

LAKELAND

EMPLOYMENT GROWTH RANK

2009-2011

134

2nd quintile

2009-2014

61

1st quintile

Best=1, Worst=392

VITALITY

RELATIVE

122%

U.S.=100%

RANK

53

Best=1 Worst=384

RELATIVE COSTS

LIVING

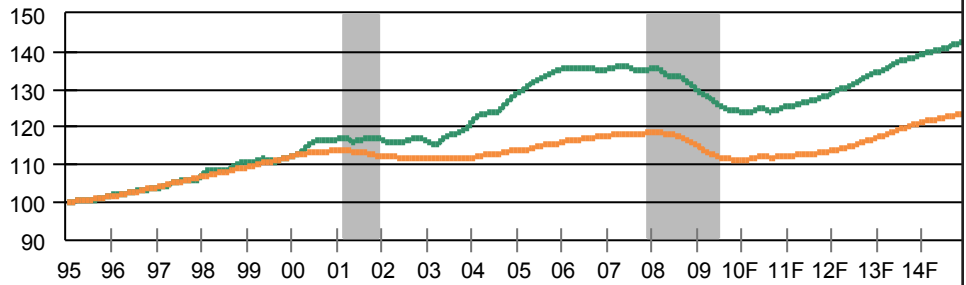
97%

U.S.=100%

BUSINESS

87%

RELATIVE EMPLOYMENT PERFORMANCE (1995=100)



Data Buffet® MSA code: MLAE

— U.S. — LAE

LIFE CYCLE PHASE

Growth/Mature

2003	2004	2005	2006	2007	2008	2009	INDICATORS	2010	2011	2012	2013	2014
13.0	13.6	14.6	15.1	15.0	14.9	14.3	Gross metro product (C\$B)	14.8	15.4	16.3	17.1	17.6
3.6	4.2	7.8	2.9	-0.5	-0.4	-4.3	% change	3.6	4.0	5.5	5.0	3.3
183.7	194.6	207.1	211.6	211.7	208.3	197.2	Total employment (000)	194.5	198.4	205.7	214.2	220.3
1.0	5.9	6.4	2.2	0.1	-1.6	-5.3	% change	-1.4	2.0	3.7	4.1	2.8
5.5	4.9	4.0	3.6	4.4	6.7	11.3	Unemployment rate	13.0	13.7	11.8	9.2	7.7
6.0	10.6	10.7	8.2	6.0	2.9	-0.2	Personal income growth	4.5	4.3	5.5	6.5	6.1
508.1	521.0	538.6	557.5	573.5	580.3	583.4	Population (000)	582.1	583.7	588.5	596.4	605.7
6,261	8,715	11,980	7,609	3,854	2,268	1,135	Single-family permits	1,175	1,392	3,078	4,420	4,215
562	1,527	1,199	1,714	368	981	0	Multifamily permits	198	180	400	515	496
96.6	111.1	148.3	174.2	168.6	141.2	111.7	Existing-home price (\$ths)	102.9	94.0	96.3	116.0	136.1
3,761	3,090	5,607	6,542	4,135	2,555	2,623	Mortgage originations (\$mil)	2,008	1,974	1,824	1,961	2,214
8.3	11.9	16.4	16.9	12.9	4.3	0.7	Net migration (000)	-4.0	-1.2	2.1	5.1	6.6
3,489	3,295	3,736	1,071	1,528	2,207	3,008	Personal bankruptcies	4,389	4,909	4,584	4,089	3,885

STRENGTHS & WEAKNESSES

STRENGTHS

- Consistently above-average population growth.
- Popular retirement destination.
- Strong growth prospects as a regional transportation hub; forthcoming commuter rail infrastructure.

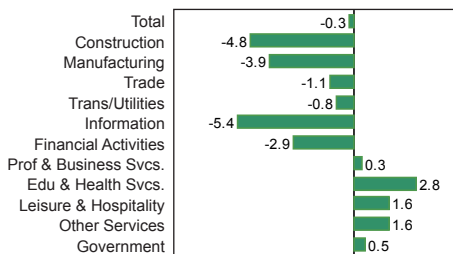
WEAKNESSES

- Below-average per capita income.
- Employment growth is volatile.
- Low educational attainment.
- Oversupplied housing market.

CURRENT EMPLOYMENT TRENDS

OCTOBER 2010

% change yr ago, 3-mo MA



FORECAST RISKS

SHORT TERM



LONG TERM



RISK-ADJUSTED RETURN, '09-14

1.07%

UPSIDE

- Area benefits from tourism spillover in Tampa and Orlando.
- High-speed rail service encourages growth in warehousing and distribution.

DOWNSIDE

- Falling home values force massive cutbacks in state and local government budgets.
- Restricted credit for low-income residents prolongs housing correction.

ANALYSIS

Recent Performance. A persistent housing correction and a lukewarm labor market are impeding Lakeland's transition to recovery. Private payrolls have stagnated in recent months. Retail, leisure and hospitality firms have added jobs thanks to steady growth in consumption, but too few jobs have been added to balance losses in construction and health-care. Housing continues to drag on the economy, as distress sales made up more than half of the area's home sales in the third quarter. The unemployment rate hovers around 12.8%, above the U.S. average of 9.6% and Florida's 11.9%.

Mining update. The forecast for the area's potash and phosphate mining remains downbeat. Only months after shutting down the South Fort Meade Mine, Mosaic recalled laid-off miners under an agreement that allows a small portion of the mine to reopen. However, the limited reopening of the mine will provide work for just a few months, presaging job losses next year. Earlier this year, Mosaic requested federal permission to expand the nearly depleted mine into northern Hardee County, but it now faces a lawsuit restricting the expansion pending an environmental impact study.

Risks are weighted to the upside, as Mosaic could expand the mine if it overcomes legal challenges. Moreover, the area's other potash and phosphate facilities in LAE will preserve mining jobs thanks to healthy demand for their products. Mosaic's earnings are rising thanks to high fertilizer prices resulting from strong agricultural commodity prices. Potash prices are heavily affected by demand for fertilizer, which has risen as farmers plan to boost production and replenish soils next year. Russian drought has pushed up wheat prices, and growing use of ethanol for fuel has driven corn prices to nearly their historical highs.

Housing. LAE's housing woes will continue next year, as the area unloads the excess supply that has built up throughout the recession because of over-

building and negative equity-driven foreclosures. Foreclosure sales constitute a higher percentage of home sales in LAE than the Florida average. Moreover, over half of the area's mortgaged homes are under water, according to Zillow, one of the highest rates nationally, highlighting downside risk. Prices are expected to fall another 12% from their current level, on par with Florida and more than the U.S. At the trough, prices will have fallen by more than 55% from the peak in 2006.

Consumers. Job growth in retail, leisure and hospitality will outpace that in both the state and the U.S. over the next several years, as wage income rises faster than the U.S. average. As the recovery firms, migration into LAE will strengthen, boosting demand for consumer services. Locally based supermarket chain Publix will open additional stores and upgrade existing facilities over the next two years.

Tourism and construction will also recover. Legoland will open in fall of 2011, and developers are working on the Landings, a surrounding retail project, creating more than 1,000 jobs in addition to those during construction. Also, Mosaic will begin building the Streamsong resort and golf course on part of its old mining operations next year. These projects will provide a welcome boost to job growth over the next several years.

The housing market will drag on Lakeland's recovery in 2011, but private sector job growth will lay the foundation for a stronger recovery in 2012. The medium-term outlook is comparatively bright, calling for strong growth in service industries. Once the housing market stabilizes, stronger population growth will emerge. Over the long-term horizon, vigorous job growth in construction, education and healthcare will power an above-average rate of job growth.

Tyler Case
November 2010

EMPLOYMENT & INDUSTRY

TOP EMPLOYERS

Publix Supermarkets	9,500
Wal-Mart Stores, Inc.	5,100
Lakeland Regional Medical Center	4,600
Mosaic Company	4,000
Winter Haven Hospital	2,500
GEICO	2,000
State Farm Mutual Automobile Insurance Company	1,800
Watson Clinic	1,500
GC Services	1,000
Florida's Natural Growers	1,000
FedEx National LTL	850
Rooms To Go	800
Heart of Florida	800
Comcar Industries	700
Summit Consulting	693
W.S. Badcock Corporation	600
Walgreens	600
Key Safety Systems, Inc.	580
ICT Group	500
McDonald Construction Corporation	500

Sources: CFDC Research Polk County, 2009, Lakeland Economic Development Council, 2008

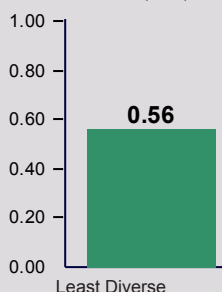
PUBLIC

Federal	1,373
State	4,306
Local	24,320

2009

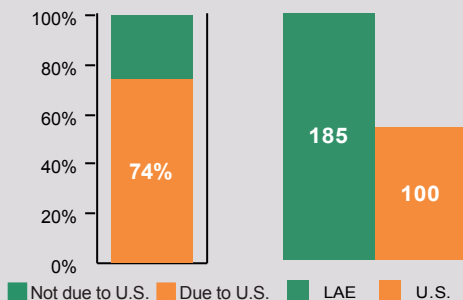
INDUSTRIAL DIVERSITY

Most Diverse (U.S.)



EMPLOYMENT VOLATILITY

Due to U.S. fluctuations Relative to U.S.



■ Not due to U.S. ■ Due to U.S. ■ LAE ■ U.S.

MIGRATION FLOWS

INTO LAKELAND, FL NUMBER OF MIGRANTS

Orlando, FL	7,264
Tampa, FL	4,525
New York, NY	1,025
Miami, FL	963
Fort Lauderdale, FL	938
West Palm Beach, FL	474
North Port, FL	326
Jacksonville, FL	322
Atlanta, GA	296
Cape Coral, FL	280
Total In-migration	31,441

FROM LAKELAND, FL

Orlando, FL	5,819
Tampa, FL	3,778
Atlanta, GA	471
Miami, FL	470
Fort Lauderdale, FL	435
Jacksonville, FL	400
New York, NY	325
North Port, FL	266
West Palm Beach, FL	257
Palm Bay, FL	233
Total Out-migration	27,908

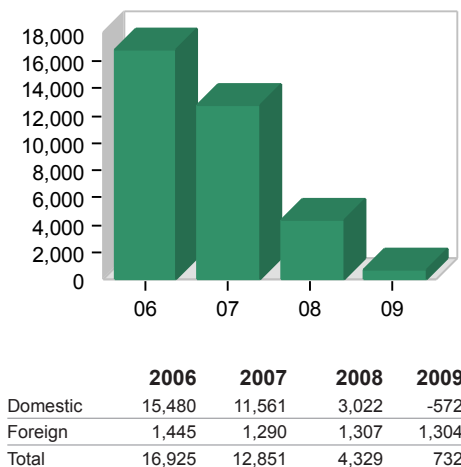
Net Migration 3,533

COMPARATIVE EMPLOYMENT AND INCOME

Sector	% of Total Employment			Average Annual Earnings		
	LAE	FL	U.S.	LAE	FL	U.S.
Mining	0.1%	0.1%	0.5%	\$68,490	\$41,276	\$117,938
Construction	5.8%	5.4%	4.6%	\$39,033	\$47,601	\$52,710
Manufacturing	7.5%	4.4%	9.1%	\$65,094	\$63,589	\$70,637
Durable	33.6%	65.9%	61.5%	nd	\$66,475	\$71,783
Nondurable	66.4%	34.1%	38.5%	nd	\$57,776	\$68,675
Transportation/Utilities	5.9%	3.2%	3.7%	\$46,556	\$49,976	\$59,314
Wholesale Trade	4.6%	4.4%	4.3%	\$57,708	\$68,419	\$73,175
Retail Trade	12.2%	12.7%	11.1%	\$27,904	\$30,408	\$29,661
Information	1.0%	2.0%	2.1%	\$47,703	\$74,670	\$88,888
Financial Activities	6.0%	6.7%	5.9%	\$30,115	\$35,632	\$48,603
Prof. and Bus. Services	14.5%	14.4%	12.7%	\$42,480	\$46,983	\$59,464
Educ. and Health Services	14.6%	14.6%	14.7%	\$46,570	\$48,633	\$47,833
Leisure and Hosp. Services	8.4%	12.5%	10.0%	\$19,917	\$26,501	\$22,976
Other Services	4.2%	4.3%	4.1%	\$31,723	\$26,806	\$32,180
Government	15.2%	15.4%	17.2%	\$51,682	\$63,495	\$63,226

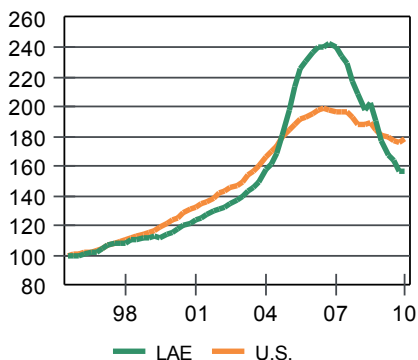
Sources: Percent of total employment — Moody's Analytics & BLS, 2009; Average annual earnings — BEA, 2008

Net Migration, LAE



Sources: IRS (top), 2008; Census Bureau, 2009

HOUSE PRICES



Source: FHFA, 1996Q1=100, NSA

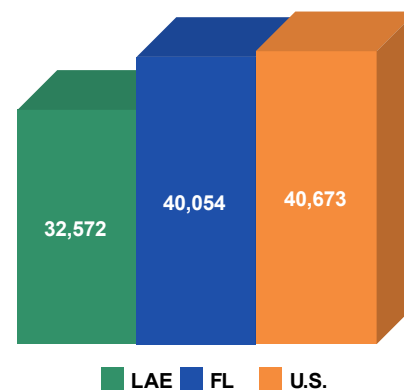
LEADING INDUSTRIES

NAICS INDUSTRY EMPLOYEES (000)

GVSL State & Local Government	28.6
5613 Employment Services	9.1
6221 General Medical and Surgical Hospitals	7.6
7221 Full-Service Restaurants	6.6
5511 Management of Companies and Enterprises	5.5
6211 Offices of Physicians	5.4
7222 Limited-Service Eating Places	5.4
4931 Warehousing and Storage	4.7
4451 Grocery Stores	4.3
5241 Insurance Carriers	4.1
4529 Other General Merchandise Stores	3.9
FH Fishing, Hunting, Etc.	3.4
FR Farms	3.1
2382 Building Equipment Contractors	3.0
4841 General Freight Trucking	2.9
High-tech employment	2.7
As % of total employment	1.3

Sources: BLS, Moody's Analytics, 2009

PER CAPITA INCOME



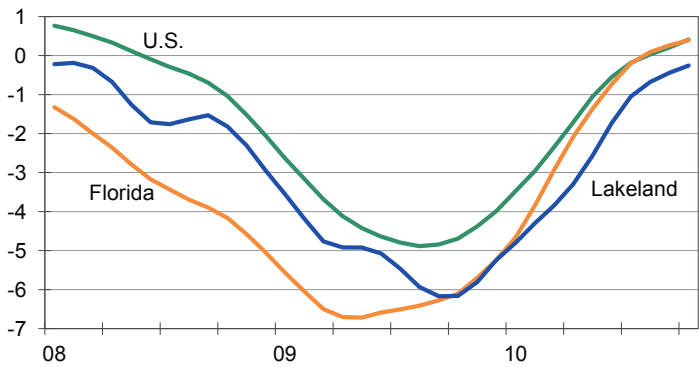
Source: Bureau of Economic Analysis, 2008

CREDIT QUALITY

MOODY'S RATING Aa2 COUNTY

Stagnant Labor Market Impedes the Recovery

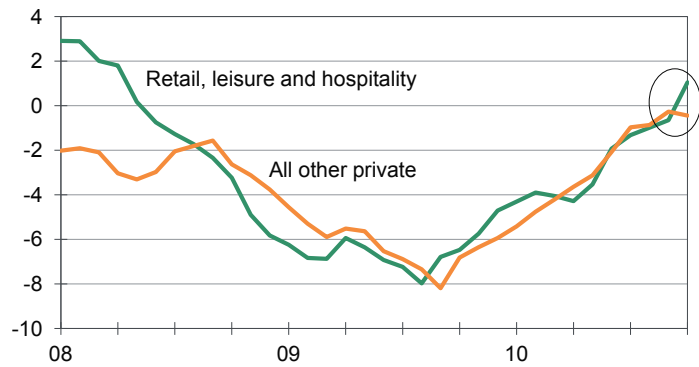
Employment, % change yr ago, 3-mo MA



Source: BLS

Consumer Industries Are a Rare Bright Spot

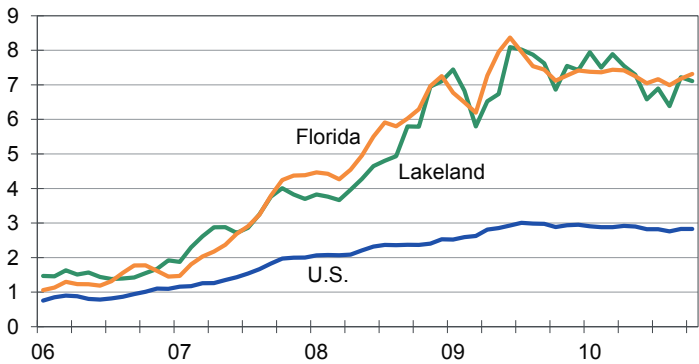
Employment, % change yr ago



Source: BLS

Foreclosures Aggravate Price Declines

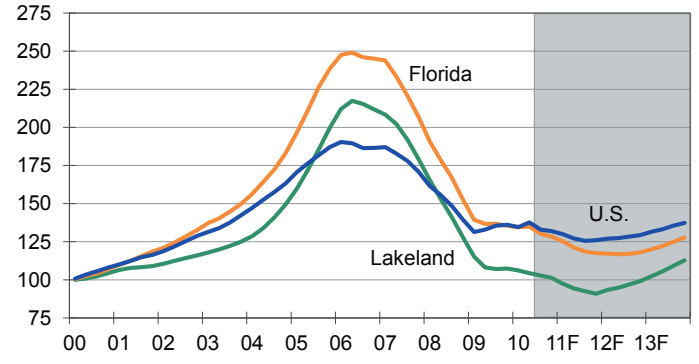
Foreclosures per 1,000 households, 3-mo MA



Source: RealtyTrac

Additional Declines Will Prolong Housing Woes

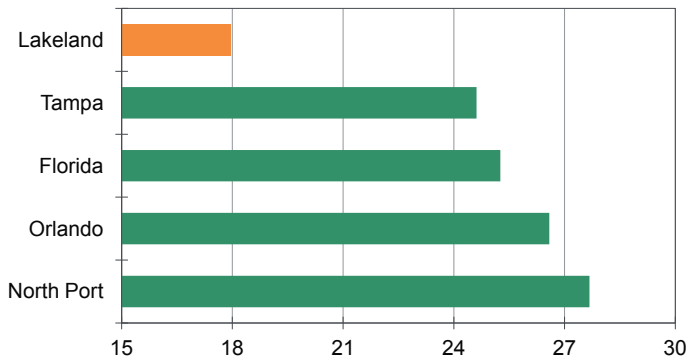
Case-Shiller® Home Price Index, 2000Q1=100



Source: Fiserv

Firms May Avoid a Less Skilled Workforce

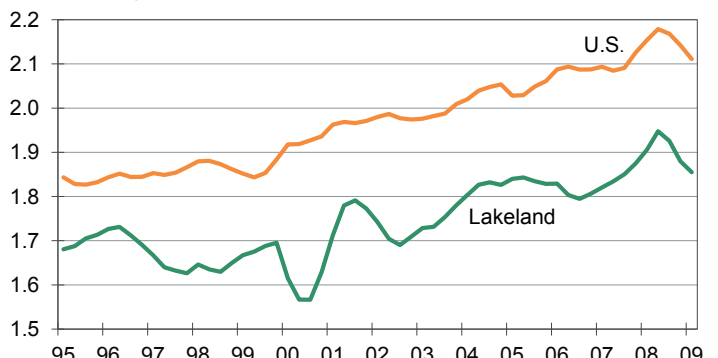
Population over 25 yrs old with a bachelor's degree, %, 2009



Sources: Census Bureau, Moody's Analytics

Growing Retiree Population Reduces the Gap

Ratio average to median income



Sources: BEA, Moody's Analytics

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