

Janney Update

President's Message to Clients



The end of December is always time for me to reflect upon the events that have unfolded during the course of the year. The market swings and economic uncertainty of 2009 are things that we won't soon forget. Nevertheless, the close of one year brings the beginning of another and the dawn of new opportunities and possibilities. We must continue to be agile to respond to the changes in the marketplace while adhering to our core business philosophy of providing quality advice, guidance and service to assist you in meeting your financial goals.

Janney is closing out the year in a good position. We are proud to remain a strong and growing firm, committed to staying focused on the long-term. We continue to help our clients build and execute solid financial and business plans. We concluded the year having enhanced our capabilities with the addition of many experienced industry professionals and made improvements to our technology platform to deliver better service to you.

As we enter the new year, our mission remains to be the highest standard of success in financial relationships. For our individual and family client relationships, this starts by understanding our clients' needs and providing great advice, ideas and services to meet your long-term financial goals and improve your relationship with us. We have been—and will remain—ever-committed and dedicated to providing you with the best advice for your financial planning and retirement needs that we hope never cease to benefit you, your families and the generations that follow.

Our Capital Markets business has experienced unparalleled momentum this year and is still going strong. These businesses of Equity Capital Markets, Research, Fixed Income and Investment Banking have grown impressively over the course of 2009. This equips us with a diverse and stable platform from which businesses and individual clients alike will prosper. We are grateful for the numerous talented individuals who have recently joined our already superb teams and will help enable us to better provide you with the best intellectual capital and execution capabilities in these areas.

We are extremely proud to announce the launch of our new website—www.janney.com. This completely redesigned site features better resources and more information that can be exceedingly beneficial to you. I invite you to read more about the new website in the article included in this edition.

Lastly, but certainly not least, I want to take a moment to acknowledge Robert W. Kampmeier. In 2005, upon the merger between Janney and Parker/Hunter Incorporated, Bob became Chairman of the Board of Managers at Janney. On January 1, 2010, Bob will step down from that role but will continue on as a Senior Advisor. Bob's leadership and experience in the industry has served Janney well and we thank him for his years of service, his numerous contributions and his outstanding influence on the firm and its colleagues.

I hope you had a healthy and happy holiday season with friends and family. We greatly appreciate your trust in Janney and look forward to continuing and building upon our relationship in 2010. ■

Sincerely,

Timothy C. Scheve
President and Chief Executive Officer

DECEMBER
2009

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Economic Outlook

Mark Luschni, Chief Investment Strategist

The U.S. economy turned the corner around mid-year 2009. Now that it appears the recovery has gained its footing the important but as yet unanswered questions concern the contour and durability of the rebound. It has been reported that GDP in the U.S. expanded at a 2.8% annualized rate in the three month period which ended in September. While statistics are likely to confirm a similar pace for the fourth quarter, that rate of growth is remarkably unspectacular. What will most likely shape the answers being sought looking to 2010 will be the pace of economic growth, the effect it has on the job market, and how the economy behaves once the effects of the fiscal stimulus start to fade and monetary authorities begin to withdraw quantitative easing and zero-percent interest rate policies.

We expect the economy to show growth that is perhaps somewhat uneven quarter-over-quarter but expand nonetheless, albeit at a more subdued pace than is typical coming from a period of recession. While the headwinds facing households are diminishing, they remain stiff enough to dull the prospective strength found in the restorative process of consumers and businesses resuming spending levels. We suspect this condition is likely to persist until job growth is restored, confidence increases and personal balance sheets are improved. Policy-makers are fully engaged in trying not only to resuscitate the

economy but importantly ensure its durability. In fact, on the latter point, the Federal Reserve will remain highly accommodative for an extended period of time unless inflation expectations become unanchored. The risk for the Fed, if inflation would ignite, is to pull away from its benevolence too soon and trip a still fragile recovery back into recession.

While gains in employment lag advances in economic activity, the sluggishness of this expansion makes it unlikely that pay-rolls will expand in a meaningful way anytime soon. That will probably leave consumers largely on the sidelines as even those who are employed may not feel confident that the threat of losing their job has evaporated. The economy can, however, find strength from the enterprises that have right-sized to a lower level of domestic demand as well as those that are globally-gearred and will benefit from markets outside the U.S. which have growing populations of consumers in the early stages of developing their consumptive appetites. All in, we look for confirming evidence that the underlying fundamentals of a sustained period of economic growth—identified by increased bank lending, stable home prices, a functioning capital market, job creation, an uptick in business and consumer spending to name a few—are in place. Otherwise, the probability that the fading stimulus leaves a weak economy in its wake means we can expect elevated unemployment and tight credit conditions to remain a part of the landscape, proving 2010 to be a challenging year for businesses, consumers and investors alike. ■

What's New for Tax Year 2009?

For tax planning purposes, we begin informing clients each year around this time of 1099 mailing dates as well as any recent information that could potentially impact filing status. We invite you to review the important information below and visit our new website at www.janney.com (select *Resources & Education* from the top navigation of the *Individuals & Families* section) for more detailed tax information.

1099-Consolidated Form Mailing Dates

Forms will be mailed (postmarked) in two phases:

- Phase I: Postmarked on or before February 1, 2010
Clients who hold only securities that are not subject to reallocation (equities, municipal bonds and Janney Insured Sweep).
- Phase II: Postmarked on or before February 19, 2010
All other clients, per the IRS mailing extension.

This second phase allows Janney to reduce the number of corrected 1099s that are mailed to clients after the original mailing in an effort to provide the most accurate information with which to prepare taxes.

Following are two new tax items for 2009 filing purposes. Please visit www.janney.com for more detailed information on each.

1. Widely-Held Fixed Investment Trust (WHFIT) Information-Reporting

The IRS has finalized regulations covering WHFITs which will impact 1099 reporting for 2009. The regulations do not

alter the income and expense impact for a taxpayer. They do, however, require Janney to share information supplied by the various trustees with you. (Note: This information was previously not available to Janney for inclusion in your 1099s from prior years.) Types of securities that are defined as WHFITs are: mortgage pools issued by Freddie Mac (FHLMC), Fannie Mae (FNMA) and Ginnie Mae (GNMA), along with unit investment trusts, royalty trusts, commodity trusts and HOLDERS trusts.

2. 1256 Contracts

A 1256 Contract is any regulated futures contract, foreign currency contract or non-equity option that includes debt options, commodity futures options, currency options and broad-based stock index options (based on value of a group of diversified stocks or securities, such as the S&P 500® Index). Therefore, by definition, any and all of these trading instruments are marked to market, or priced to fair market value, on the last business day of the year for capital gains and losses calculation. These amounts will be displayed under section 1099-B Gross Proceeds Boxes 8, 9, 10 and 11. The good news for traders of Section 1256 contracts is that 60% of the capital gain or loss from Section 1256 Contracts is deemed to be a long-term capital gain or loss and 40% is deemed to be a short-term capital gain or loss.

Additional information will be provided with your 1099-Consolidated Form. Call your Financial Consultant or visit Janney Online Access at www.janney.com if you have any questions. ■

Janney Advantage Cash Sweep Reminder

As described in your account opening agreement, Janney annually reviews client account(s) with the Cash Sweep Option. As stated in your account agreement terms, subsequent to your account(s) opening, Janney may make changes to your Cash Sweep Option election. The following is a reminder of our policy and process for this review and potential change.

As communicated in May of 2008, Janney reviews your Household Balance* at the end of each calendar year on December 31. At that time, it will be determined if your Household Balance falls below either our pre-determined \$500,000 or \$100,000 thresholds. If your Household Balance does fall below these thresholds, your existing Cash Sweep Option will remain in place until at least the end of the subsequent calendar quarter (March 31, 2010) but then may change effective April 1, 2010 based upon the following:

- If you have selected Dreyfus (MBSC) Money Funds as your Cash Sweep Option and your Household Balance remains below \$500,000, then Janney will automatically change your Cash Sweep Option to the Janney Advantage Insured Sweep (“JAIS”), effective April 1, 2010.
- If you have selected Tax-Advantage Sweep Money Funds as your Cash Sweep Option and your Household Balance remains below \$100,000, then Janney will automatically change your Cash Sweep Option to the Janney Advantage Insured Sweep (“JAIS”), effective April 1, 2010.

A New Year ... New Opportunities—The Roth IRA Conversion

Many investors have been eagerly for waiting January 1, 2010 to arrive. This is because beginning on this date, you can convert your traditional IRA to a Roth IRA.

Historically, Roth conversions were reserved specifically for individuals who made \$100,000 or less. However, beginning in 2010, the income limits will be eliminated. This means that regardless of your filing status or how much money you make, you'll be able to convert your traditional IRA to a Roth IRA.

Contributions to a Roth IRA are made after-tax and, in return, you get to keep what you accumulate, tax-free. Withdrawals may also be tax-free, as long as you meet the rules for minimum holding periods (i.e. you have to hold a Roth IRA for five years and be at least age 59½). In addition, Roths, unlike traditional IRAs, have no Required Minimum Distributions (RMDs) and may be available for contributions even if you participate in another qualified plan, such as a 401(k). Contributions are, however, still subject to income limitations (unlike conversions) and your Roth IRA may or may not be available to you for direct contributions in the future. Instead, you may need to make a contribution to a traditional IRA and then roll the proceeds over in a future conversion.

This conversion opportunity makes it easier for people with higher incomes to invest through Roth accounts. It also

At any time subsequent to such an action by us, if your Household Balance meets the pre-determined eligibility threshold, you may instruct your Financial Consultant to select any of the available Cash Sweep Options for which you are eligible. It is your responsibility to monitor your eligibility for the Cash Sweep Options and determine the best Cash Sweep Option available to you. We are not responsible for contacting you if you are, or later become, eligible for other higher-yielding Cash Sweep Options. More information about these program rules and eligibility for particular Cash Sweep Options is available by contacting your Financial Consultant or by visiting <http://www.janney.com/jms/janneyAdvantage/index.html>.

This policy and process does not apply to ERISA, Discretionary, or Organizational Accounts. ■

* Janney determines your Household Balance by aggregating the brokerage account balances for all persons at the same address, in the same household, or with the same Social Security Number or Tax ID Number. You also may request that we link your Janney brokerage accounts to other Janney brokerage accounts held by an immediate family member (i.e., parents, spouse, children) or brokerage accounts over which you have direct control (e.g., if you have control over a Janney brokerage account owned by a person living outside your household). The aggregate balance of all “linked” brokerage accounts is your Household Balance. Janney retains the right to consider requests to link brokerage accounts for this purpose in our sole discretion. Certain brokerage accounts may be eligible for linking in determining your Household Balance (e.g., corporate, religious organizations, not-for-profit organizations and fraternal organizations); certain other brokerage accounts are ineligible for linking in determining your Household Balance, (e.g., certain retirement accounts, including ERISA plan accounts and defined benefits plan accounts). The assets of linked brokerage accounts are not commingled and all clients linking brokerage accounts retain control over, and responsibility for, their individual brokerage accounts.

Janney is not responsible for identifying those eligible brokerage accounts that you may wish to have linked for purposes of determining your Household Balance. If you would like Janney to consider brokerage accounts to be linked, please notify your Financial Consultant, who will provide you with more information on linking Janney accounts. It is your obligation to notify your Financial Consultant of brokerage accounts that should be linked.

enables more retirees, who previously rolled over their holdings from 401(k)s and other workplace savings plans into IRA accounts, to convert to a Roth account. SEP and SIMPLE IRAs may also be converted.

Benefits of Converting to a Roth

Besides their tax-free distributions, Roth IRAs have several other attractive benefits, including:

- Offering you more control over future taxes
- No RMDs for beneficiaries
- Potentially tax-free distributions for beneficiaries
- Helping with estate planning

Keep in mind that early withdrawals are subject to penalties and you do have to pay taxes on the money that you are converting. Additionally, it is usually advantageous to pay the taxes owed upon the conversion from monies held outside the IRA so that the maximum amount can grow tax-deferred. If you are under 59½ and pay the taxes with money held inside the IRA, it can be subject to the 10% penalty for early withdrawal.

A Roth IRA conversion may or may not be appropriate for your personal situation. Contact your Janney Financial Consultant who can walk you through the specifics and provide you with the guidance you'll need to decide whether a conversion may be right for you. ■

Introducing Janney.com

We are extremely pleased to announce that we have launched a new public website. On December 5, 2009, our new domain address, janney.com replaced www.jmsonline.com. Users of our new website began experiencing an improved navigation system and receiving access to a myriad of information about our business and company.



With over 175 years of serving clients, the evolution of how Janney conducts and communicates business is only natural. What remains, however, is our steadfast commitment to you, our clients. Janney is committed to providing an unmatched level of service and building long-term relationships founded on trust.

As an organization, Janney continues to strive for excellence in all that we do. Our most notable successes are a result of the high standards we measure our performance against. Relationships are our top priority and our goal is to continue finding opportunities that educate and inform you, help you grow and protect your investments and assist you in achieving your financial and capital goals. Delivering a top-notch website that offers a wealth of educational, market, research, product and service information was an initiative we felt would strengthen our relationship with you.



When a need or question arises, we hope you visit www.janney.com as a first-line resource to help you stay abreast of market news, connect with your Financial Consultant, or to educate yourself on products and services that may help you achieve your goals.

The website continues to provide you easy access to Janney Online Access and BillPay where you can view and manage your accounts with us in one easy-to-find location.

Janney.com serves as proof of our mission: "To be the highest standard of success in financial relationships." Janney.com has a completely new look and feel, adding more clarity around the offerings of our two core businesses—our Private Client Group and Capital Markets. Our web address is more identifiable, which makes it easier to find us on the web and the navigation and organization of content is more intuitive. Additional features of the site include more robust investor education and market research, as well as information on our investment products, advice, advisory services and other solutions for your financial and capital needs.

Take a closer look at Janney today.
We invite you to visit www.janney.com! ■



Janney Montgomery Scott LLC
1801 Market Street, Philadelphia, PA 19103 • 1.800.JANNEYS • www.janney.com

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