



The 27th Annual Perryman Economic Outlook Conference

US FORECAST HIGHLIGHTS

To download further forecast detail, methodology, and explanation of terms, see
www.perrymangroup.com/STForecast/2010TYL.pdf

Current Overview

The past three years have seen unprecedented economic and financial challenges. Even with an official end date (according to the NBER or National Bureau of Economic Research) of June 2009 and output expansion beginning more than a year ago, the recession's effects continue to linger. As 2010 winds down and the focus turns to 2011, there is reason to believe that the pace of expansion will begin to build momentum as the year progresses.

Components of Recovery

Among the positive "below-the-radar" signals for the US is the fact that the typical employee workweek has begun to edge upward, an indication that hiring may soon follow. Many companies have been postponing hiring and investment decisions until the recovery demonstrated staying power; as good news continues to outweigh bad and uncertainty abates, firms will begin to increase their activity. In addition, greater stability in the stock market will work to increase spending by firms as well as consumers.

The widely watched Conference Board index of leading indicators was up by 1% in September. This pace was the best since 1983 and was better than most economists

expected. While not all of the headlines in recent weeks have been positive (such as the fact that jobless claims were continuing to rise), the mounting signs of a return to growth are encouraging.

US Outlook

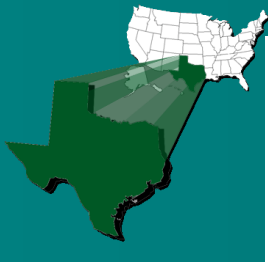
During 2011, The Perryman Group's projections call for growth in US real gross domestic product (RGP or output) of some 2.9%. The pace of job gains can be expected to accelerate, with the addition of 1.3% in the US. (See the accompanying table for five-year projections for key indicators.) It should be noted, however, that this pace will not bring major drops in the unemployment rate because of the natural growth in the workforce and the return of many discouraged job seekers to those counted among the unemployed.

This performance could be exceeded if demand for goods and services picks up at a faster-than-expected rate. Recovery in the housing market and more favorable consumer sentiment, for example, could serve as a catalyst. On the other hand, problems such as uncertainty regarding future tax law and health care plan expenses, debt, and currency problems in other nations work to dampen expansion.

The bottom line: the US economy will likely finally begin to show signs of real life during 2011, with momentum building during the remainder of the forecast horizon. With \$2 trillion in corporate money on the sidelines, the expansion is projected to be strong once it starts to flourish.

US ECONOMIC INDICATORS			
Key Indicator	2010 Level	2015 Level	Compound Annual Growth Rate 2010-2015
Real Gross Domestic Product (2005\$)	\$13.23 trillion	\$15.59 trillion	3.33%
Population	310.02 million	324.30 million	0.90%
Employment (civilian non-agricultural employment)	130.31 million	140.23 million	1.48%
Real Personal Income (2005\$) (by place of residence)	\$11.25 trillion	\$12.88 trillion	2.74%
Industrial Production Index (2005=100)	97.1	113.9	3.25%
Consumer Price Index (2005=100)	111.8	128.5	2.82%
Interest Rates (Long-term, 20-yr. bonds)	3.92%	5.52%	





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TEXAS FORECAST HIGHLIGHTS

Current Overview

Texas avoided the worst of the national downturn; in fact, Texas has outperformed the US economy for decades thanks in large part to a more favorable business climate. The state's relatively low tax burden and other cost advantages are a part of the state's past and ongoing success. Add to that a large workforce, presence in key growth industries, and strong economic development climate, and the state is likely to remain a growth leader as the nation continues to emerge from the recession.

Texas began experiencing job losses later than most areas of the nation, continuing to grow through most of 2008. Employment peaked in August of that year (in large measure due to the strength of the energy sector). Texas' relative economic advantage has remained, and the state is now experiencing overall job gains, although employment and unemployment rates from month to month are still highly variable.

Texas had a job growth rate more than three times the national average during the first part of this year, and the Texas unemployment rate (currently at 8.1%) has been at or below the national rate for 46 consecutive months.

Job creation in Texas has been broad. Between October 2009 and October 2010, Texas added 172,800 workers. Some 47,900 jobs were created from September to October. In fact, all Texas industries except construction, trade, and information had more jobs in August 2010 than

the same period a year ago. Of Texas' 26 metropolitan areas, 24 experienced positive employment growth over the same time period.

The potency of the state's economy was uniquely documented by a CNBC study that recently ranked Texas first in the list of America's Top States for Business 2010, a title it had also earned in 2008. Additionally, in June of this year, Texas was named Best State for Business by Chief Executive magazine for the sixth year in a row. The ranking was based on overall job growth and business development with the state's tax credits and incentives to business relocation or expansion among the most aggressive, particularly that supported by the Texas Enterprise Fund which granted approximately \$377 million in 2008.

Even these impressive accolades are overshadowed by one crucial fact: since 2008, 70% of all net new jobs in the US have been created in Texas. Although conditions in the state remain tough for those seeking

employment, other areas have been hit far harder.

Real estate markets in Texas have also held their own (in relative terms). In fact, several Texas metro areas have been listed among the best in the US by national analysis firms. The median price for existing single-family residences increased by 0.2% from September 2009 to September 2010.

Conclusion

Economic expansion is sluggish, but Texas is showing relatively strong signs of recovery and faring much better than the rest of the nation in key economic indicators. Additionally, a good business climate and growing population are expected to contribute to ongoing economic health, with real gross product and employment projected to achieve and sustain moderate expansion over the 2010-2015 forecast horizon.

TEXAS ECONOMIC INDICATORS			
Key Indicator	2010 Level	2015 Level	Compound Annual Growth Rate 2010-2015
Real Gross Product (2005\$)	\$1.08 trillion	\$1.34 trillion	4.36%
Population	25.17 million	27.38 million	1.70%
Wage & Salary Employment	10.84 million	12.14 million	2.29%
Real Personal Income (2005\$) (by place of residence)	\$859.45 billion	\$1.06 trillion	4.25%
Real Retail Sales (2005\$)	\$319.08 billion	\$394.34 billion	4.32%
Housing Permits (units)	90,730	151,028	10.73%





TYLER METROPOLITAN STATISTICAL AREA

Tyler Metropolitan Statistical Area Economic Forecast for 2010-2015

The Tyler Metropolitan Statistical Area (MSA) economy is predicted to achieve significant increases in key indicators of overall activity and broad-based industrial expansions over the 2010-2015 period.

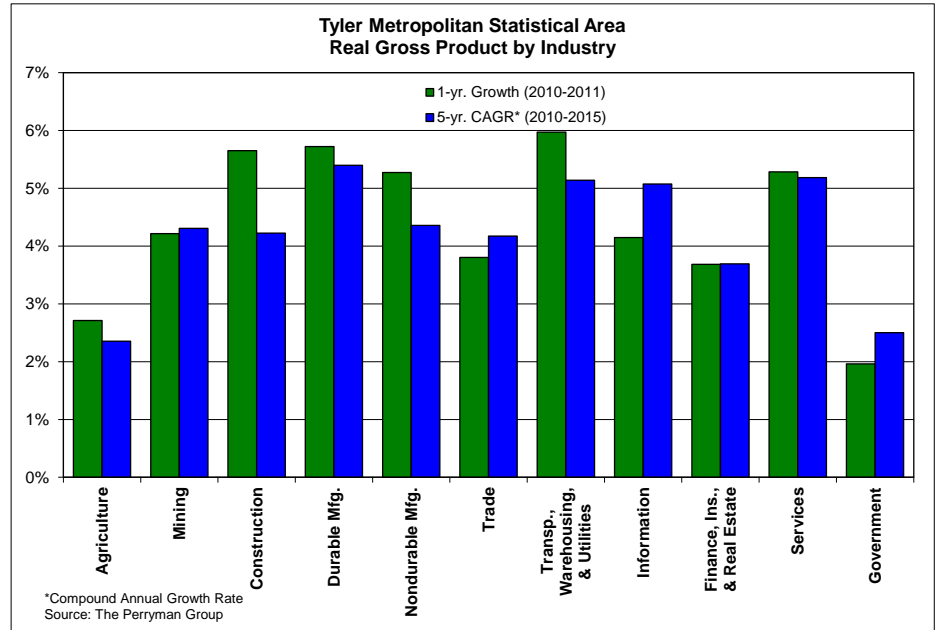
During this five-year timeframe, the metro's real gross product (RGP or output) is expected to expand from about \$7.58 billion to nearly \$9.45 billion, reflecting a compound annual growth rate (CAGR) of 4.51%.

The MSA's population is projected to climb by some 13,760 from 2010 to 2015, representing a per-annum growth rate of 1.30%. Approximately 11,500 new wage and salary jobs will likely be added during this period.

Industrial Sector Forecast

The RGP annual growth rates for the Tyler metro area's industrial sectors from 2010 to 2015 are anticipated to vary from 2.36% (agriculture) to 5.40% (durable manufacturing).

In 2015, the percentages of the MSA's total RGP likely to be generated by the various sectors are: services—32.17%; trade—13.54%; durable manufacturing—10.33%; government—8.93%; finance, insurance, and real estate (FIRE)—8.86%; mining—8.83%; information—5.28%; transportation, warehousing, and utilities (TWU)—4.80%; non-durable manufacturing—3.75%; construction—2.87%; and agriculture—0.63%.



Sectors and the number of new workers expected to be added over the 2010-2015 period include: services—7,155; trade—1,460; government—835; construction—465; TWU—425; durable manufacturing—385; FIRE—330; information—205; mining—180; nondurable manufacturing—50; and agriculture—10.

The services, trade, and government sectors are projected to remain primary sources of employment, comprising 46.50%, 15.84%, and 13.45% of the metro's total in 2015, respectively.

In summary, the next five years are forecast to bring significant improvement in economic conditions in the Tyler area.

TYLER METROPOLITAN STATISTICAL AREA KEY ECONOMIC INDICATORS

Key Indicator	2010 Level	2015 Level	Compound Annual Growth Rate 2010-2015
Real Gross Product (2005\$)	\$7.58 billion	\$9.45 billion	4.51%
Population	206,715	220,475	1.30%
Wage & Salary Employment	96,920	108,420	2.27%
Real Personal Income (2005\$) (by place of residence)	\$6.83 billion	\$8.31 billion	4.01%
Real Retail Sales (2005\$)	\$2.82 billion	\$3.46 billion	4.18%

