rating agencies. Classic conservative municipal investors should stick with high quality issuers with regular disclosure practices and which possess updated ratings preferably by multiple rating agencies. **Tom Kozlik**

ISSUER'S HANDLING OF BANK LIQUIDITY RENEWALS HAS BEEN FAVORABLE

We most recently noted in the March 28 Janney Fixed Income Weekly and highlighted in the November 2010 Janney Municipal Bond Market Monthly as related to local governments that a hurdle for

Bank Facility Expirations Remain Heavy in 2011 and 2012 (in billions of \$)



Source: Moody's, SIFMA and Janney Fixed Income Strategy.

High variable rate debt issuance in recent years exposed issuers to the ongoing renewal risk of these bank liquidity support facilities.

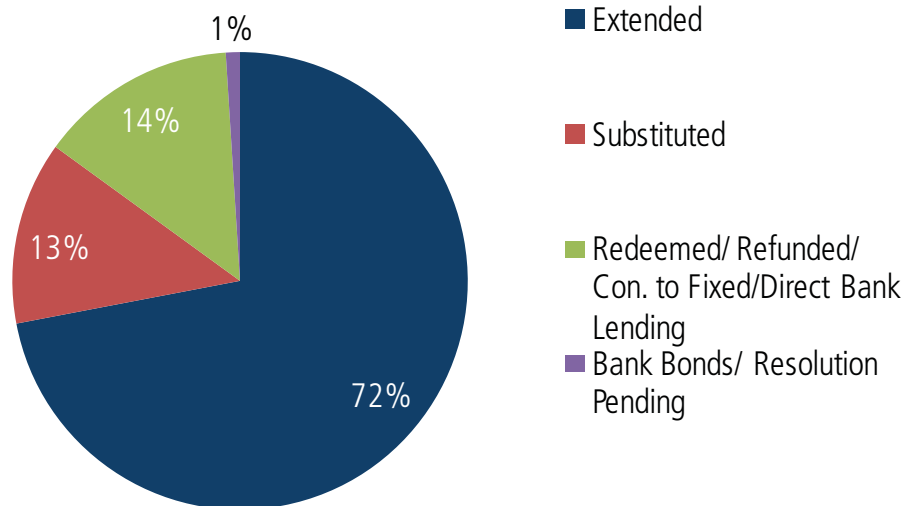
The good news for investors is that Moody's just reported results from 1Q2011 showing most issuers are handling their liquidity renewal needs.

Pennsylvania is currently the only major natural gas producing state that does not have some type of levy on natural gas drilling.

municipal issuers was going to be replacing bank liquidity facilities credit enhancements in 2011 & 2012. This type of credit enhancement, from a highly rated bank, in the form of a liquidity facility or letter of credit is usually a necessity when selling variable rate debt. This feature guarantees payment on the variable rate bonds if there is a failed remarketing when the bonds are "put" back. High variable rate debt issuance in recent years exposed issuers to the ongoing renewal risk of these bank liquidity support facilities.

The good news for investors is that Moody's just reported results from 1Q2011 showing most issuers are handling their liquidity renewal needs, mostly by extending their current facilities. About 85% of bank facilities which were scheduled to expire at the end of March had expirations extended by the existing liquidity provider or substituted a new facility. 14% of issuers utilized a fixed rate refunding or converted to direct bank lending. While only 1% had their facilities converted to bank bonds or are still pending an outcome. This is an indicator that lines of credit are opening up, especially for higher rated issuers. We are also hearing reports of costs for multi-year facilities that have dropped considerably compared to a year ago. This is a positive development because it lowers issuers' overall costs. **Tom Kozlik**

Primary Means of Resolving 1Q2011 Bank Facility Expirations



Source: Moody's and Janney Fixed Income Strategy. Data is from 272 Moody's rated issues.

MARCELLUS SHALE DRILLING COULD BE A NEGATIVE FOR LOCAL PA

There have been some recent developments since we first introduced our view that natural gas drilling activity could pose credit risks, especially for local governments in Pennsylvania, back in the November 2010 Janney Municipal Bond Market Monthly.

Natural Gas Drilling Taxes

Pennsylvania is currently the only major natural gas producing state that does not have some type of levy on natural gas drilling. Pennsylvania Governor Tom Corbett (R) has not supported any type of additional costs or fees that would hinder natural gas drilling activity, going back to his thoughts on the topics expressed during his 2010 campaign. However, he has expressed his position as being open to the idea of a recently proposed local impact fee.

Proposed Well Impact Fee

Pennsylvania State Senate President Joe Scarnati (R) formally introduced on Monday May 16th a bill that would create a local impact fee of at least \$10,000 for natural gas wells in the Commonwealth of Pennsylvania. The base fee is also subject to increases due to production volume and natural gas price changes. The fee is estimated to bring in \$76 million in 2011 and \$103 million in 2012, according to revenue estimates from Senator Scarnati's office presented in April. The fee would be distributed to county and municipal governments in the following manner:

PA State Senate President Joe Scarnati (R) introduced a bill that would create a local impact fee of at least \$10,000 for natural gas wells in PA.

We remain concerned that unaccounted expenses could prove to be burdensome to local governments in future if not planned for now.

State revenues continue to rebound as we pointed out in our recent State Tax Revenues Continue to Grow in 2011 Municipal Market Note.

- 36% to counties with producing wells
- 37% to municipalities with producing wells
- 27% to municipalities with no wells but located in counties with wells

Representative Scarnati is now hoping for passage of the fee in July or August, according to the Associated Press. Governor Tom Corbett has said he would consider a local tax to help reimburse local governments due to drilling costs but does not favor heavily restricting business activity.

Pennsylvania Has No Fee on Natural Gas Production

Rank	State	2009 Production (billions cubic feet)	Current Levy
1	Texas	6819	7.5% of market value
2	Wyoming	2335	6% of market value minus certain costs
3	Oklahoma	1858	7% of average monthly price plus 0.095% excise tax
4	Louisiana	1549	\$0.164/million cubic ft. (mcf)
5	Colorado	1499	2%-5% based on gross income
6	New Mexico	1383	8.67%-9.5% of market value, depending on location
7	Arkansas	680	5% of market value
8	Utah	444	3% of the value of the first \$1.50/mcf, 5% on remainder, plus 0.2% conservation fee
9	Alaska	397	25%-50% of net income
10	Kansas	354	4.33% of market value
11	California	277	Conservation assessment of \$0.01062988/mcf
12	Pennsylvania	274	None

Source: Wall Street Journal, U.S. Energy Administration and Janney Fixed Income Strategy.

Janney Opinion About the Proposed Fee

Our opinion is that the anticipated revenues are not substantial enough to change our view. That is probably why the Governor has not rejected the idea of the proposed fee. The funds projected to be available to reimburse local governments for the wear and tear on local infrastructure and extra usage of local government services is not very high. We remain concerned that unaccounted expenses could prove to be burdensome to local governments in future if not planned for now.

Townships Adopting New Truck Weight Limits

Local governments are finding that they might need to take fiscal oversight with regard to effects of drilling into their own hands. Glade Township, population 2,400, located in northwestern PA's Warren County and Newton Township, population 2,700, in Lackawanna County, near Scranton both established ordinances which set weight limits for trucks at 10 tons (20,000 lbs). An average car weighs 2 tons or 4,000 lbs. In contrast to this recent local government activity the Pennsylvania Department of Transportation lowered weight limits on some roads. Perhaps to accommodate natural gas drilling truck traffic. PennDOT lowered the weight limit on 24 roads in Washington County, PA for example due to a periodic review and not in direct response to that industry, according to a PennDot permits engineer quoted in an Observer-Reporter article. **Tom Kozlik**

JANNEY MUNICIPAL SECTOR OUTLOOK

Now that we find ourselves almost half way through 2011 most municipal new issue primary market volume predictions are proving to be overestimated and recent lower than typical volume has created a troubling atmosphere for investors looking for new issue buying opportunities. Another prediction proving to be overblown called for defaults on a massive scale through 2011. In actuality, state revenues continue to rebound as we pointed out in our recent State Tax Revenues Continue to Grow in 2011 (April 20, 2011) and State Fiscal Health Scorecard (April 28, 2011) publications.

We are cautiously optimistic where state governments are concerned.

Please see our May 23, 2011 Municipal Note outlining why we believe the risk/reward in the non-profit healthcare sector favors larger, higher rated providers.

We are cautiously optimistic where state governments are concerned. Local governments while still facing credit stress are still not experiencing significant changes in default or bankruptcy experience.

We did not make any changes to our sector outlooks this month and we kept our outlook as "Cautious" for the healthcare sector. Please see our May 2011 Municipal Note outlining why we believe the risk/reward in the non-profit healthcare sector favors larger, higher rated providers. **Tom Kozlik**

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	-	-	2.20%	Barclay's Muni Index, 46k issues	-
State Government	Stable	Same	3.45%	States raise taxes and cutting	Feb MBMM
Local Government	Cautious	Same	2.74%	Less revenue, downgrade worry	Nov MBMM
School Districts	Stable	Same	-	Less rev but States offer security	2011 Outlook
Airports	Cautious	Same	1.62%	Enplanements flying again	2011 Outlook
Higher Education	Cautious	Same	2.07%	Publics less \$, privates face pressure	2011 Outlook
Health Care	Cautious	Same	0.97%	Favor larger, higher rated providers	May 2011 Note
Housing	Stable	Same	3.76%	Single family is stronger than multi	Jan 2011 Note
Public Power (Elec.)	Stable	Same	2.51%	Essential purpose, but volatile	2011 Outlook
Tobacco	Cautious	Same	-2.60%	Stronger than ratings show	Dec 2010 Note
Toll Facilities	Stable	Same	1.62%	Traffic rising, DS cov. strong	2011 Outlook
Water and Sewer	Stable	Same	2.51%	Essential purpose, future scarcity	2011 Outlook

Source: Barclay's Capital as of April 30, 2011 and Janney Fixed Income Strategy.

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Select Recent Rating Outlook and Rating Changes (May 20, 2011)

Issuer	State	Recent Rating Action	Date	Underlying Rating(s)	Notes
Hawaii (State of)	HI	Moody's downgraded to Aa3 from Aa2	17-May-2011	Aa3/AA/AA+	Lower Japanese tourism
Suffolk County	NY	S&P lowered outlook to negative from stable	16-May-2011	Aa2/AA/AA-	Declining tax revenue
Warwick (City of)	RI	Moody's downgraded to Aa3 from Aa2	12-May-2011	Aa3/AA-/NR	Low reserves and flexibility
Tennessee (State of)	TN	S&P raised outlook to positive from stable	5-May-2010	Aaa/AA+/AAA	S&P says AAA is possible
Nebraska (State of)	NE	S&P upgraded to AAA from AA+	5-May-2011	Aa2/AAA/NR	Positive political will
Louisiana (State of)	LA	S&P upgraded to AA from AA-	4-May-2011	Aa2/AA/AA	Revenue adjustments
Wyoming (State of)	WY	S&P upgraded to AAA from AA+	4-May-2011	NR/AAA/NR	Positive fiscal direction
New Jersey (State of)	NJ	Moody's downgraded to Aa3 from Aa2	27-Apr-2011	Aa3/AA-/AA	Pension and high debt
Rhode Island (State of)	RI	S&P raised outlook to stable from negative	22-Apr-2011	Aa2/AA/AA	Positive fiscal direction
Kansas City (City of)	MO	Fitch raised outlook to stable from negative	19-Apr-2011	Aa2/AA/AA	Voted for longer income tax

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

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State and Other Select Issuer Ratings (May 20, 2011)

State	Moody's			S&P			Fitch		
	Rating	Outlook	Last	Rating	Outlook	Last	Rating	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-	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	Aa3	Stable	5/17/2011	AA	Stable	1/29/2007	AA+	Negative	4/5/2010
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-	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	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	Negative	4/27/2011
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	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	4/11/2011
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 Down	5/3/2011	BBB	Stable	3/6/2011	BBB+	Stable	1/19/2011
Rhode Island	Aa2	Stable	4/16/2010	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	Positive	4/5/2010
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
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
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

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.

Definition of Outlooks

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.

Cautious: Janney FIS believes there are factors which introduce the potential for declines in issuer or sector credit quality that may result in potential credit ratings downgrades.

Negative: Janney FIS believes there are factors which point towards weakening in issuer credit quality that will likely result in credit ratings downgrades.

Definition of Ratings

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

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

Benchmarks

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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