

LAKELAND

EMPLOYMENT GROWTH RANK

Best=1 Worst=389

2006-08

140
2nd quintile

2006-11

85
2nd quintile

LIFE CYCLE PHASE

Mature

Best=1 Worst=381

VITALITY

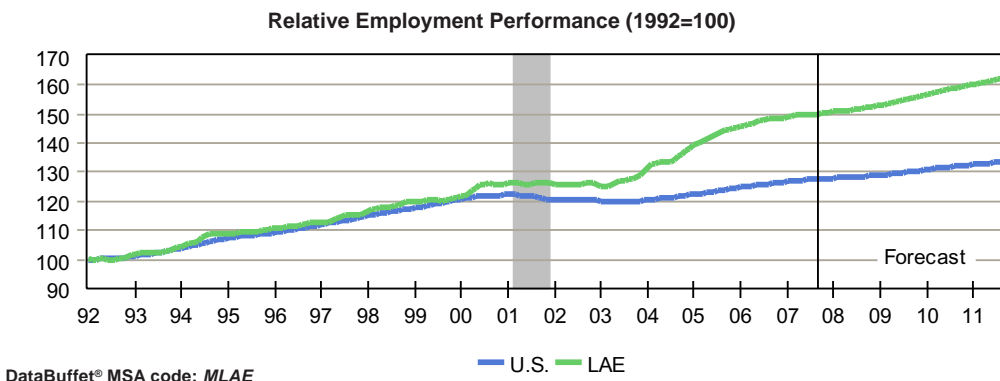
115
2nd quintile

COST OF DOING BUSINESS

U.S.=100% **93%**

COST OF LIVING

U.S.=100% **100%**



DataBuffet® MSA code: *MLAE*

— U.S. — LAE

2000	2001	2002	2003	2004	2005	2006	Indicators	2007	2008	2009	2010	2011
12.3	12.5	12.8	13.2	13.7	14.6	15.3	Gross Metro Product, C\$B	15.7	16.0	16.5	17.0	17.5
3.9	2.1	2.5	2.9	3.7	6.9	4.5	% Change	2.4	2.2	3.0	3.2	2.9
185.8	188.1	187.6	189.6	200.4	212.9	219.9	Total Employment (000)	223.5	226.2	230.6	236.2	241.1
3.5	1.2	-0.3	1.0	5.7	6.2	3.3	% Change	1.6	1.2	2.0	2.4	2.1
4.1	5.0	5.8	5.5	4.9	4.0	3.5	Unemployment Rate	4.0	4.5	4.4	4.3	4.4
4.1	6.0	2.1	4.7	10.2	10.7	8.9	Personal Income Growth	7.2	4.8	5.9	6.2	6.2
485.5	492.0	499.9	510.1	523.5	541.9	561.6	Population (000)	570.5	578.2	586.6	596.0	606.1
3,520	3,839	4,422	6,261	8,715	11,980	7,609	Single-Family Permits	4,239	4,615	5,325	6,498	6,760
1,226	682	550	562	1,527	1,199	1,714	Multifamily Permits	350	76	110	150	164
79.4	84.0	89.1	96.2	111.1	148.1	175.8	Existing Home Price (\$Ths)	173.8	163.1	172.6	185.7	197.3
1,331	1,993	2,297	3,900	3,260	5,481	6,222	Mortgage Originations (\$Mil)	4,957	4,334	4,801	5,111	5,237
5.9	5.1	6.5	8.7	12.2	16.9	18.0	Net Migration (000)	6.9	5.6	6.3	7.2	8.0
2,451	3,063	3,270	3,489	3,295	3,736	1,071	Personal Bankruptcies	1,998	2,664	2,954	3,142	3,175

STRENGTHS & WEAKNESSES

STRENGTHS

- Good location to attract trade and transportation projects.
- Strong population growth.
- Strong in-migration, particularly among retirees.

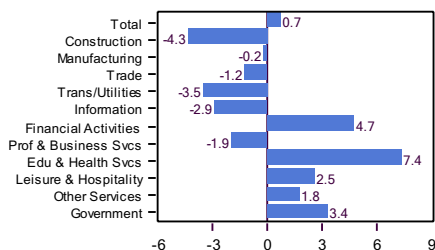
WEAKNESSES

- Low educational attainment.
- Below average per capita income.
- Oversupplied housing market.

CURRENT EMPLOYMENT TRENDS

October 2007 Employment Growth

% change year ago, 3 mo. MA



FORECAST RISKS

SHORT TERM ↓ LONG TERM ↑ RISK-ADJUSTED RETURN, '06-11 **-0.04%**

UPSIDE

- High-speed rail line construction restarts, amplifying the benefits of LAE's proximity to Orlando and Tampa.
- Distribution hub attracts relocating manufacturers.

DOWNSIDE

- Inadequate funding for construction of school puts plans on hold.
- Subprime mortgage delinquencies curtail consumer spending.

ANALYSIS

Recent Performance. Lakeland's economy is stalling under the weight of construction and real estate job losses and fading homeowners' equity. The primary weakness stems from job cuts by LAE's goods producers. These declines have only recently been followed by service-producing industries, which as a whole have ceased expanding. Due to shaking consumer confidence, industries such as retail trade are losing jobs quickly.

Correction. LAE's housing market is the most significant obstacle to its economic expansion as both house prices and construction will not bottom out until mid-2008. The woes in residential real estate have already been reflected in LAE's construction payrolls but the effects will grow more painful over the next year as the correction spreads beyond housing-related industries. During 2005, approximately one-third of all new jobs created were in construction. LAE is now shedding many of these jobs as well as related jobs in mortgage lending, architecture and contracting services.

Additionally, house prices have quite a ways to fall; peak to trough, the median existing house price is expected to fall by 13%. According to Moody's Economy.com estimates, affordability is very low, although not quite as low as that preceding LAE's early-1980s price correction. Despite an above average rate of household formation, significant price reductions will be necessary to entice homebuyers to clear the inflated inventories. Still, a high rate of household formations should provide a floor to the housing market correction.

Credit. Consumer finances in LAE will likely deteriorate in the near term. According Equifax data, the rate of mortgage delinquencies surged during the third quarter, well above that of Florida or the nation. Nonprime loans originated in LAE were among the highest in the nation during 2006 and represented the fourth-highest share of any metro area in Florida. Thus, the area could see a surge in the

number of foreclosures if cash-strapped homeowners are unable to secure credit. Tighter lending standards for residential mortgages, touching both prime and nonprime borrowers, will not help these highly burdened consumers deal with an increase in debt obligations.

Services. The support from LAE's services industries is beginning to weaken, though the performance across industries is mixed. For example, retail trade payrolls have declined by several hundred positions this year as debt-laden consumers curtailed spending. Jobs in LAE's transportation industry are at risk as high oil prices sustain cost pressure on trucking employers. The FedEx less-than-truckload freight service maintains a substantial presence in LAE and is struggling to cope with declines in demand for domestic shipping services.

However, LAE's financial services industry has not felt the pinch of mortgage-related losses due to its concentration in insurance services. Relatively diversified revenue streams among LAE's insurance providers, which supply health and automobile insurance, will help to buoy payrolls as the subprime shock continues to spread through the nation's financial system.

Lakeland's economy will continue to be troubled by its housing market. More layoffs in construction and related industries will constrain payroll growth and declining home values will continue to have negative effects on wealth and credit quality. Consumer spending will grow more slowly than average during 2008. Despite the near-term weakness, above average migration trends will continue to drive LAE's prospects, leading the area to outperform the U.S. over the long term. In addition, the addition of a new rail distribution facility will help foster growth in LAE's manufacturing and transportation/warehousing industries.

Alexander Miron
November 2007

EMPLOYMENT & INDUSTRY

TOP EMPLOYERS

Publix Supermarkets	9,500
Wal-Mart Stores, Incorporated	5,100
Lakeland Regional Medical Center	4,540
MOSAIC	4,000
Winter Haven Hospital	2,500
GEICO	2,200
State Farm Insurance	2,000
Watson Clinic	1,300
GC Services	1,200
Florida's Natural Growers	1,000
Summit Consulting	1,000
Rooms To Go	900
Watkins Motor Lines	848
FedEx National LTL	720
Saddle Creek Corporation	680
Key Safety Systems, Inc.	580
ICT Group	500
Advance Discount Auto Parts	475
Marriot Vacation Club International	450
McDonald Construction Corporation	400

Sources: CFDC Research Polk County, November 2007, and Lakeland Economic Development Council, November 2007

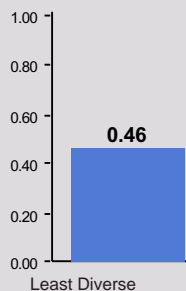
Public

Federal	1,374
State	4,209
Local	22,707

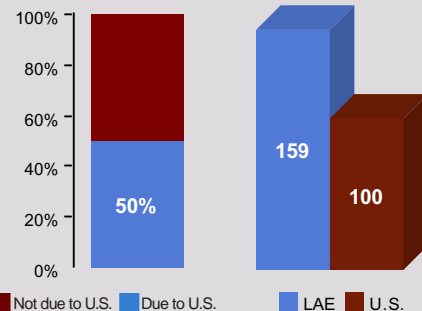
2006

INDUSTRIAL DIVERSITY

Most Diverse (U.S.)



EMPLOYMENT VOLATILITY DUE TO U.S. FLUCTUATIONS RELATIVE TO U.S.

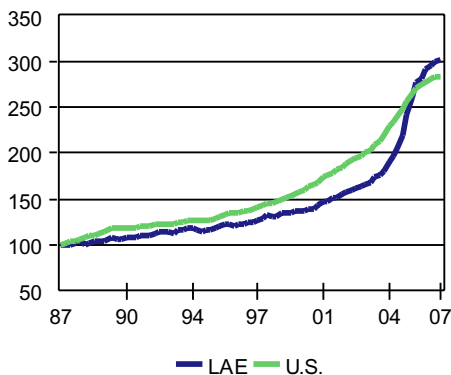


COMPARATIVE EMPLOYMENT AND INCOME

Sector	% of Total Employment			Average Annual Earnings		
	LAE	FL	US	LAE	FL	US
Construction	7.4%	8.0%	5.6%	\$36,085	\$43,242	\$47,221
Manufacturing	8.2%	5.0%	10.4%	\$63,803	\$59,542	\$68,318
Durable	42.2%	68.5%	63.4%	nd	\$60,993	\$69,250
Nondurable	57.8%	31.5%	36.6%	nd	\$56,537	\$66,721
Transportation/Utilities	5.6%	3.1%	3.7%	\$43,124	\$47,265	\$55,322
Wholesale Trade	4.8%	4.3%	4.3%	\$49,104	\$60,822	\$64,921
Retail Trade	11.9%	12.6%	11.3%	\$25,864	\$28,394	\$27,345
Information	1.1%	2.1%	2.2%	\$44,353	\$65,854	\$80,729
Financial Activities	5.2%	6.8%	6.1%	\$32,386	\$40,620	\$52,912
Prof. and Bus. Services	18.4%	16.7%	12.9%	\$36,762	\$40,534	\$51,017
Educ. and Health Services	12.1%	12.1%	13.1%	\$40,522	\$41,602	\$41,006
Leisure and Hosp. Services	7.8%	11.3%	9.6%	\$15,550	\$23,019	\$19,783
Other Services	4.5%	4.2%	4.0%	\$21,723	\$21,637	\$23,438
Government	12.9%	13.7%	16.1%	\$46,018	\$56,188	\$55,340

Sources: Percent of total employment - Moody's Economy.com & BLS, 2006; Average annual earnings - BEA, 2005

HOUSE PRICES



Source: OFHEO, 1987Q1=100, NSA

CREDIT QUALITY

MOODY'S RATING

COUNTY **A1**

LEADING INDUSTRIES

NAICS Industry	Employees (000)
GVSL State & Local Government	26.9
5613 Employment Services	17.5
6221 General Medical and Surgical Hospitals	7.8
7221 Full-Service Restaurants	6.9
5511 Management of Companies and Enterprises	6.5
4931 Warehousing and Storage	5.2
7222 Limited-Service Eating Places	5.1
6211 Offices of Physicians	5.1
4451 Grocery Stores	4.3
5241 Insurance Carriers	4.1
4529 Other General Merchandise Stores	4.0
FR Farms	3.9
2123 Nonmetallic Mineral Mining and Quarrying	3.8
5614 Business Support Services	3.6
FH Fishing, Hunting, Etc.	3.5
High-tech employment	2.8
As % of total employment	1.2

Sources: BLS, Moody's Economy.com, 2006

MIGRATION FLOWS

Into Lakeland, FL

Number of Migrants

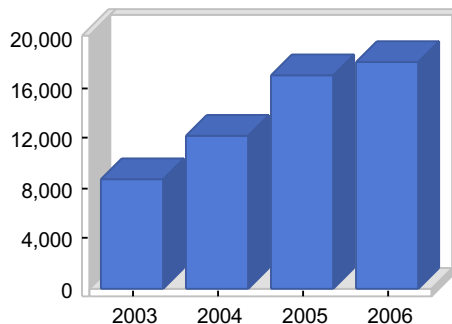
Orlando, FL	7,849
Tampa, FL	4,986
Fort Lauderdale, FL	1,372
New York, NY	1,357
Miami, FL	1,306
West Palm Beach, FL	584
Nassau, NY	403
Sarasota, FL	374
Jacksonville, FL	355
Cape Coral, FL	332
Total Immigration	42,430

From Lakeland, FL

Orlando, FL	4,310
Tampa, FL	3,511
Jacksonville, FL	378
Atlanta, GA	337
Sarasota, FL	289
Ocala, FL	273
Miami, FL	253
Fort Lauderdale, FL	237
Cape Coral, FL	234
Deltona, FL	219
Total Outmigration	26,907

Net Migration 15,523

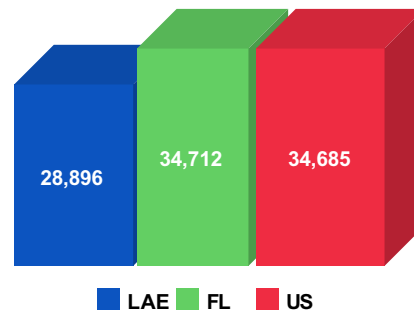
Net Migration, LAE



	2003	2004	2005	2006
Domestic	7,411	11,017	15,670	16,735
Foreign	1,285	1,224	1,275	1,285
Total	8,696	12,241	16,945	18,020

Sources: IRS (top), 2006; Census Bureau, 2006

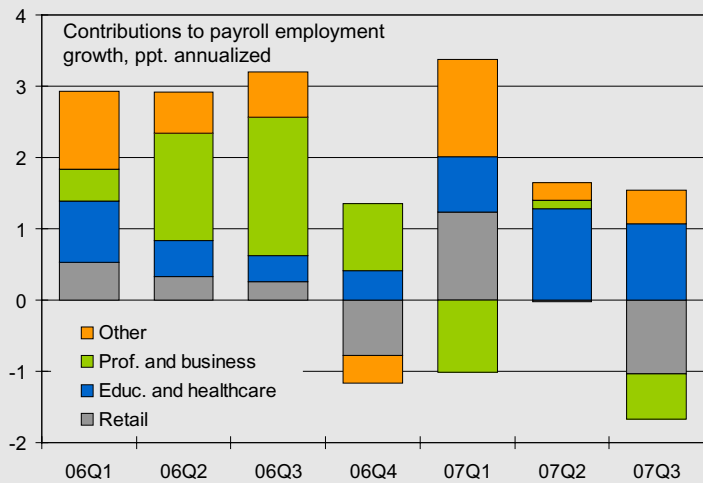
PER CAPITA INCOME



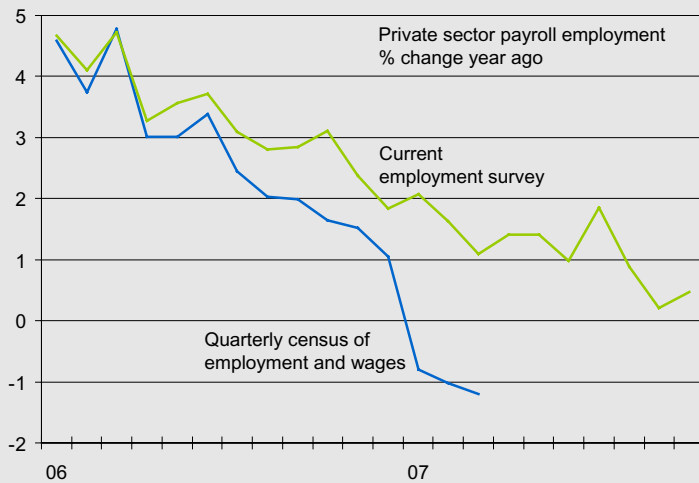
Source: Bureau of Economic Analysis, 2005

Lakeland

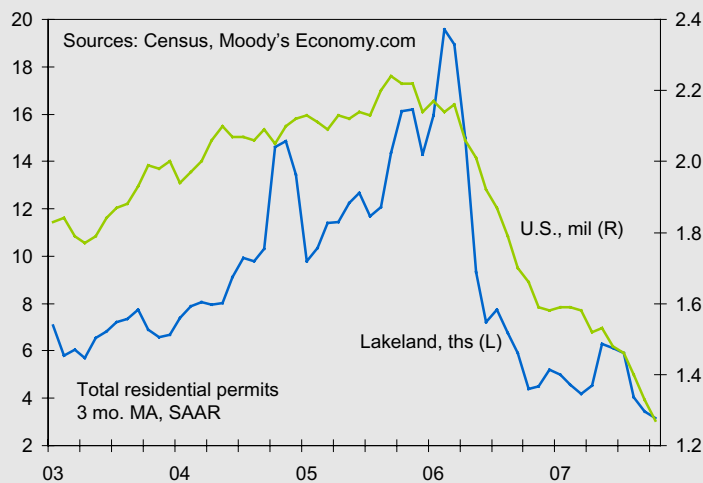
The Growing Importance of Education/Healthcare



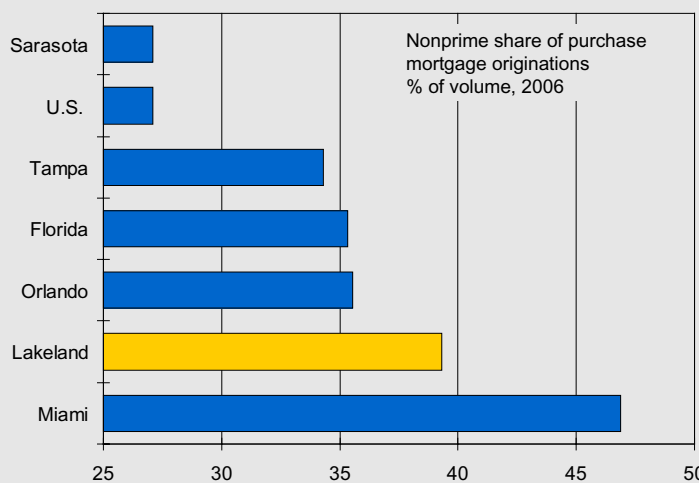
Employment Survey Likely Overstating Job Growth



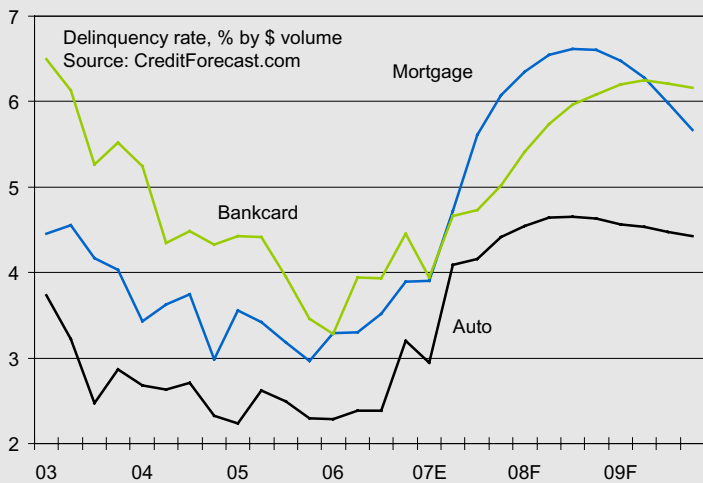
Dim Building Intentions Remain a Weight on Lakeland



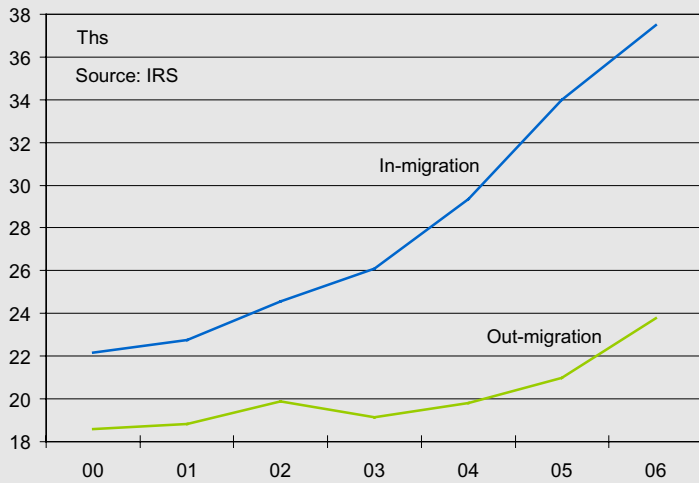
As More Mortgage-Related Defaults Appear to Be Forthcoming...



...Risks to Consumer Balance Sheets Rise Substantially



Relocating Retirees Sustain Population Growth



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