



2010-2011 Economic Forecast

CHALLENGING TIMES, EMERGING OPPORTUNITIES

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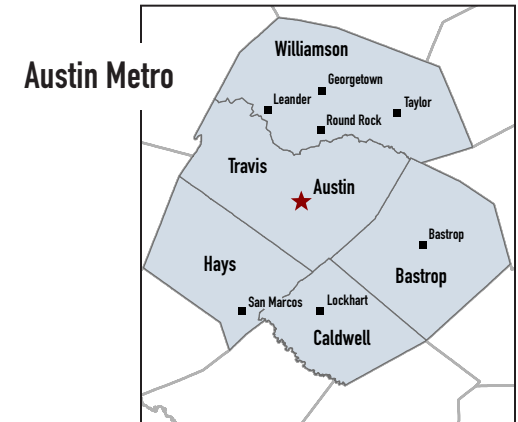
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2010-2011 Economic Forecast

CHALLENGING TIMES, EMERGING OPPORTUNITIES



2010-2011 Economic Forecast Summary Austin Metro

	Employment			New Jobs			Annual Growth		
	2009	2010	2011	2009	2010	2011	08-09	09-10	10-11
Total Employment	774,500	784,000	801,100	-2,600	9,200	17,100	-0.3%	1.2%	2.2%
Professional Services	113,100	115,400	119,000	1,500	2,200	3,600	1.3%	1.9%	3.1%
Leisure & Hospitality	81,200	82,500	83,900	800	1,200	1,400	1.0%	1.5%	1.7%
Government	166,300	169,000	172,100	2,900	2,700	3,100	1.8%	1.6%	1.8%
Retail Trade	83,500	84,600	86,100	-300	800	1,500	-0.4%	1.0%	1.8%
Wholesale Trade	39,200	39,500	40,100	-2,200	300	600	-5.3%	0.8%	1.5%
Education & Health Services	82,900	85,400	88,000	2,500	2,300	2,600	3.1%	2.8%	3.0%
Construction	44,700	44,200	45,300	-3,200	-400	1,100	-6.7%	-0.9%	2.5%
Manufacturing	52,500	51,000	52,000	-5,800	-1,400	1,000	-10.0%	-2.7%	2.0%
Information	20,100	20,400	20,900	-800	300	500	-3.8%	1.5%	2.5%
Other Services	32,200	32,500	33,500	1,100	900	1,000	3.6%	2.8%	3.1%
Financial Activities	45,500	46,200	46,800	700	600	600	1.6%	1.3%	1.3%
Transportation, Warehousing, & Utilities	13,200	13,300	13,400	-200	100	100	-1.5%	0.8%	0.8%
Unemployment Rate	6.7%	6.2%	5.7%						
Retail Sales (Billions)	\$21.33	\$21.85	\$22.85	-\$1.14	\$0.52	\$1.00	-8.5%	2.4%	4.6%
Population (Year-end)	1,651,000	1,727,000	1,778,800	44,400	51,800	58,600	2.6%	3.0%	3.3%

Source: AngelouEconomics; employment projections based on data from the Texas Workforce Commission



Austin MSA Non-Agricultural Wage and Salary Employment (In Thousands)

	TOT	MFG	CON	TWU	TRA	FIRE	PROF	OTH	EDC	LHO	INFO	GOV
1997	566.3	73.2	31.5	9.9	81.9	31.6	69.9	20.3	53.0	51.8	16.9	126.4
1998	600.7	78.2	34.9	10.5	87.7	32.9	76.3	20.9	56.5	54.4	18.5	129.9
1999	635.4	77.8	38.2	10.8	97.1	34.6	83.5	21.5	59.8	57.9	20.5	133.8
2000	672.7	82.8	41.3	10.7	104.3	35.3	91.9	22.3	62.3	60.6	24.3	136.8
2001	674.1	76.3	41.5	11.3	105.3	36.4	91.3	23.2	63.3	61.8	23.3	140.4
2002	658.4	63.5	38.2	11.1	102.2	38.0	87.2	23.9	64.7	62.3	22.6	144.8
2003	653.0	57.7	37.4	10.6	101.5	39.5	85.6	24.5	66.0	63.8	20.8	145.6
2004	667.4	57.4	37.7	11.0	104.5	40.0	89.1	26.0	68.4	67.1	20.5	145.8
2005	692.2	57.3	40.2	11.7	110.1	41.2	94.1	26.5	71.1	69.7	21.5	148.9
2006	723.2	58.9	44.6	12.6	114.8	43.3	99.6	27.7	73.8	74.3	21.8	152.0
2007	757.4	60.0	48.6	13.4	122.3	45.0	106.7	28.2	76.6	78.4	21.9	156.3
2008	777.6	58.2	47.8	13.4	125.5	44.9	111.7	30.4	80.6	80.5	20.1	163.4
2009	774.8	54.4	44.6	13.2	123.0	45.6	113.2	31.6	83.1	81.3	20.1	166.3

TOT	Total Non-Agricultural Wage & Salary Employment	FIRE	Finance, Insurance, & Real Estate
MFG	Manufacturing	PROF	Professional Services
CON	Construction	OTH	Other Services
TWU	Transportation, Warehousing, & Utilities	EDC	Education & Health Services
TRA	Wholesale & Retail Trade	INFO	Information
LHO	Leisure and Hospitality	GOV	Government

Source: AngelouEconomics; Texas Workforce Commission

Note: Due to rounding, industry estimates may not equal total employment.

National Economy

2009 YEAR IN REVIEW

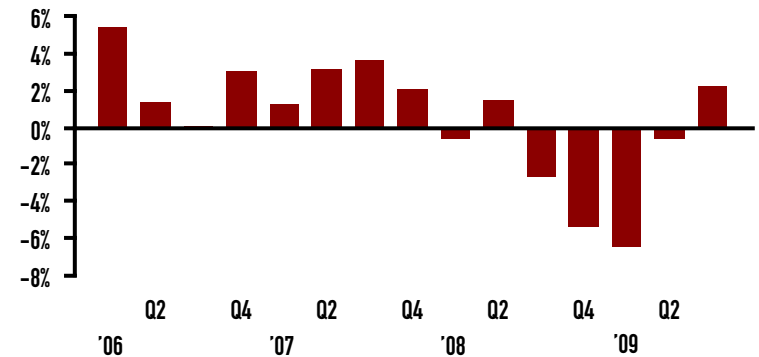
2009 marked a turbulent year for the U.S. economy. As banks failed, requiring government funding to stay afloat, their ability to lend dried up. With the capital markets frozen, businesses were unable to finance their ongoing operations, leading to a global downturn and massive layoffs. On average, the nation lost more than half a million jobs monthly for the first half of the year. The DOW went below 6600, the lowest level in over a decade and less than half its volume compared to the previous year. With both home and stock portfolio values plummeting, consumer confidence fell to the lowest recorded levels since tracking began in 1967.

To shore up the crumbling economy, the federal government passed unprecedented spending bills and policies. The Federal Reserve was given incredible power to buy “toxic” assets from bank balance sheets, rescue foundering banks and businesses, and become a major stockholder of numerous U.S. corporations. While tentative, mild growth in GDP and a dramatic decline in November job losses point to the beginning of economic recovery, it will take some time to reach pre-recession employment levels.

Positive developments for the U.S. economy:

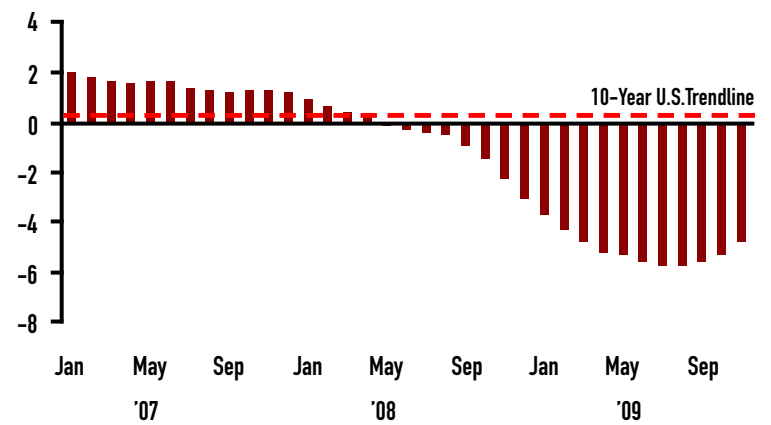
- **The recession ended mid-year** and the U.S. economy is recovering, albeit very slowly. U.S. GDP grew by 2.2% in the third quarter, reversing negative growth trends in the first and second quarters of -5.7% and -0.7% respectively.
- **U.S. household net worth is finally on the mend.** The second and third quarters of 2009 brought the first growth in over two years. Net worth grew 5% in the third quarter to \$53.4 trillion, mostly due to a 17% increase in stock holdings. However, real estate holdings also grew 2% to \$16.6 trillion. Americans’ improved net worth will bolster consumer spending to aid in the economic recovery.
- **Fewer people are losing jobs or filing for unemployment.** The number of first-time claims for unemployment has fallen 30% since its peak in April. As of January, the 4-week moving average had declined to 450,250. The number of workers continuing to receive unemployment benefits stood at roughly 4.9 million.
- **Average consumer debt decreased** in late 2009 by an annual rate of 8.5%. Americans are once again beginning to live within their means and are saving more of their earnings. Since September 2008, Americans have reduced overall credit card debt by over \$100 billion.

U.S. Real Gross Domestic Product Annualized Growth Rate



Source: Bureau of Economic Analysis

U.S. Year Over Year Employment Total Millions of Jobs Vs. Same Month Last Year



Source: Bureau of Labor Statistics

National Economy

2009 YEAR IN REVIEW (CONTINUED)

- **The weak dollar is encouraging foreign direct investment.** Many businesses are considering entering the U.S. market, as startup costs relative to foreign currencies are the lowest in over a decade. In addition, the lower value of the dollar is encouraging foreigners to acquire U.S. corporate assets.
- Helped by a weak dollar, **strong exports are providing a key lifeline to U.S. economic recovery** efforts. U.S. exports rose by 12% year over year in October and are set to exceed \$130 billion monthly in 2010. Exports rose particularly in high-cost product sectors such as farm equipment, automobiles, aircraft, and industrial machinery.
- Buoyed by federal tax credits for first time home buyers, **new housing sales have been recovering steadily since March.** Construction inventory is down to 7.2 month's supply, from 11.2 in 2008. **Existing housing sales also improved** in 2009. They are up 44% compared with 2008 figures.

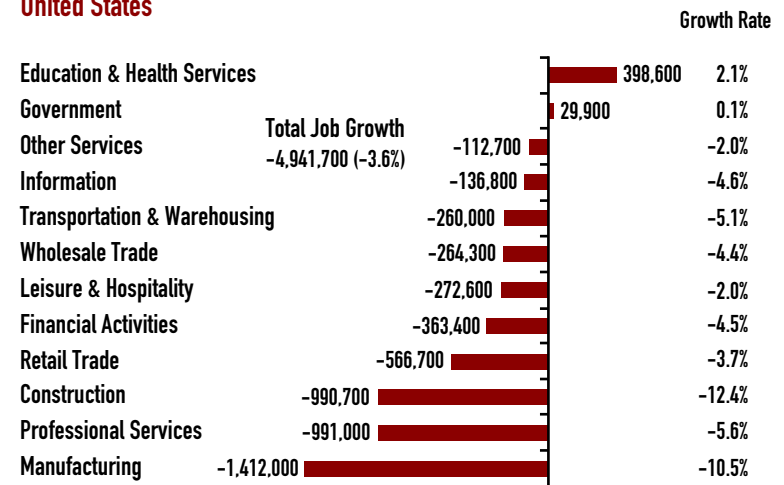
Continuing Challenges for the U.S. economy:

While the recession may have ended, the nation still faces significant challenges. Record level foreclosures and job losses persist. There are still concerns that this may become a "double-dip" recession.

- **The U.S. economy suffered significant job losses** in 2009. Over the past year, U.S. employment has fallen by nearly 4.1 million jobs, bringing unemployment to 10%, a 26-year high. Over 7.3 million jobs were lost since the recession began in December 2007. It is expected to take 6-8 years to recoup these losses.
- **Fallout in small regional banks continues.** The FDIC estimates that an additional 400 banks may fail by the end of 2011. This is especially problematic since more than 140 bank failures over the past two years have put the FDIC insurance fund at an \$8.2 billion shortfall as of September 30.
- **A commercial mortgage financing challenge is looming.** As of September, commercial real estate loan delinquencies climbed to 8.7%, the highest since 1993. With increased bankruptcies throughout the country, vacancies are expected to rise to reach 19% by the end of 2010. As balloons payments come due from over the next two years from loans executed at the height of the market, investors will realize huge losses.

New Jobs by Industry, 2009

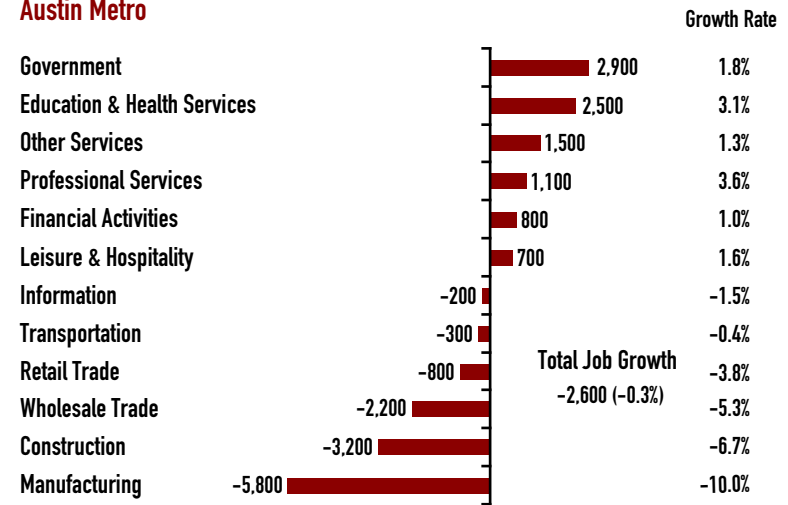
United States



Source: Bureau of Labor Statistics

New Jobs by Industry, 2009

Austin Metro



Source: Bureau of Labor Statistics



Austin Economy

2009 YEAR IN REVIEW

The Texas economy, supported by sector-diversity, continued to outperform the U.S. economy in 2009. Stability in Austin's professional services and health and education clusters, Dallas-Ft. Worth's telecommunications and logistics clusters, Houston's energy cluster, and San Antonio's broad service clusters have helped sustain the world's 11th largest economy. Texas economic performance slowed with the nation, peaking at 8.3% unemployment in October, amounting to a loss of over 201,700 jobs statewide compared to the previous year. Major job losses occurred in manufacturing, construction, and trade. Among the State's major metro areas, Houston and Dallas registered the largest losses in employment (59,200 and 42,400) while Austin and San Antonio had the smallest (2,600 and 5,200).

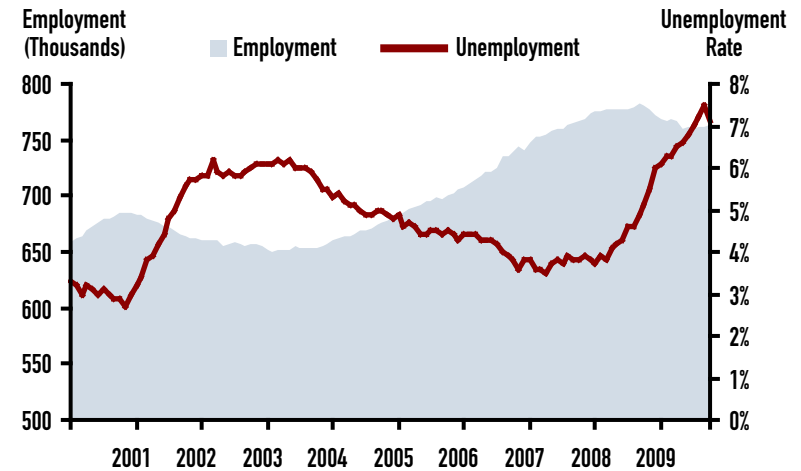
Austin's employment stability reflects growth in service-oriented sectors, including government, education and health services, professional services, and leisure and hospitality. Government and educational and health services posted the highest gains, with growth rates of 1.8% and 2.9%, respectively. Austin employment surpassed 774,000 in 2009, making it the second highest level in the city's history, behind only the prior year.

Austin continues to enjoy positive wage growth, a reflection of the strength of the economy. Local wage growth, while still slow, increased by 1.5% between 2008 and 2009, almost double the rate between 2007 and 2008. At 48,300, Austin's average wage rose to approximately 6.6% higher than the average U.S. wage of \$45,400. While this gap appeared to be closing as recently as last year, national trends have allowed Austin to gain faster than the rest of the country. Wage increases are occurring across all industries, including traditionally low-wage sectors such as the arts as well as high-wage industries such as professional services and information.

Austin continues to be one of America's most desirable communities in which to live and work. The metro area population grew by more than 44,000 and is currently estimated at 1.651 million, an increase of more than 36% compared to 2000 figures. Austin's population expansion has come primarily from migration, with 62% of population increases coming from domestic migration and 12% coming from international migration. The remaining 26% of Austin's increased population came from natural increase.

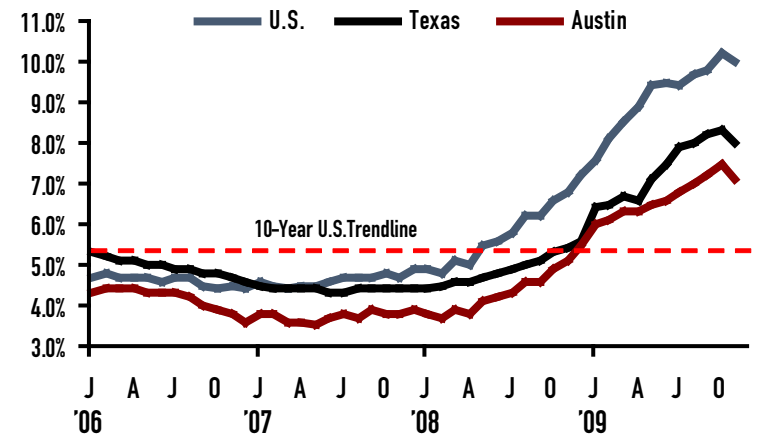
Employment and Unemployment Rate

Austin Metro (Seasonally Adjusted)



Source: AngelouEconomics; Federal Reserve Bank

Unemployment Rate



Source: Bureau of Labor Statistics



Austin Economy

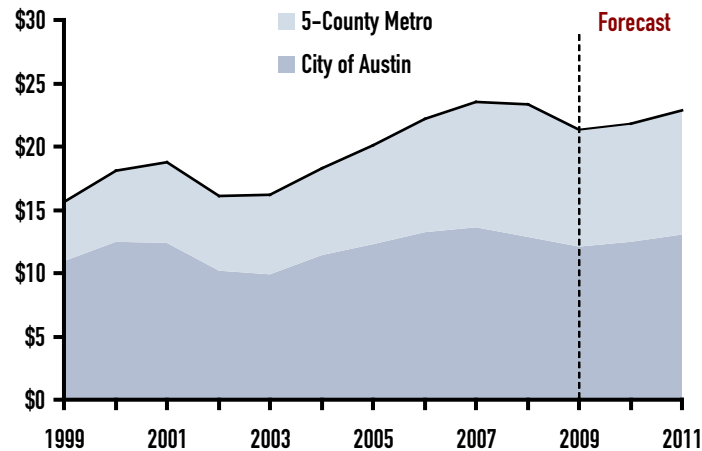
2009 YEAR IN REVIEW (CONTINUED)

Metro demographics are also changing with overall population growth. Austin is rapidly becoming a diverse area as the minority population continues to grow faster than the non-Hispanic, white population. People of Asian and Hispanic ethnicity are the fastest growing segments of Austin's population, with the Asian population growing by more than 50% and the Hispanic population growing by 38% since 2000. The area's population is younger and better educated than U.S. and state averages, factors that will additionally enhance future economic expansion.

Despite having a resilient economy through this recession, Austin faces challenges in the years ahead. The local technology sector is faltering and/or moving overseas. Additionally, Austin's once thriving real estate market struggled in 2009, with residential, commercial, industrial, and retail markets all experiencing declines. City tax revenues are being constrained by depressed property values and lower-than-expected retail sales, forcing pay and hiring freezes as well as contentious budgetary decisions. Despite these difficulties, sectors such as government and education will provide needed stability to Austin's economy.

Retail Sales

Austin Metro



Source: AngelouEconomics; Texas Comptroller

2009 at a Glance

U.S.		TEXAS
132,104,364	Employment	10,415,130
-4,941,700	New Jobs	-201,700
-3.6%	Annual Growth	-1.9%
10.0%	Unemployment*	8.0%
304,448,000	Population	24,805,000
2,826,800	New Population	478,000
\$3,651.31	Retail Sales (\$B)	\$300.80
\$27,967	Venture Capital	\$448.4

*December 2009
Source: AngelouEconomics; Texas Comptroller

2009 at a Glance

AUSTIN METRO

Employment	774,500
New Jobs	-2,600
Annual Growth	-0.3%
Unemployment*	6.7%
Population	1,682,600
New Population	44,400
Retail Sales (\$B)	\$22.18
Venture Capital (\$M)	\$122.3

*December 2009
Source: AngelouEconomics; Texas Comptroller



Austin Economy

2010-2011 FORECAST

Austin's economy will experience mild job growth in 2010 before returning to form in 2011, with employment increasing by 9,200 and 17,100, respectively. New jobs will be created across almost all of Austin's sectors. Job growth will remain strongest in Austin's core areas of education and health care, professional services, government, financial activities and information. Moderate growth will occur in transportation, warehousing and

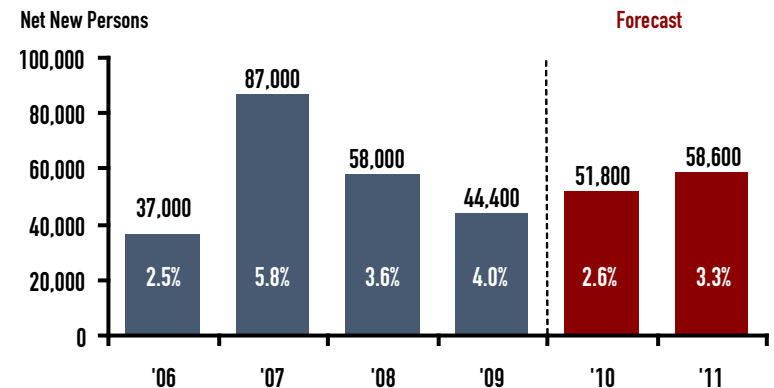
utilities, and retail trade. Manufacturing and construction will continue to have small job losses in 2010 as these hardest-hit industries recover the most slowly. However, they are expected to show growth again by late 2010 or early 2011.

Despite Austin's sluggish economy in 2009, people still see the metro area as a place of opportunity. Last year, the area gained 44,400 people in spite of its mild job losses. As long as Austin maintains its reputation as a great place to live and find well-paying jobs, people will continue to move here to either find work or create their own. Over the next two years, AngelouEconomics expects that the metro area's population will grow by more than 110,000, topping 1.837 million by the end of 2011.

As the Austin economy begins to add jobs again, AngelouEconomics expects retail sales to reverse their 2-year trend of declines. Retail sales throughout the metro area will increase by \$1.5 billion in the next 2 years to average about \$22.85 billion annually in 2011.

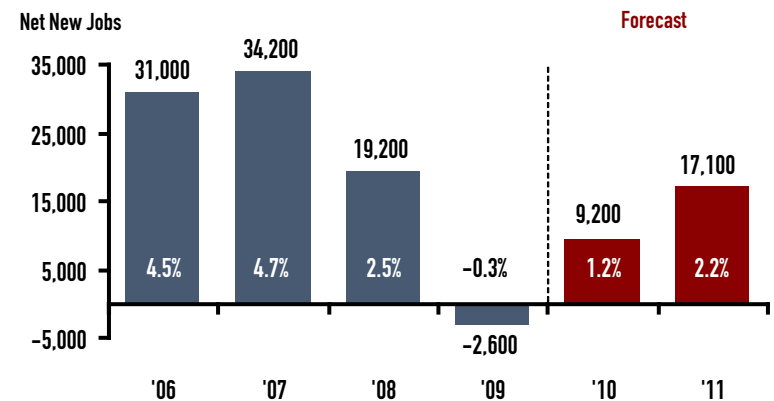
While Austin has fared much better than much of the U.S., growth over the next two years is still expected to be conservative, with a reduction of unemployment rates by 1%. The unemployment rate, which averaged 6.7% in 2009, is expected to fall to 6.2% in 2010. By the end of 2011, it is expected to drop an additional 0.5%, to 5.7%.

Austin Metro Population Growth Forecast, 2006 to 2011



Source: AngelouEconomics; Census

Austin Metro Job Creation Forecast, 2006 to 2011



Source: AngelouEconomics; Texas Workforce Commission

Top 25 Public Companies

HEADQUARTERED IN AUSTIN

Company	Description	Symbol	2009 Revenue	2008-2009 Revenue Change	Local Employment
Dell	Diversified Technology Manufacturing / Services	DELL	\$61.1 Bil.	-\$32 Mil.	16,000
Whole Foods Market	Natural Foods Markets	WFMI	\$7.95 Bil.	\$1.36 Bil.	1,605
Temple-Inland	Manufacturing / Financial Services	TIN	\$3.88 Bil.	-\$42 Mil.	473
National Instruments	Instrument Design / Manufacturing	NATI	\$820.53 Mil.	\$80.15 Mil.	2,327
EZCorp	Pawnshop Developer / Operator	EZPW	\$457.4 Mil.	\$85.18 Mil.	222
Silicon Laboratories	Mixed-signal Integrated Circuits	SLAB	\$415.63 Mil.	\$78.16 Mil.	400
National Western Life Insurance	Insurance	NWLI	\$411.07 Mil.	-\$63.42 Mil.	290
Golfsmith International Holdings	Golf Equipment Retailer	GOLF	\$378.77 Mil.	-\$9.38 Mil.	DND*
American Campus Communities	Real Estate Investment Trust	ACC	\$235.51 Mil.	\$88.27 Mil.	152
Perficient	Software	PRFT	\$231.48 Mil.	\$13.34 Mil.	DND*
Cirrus Logic	Semiconductor Design	CRUS	\$174.64 Mil.	-\$7.24 Mil.	300
Vignette	Software	VIGN	\$169.54 Mil.	-\$22.26 Mil.	207
HealthTronics	Medical Devices / Equipment	HTRN	\$165.94 Mil.	\$25.52 Mil.	125
Citizens	Insurance	CIA	\$146.67 Mil.	-\$22.96 Mil.	110
Multimedia Games	Games	MGAM	\$131.13 Mil.	\$9.21 Mil.	DND*
Brigham Exploration	Oil / Gas Exploration	BEXP	\$127.78 Mil.	\$8.8 Mil.	72
Luminex	Medical Devices / Equipment	LMNX	\$104.44 Mil.	\$29.43 Mil.	274
American Physicians Service Group	Financial Services / Insurance	AMPH	\$74.74 Mil.	-\$9.65 Mil.	101
Entorian Technologies	Computer Memory Manufacturer	ENTN	\$55.87 Mil.	\$15 Mil.	63
Active Power	Uninterrupted Power Supply Providers	ACPW	\$42.98 Mil.	\$9.38 Mil.	110
Pervasive Software	Software	PVSW	\$42.46 Mil.	\$1.68 Mil.	210
Valence Technology	Energy Storage Solutions	VLNC	\$26.15 Mil.	\$5.38 Mil.	DND*
Xplore Technologies	Rugged Mobile Computing Systems	XLRT	\$25.35 Mil.	-\$9.17 Mil.	15
Littlefield	Public Holding Company	LTFD	\$11.22 Mil.	-\$2.19 Mil.	12
Asure Software	Software	ASUR	\$10.18 Mil.	-\$30.22 Mil.	DND*

Source: Austin Business Journal

*Did Not Disclose

The Entrepreneurial Economy

2009 AUSTIN ECONOMY

Due to market volatilities, investment portfolios have moved to risk averse funds. This has drastically reduced the amount of available venture capital (VC). During the first three quarters of 2009, national venture capital funding totaled just \$11.5 billion, down nearly 46% from the same period in 2008. Market fears and uncertainty have also drastically reduced mergers and acquisitions (M&A) activity. As of November, the number of deals has fallen by 18% compared to 2008 and dollar volume has declined by nearly 29%, dropping to the lowest level since 2003. While this is an improvement from last year, which reduced the value of M&A's by nearly 36%, it is still a significant challenge. Initial public offerings (IPO) in the United States have dropped even more drastically. Between September 2008 and March 2009, only five IPOs were completed. One Austin company completed an IPO in 2009: SolarWinds Inc., which makes network management software.

The amount of available venture capital spending in 2008 was the second largest since 2001. 2009, on the other hand, is on track to be the lowest funded year of the decade. Traditional VC sectors, such as software and biotechnology, were the only sectors that experienced major investment. These two sectors accounted for 37% of all VC investment so far for the year.

Unfortunately, the local venture capital market has reflected national VC trends. Austin is on track to have a 58% decline in local VC activity in 2009 with area firms receiving approximately \$122 million through the first three quarters of 2009, compared to \$294 million through the first three quarters of 2008. As in previous years, two of the largest recipients of venture funding in Austin were semiconductor and software firms. Two major consumer products and services projects, totaling \$18.3 million, demonstrated potential for growth in this sector as well. These two projects equaled nearly 6% of all investment within this sector nationally.

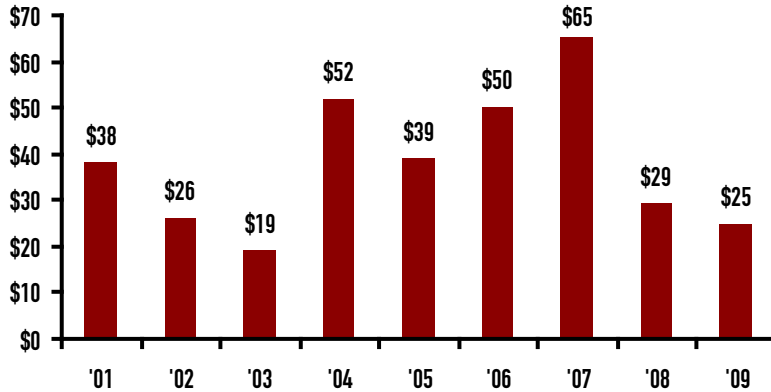
U.S. Venture Capital by Industry*

Industry	Deals	Investment (\$M)
Biotechnology	270	\$2,370
Business Products and Services	52	\$149
Computers and Peripherals	38	\$249
Consumer Products and Services	49	\$238
Electronics / Instrumentation	40	\$251
Financial Services	36	\$212
Healthcare Services	25	\$80
Industrial/Energy	143	\$1,385
IT Services	134	\$785
Media and Entertainment	155	\$780
Medical Devices and Equipment	198	\$1,657
Networking and Equipment	68	\$512
Other	14	\$27
Retailing / Distribution	19	\$91
Semiconductors	71	\$491
Software	401	\$1,881
Telecommunications	85	\$329
Total	1798	\$11,487
Source: AngelouEconomics; VentureEconomics		*Through Q3 2009

The Entrepreneurial Economy

U.S. IPO Market

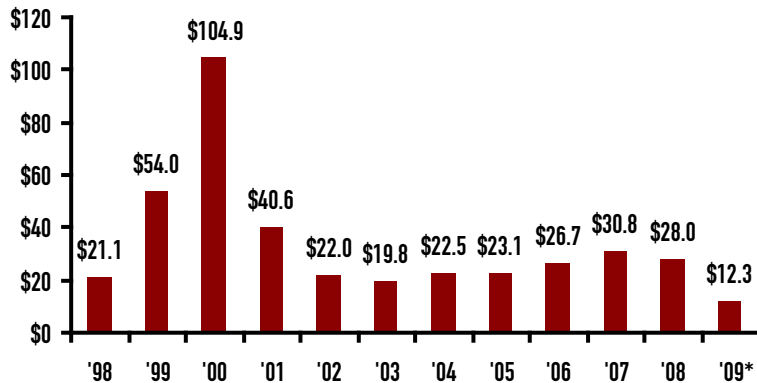
Billions Raised



Source: PricewaterhouseCoopers

U.S. Venture Capital Funding

Billions



Source: Venture Economics

*Through Q3

Austin Venture Capital by Industry

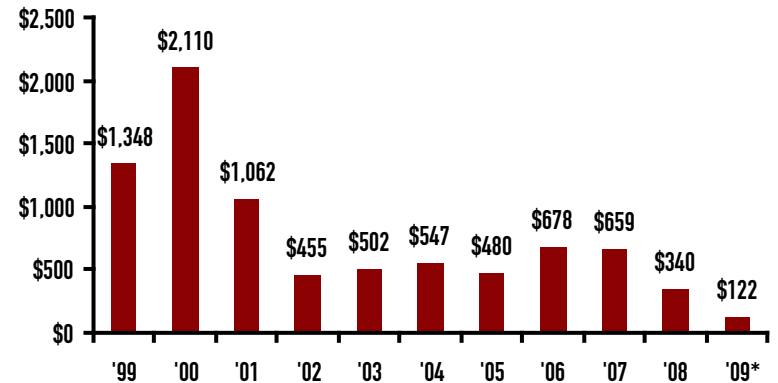
Industry	Deals	Investment (\$M)	Share of U.S.
Biotechnology	1	2.5	0.1%
Business Products and Services	2	2.8	1.4%
Computers and Peripherals	1	7.6	2.5%
Consumer Products and Services	2	18.3	5.7%
IT Services	5	15.2	1.5%
Media and Entertainment	3	6.3	0.5%
Medical Devices and Equipment	2	1.6	0.1%
Networking and Equipment	1	15.0	2.7%
Semiconductors	3	18.5	2.5%
Software	7	31.7	1.1%
Telecommunications	2	2.8	0.4%
Total	29	122.3	0.7%

Source: AngelouEconomics; VentureEconomics

Through Q3 2009

Austin Venture Capital Funding

Millions



Source: Venture Economics

*Through Q3



The Tech Sector

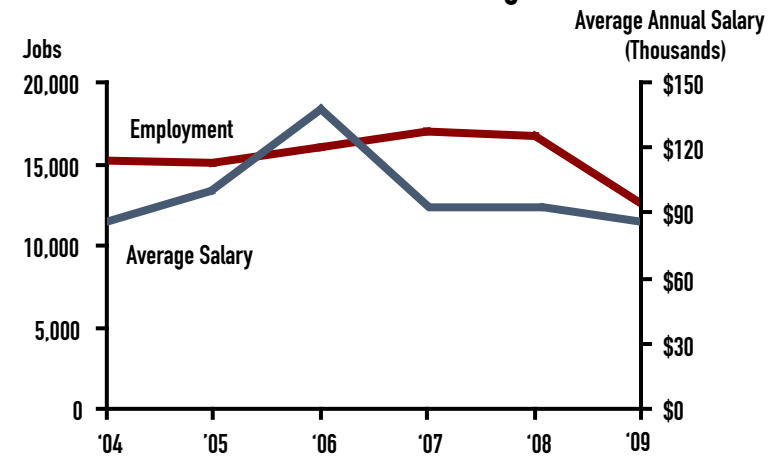
2009 AUSTIN ECONOMY

Austin's diversification into niches within the technology sector has allowed the region to evolve with industry trends. Gains within these new niches, including gaming, new consumer products, and clean energy, have offset the loss of nearly 5,000 jobs over the last 5 years within information technology, computer manufacturing, and semiconductor manufacturing.

Regional technology manufacturers have suffered from slumping sales and increased pressures to move operations overseas as both corporate clients and consumers hesitated to make significant purchases over the past year. However, this trend is expected to reverse over the next two years, as companies replenish inventories, make needed upgrades that can no longer be delayed, and sell software and services to emerging markets. Software, semiconductor, and PC unit sales are all expected to grow by 10% over the next year. Information technology spending is also expected to increase by 3%.

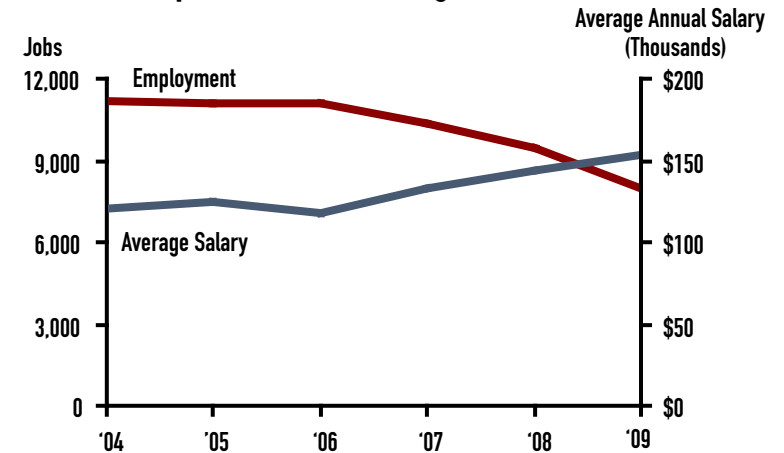
Ultimately, no community can perform well when its major employers are in trouble. A continued erosion of Austin's high-tech employment base will severely strain municipal budgets as well as weaken the strong base of small businesses. The region must work to capitalize on the forecasted growth in technology in the coming years in order to maintain this important sector.

Austin Semiconductor Manufacturing



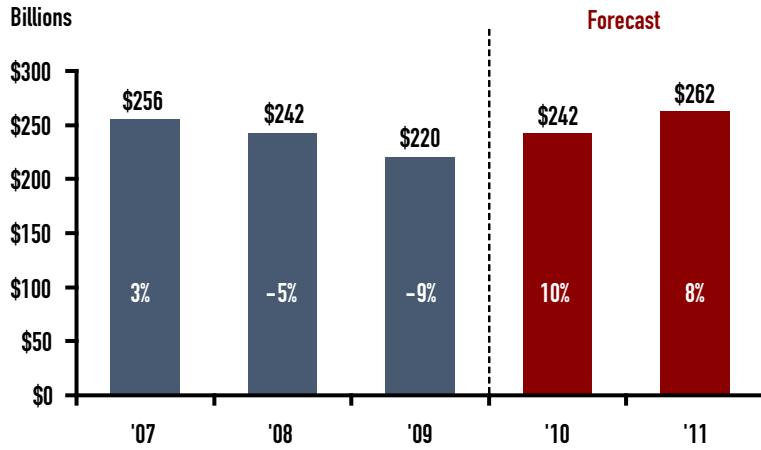
Source: AngelouEconomics; Texas Workforce Commission

Austin Computer Manufacturing



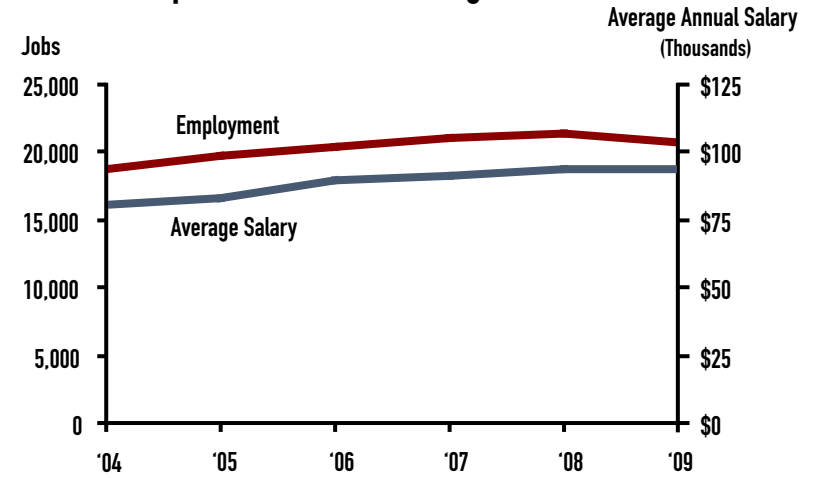
Source: AngelouEconomics; Texas Workforce Commission

Global Semiconductor Chip Sales



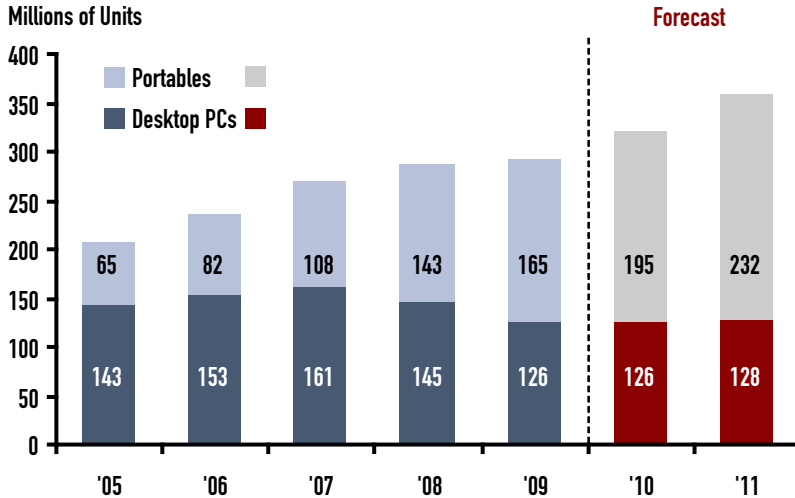
Source: Semiconductor Industry Association; Gartner

Austin Computer & Software Design



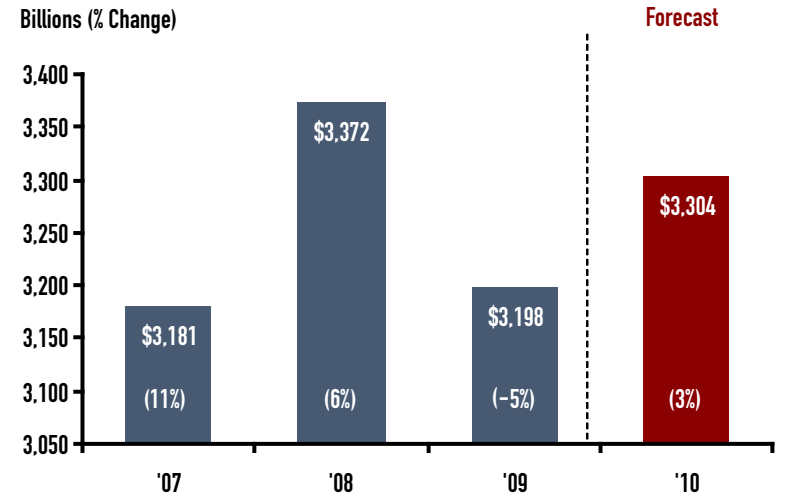
Source: AngelouEconomics; Texas Workforce Commission

Worldwide PC Shipments



Source: IDC

Worldwide IT Spending



Source: AngelouEconomics; Gartner

Commercial Real Estate

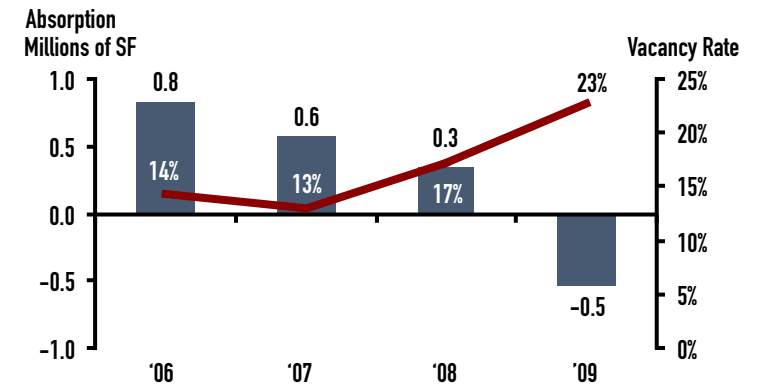
2009 AUSTIN ECONOMY

Austin's office market, which slowed significantly through 2008 and early 2009, has shown signs of recovery in recent months. Total vacancies are still very high, with nearly 21% of all office space currently available. However, approximately one quarter of a million square feet was absorbed within the third quarter alone, making up nearly half the losses experienced earlier in the year. Additionally, Class A lease rates declined, dropping from \$31.27 per square foot to \$29.10. The Central Business District has weakened slightly, with vacancies increasing from 13% at the end of 2008 to 15% today. Class A lease rates have declined in response, now averaging \$34 per square foot, two dollars less than a year ago for downtown space. The lowest vacancy rates are currently in the south and west central parts of the metro, at 9% and 10%, respectively.

Austin's industrial market has struggled even more than the office market this year. Vacancy rates, which hovered between 6% and 8% in 2007, have doubled in the past two years to a current rate of more than 14%. Production declines from companies such as Samsung, Dell, and Freescale helped contribute to the contraction of the industrial market. While the previous year saw net absorption, 2009 has had a net loss of more than 600,000 square feet. Lease rates also declined, falling from \$7.21 a square foot in 2008 to \$7.10 in 2009.

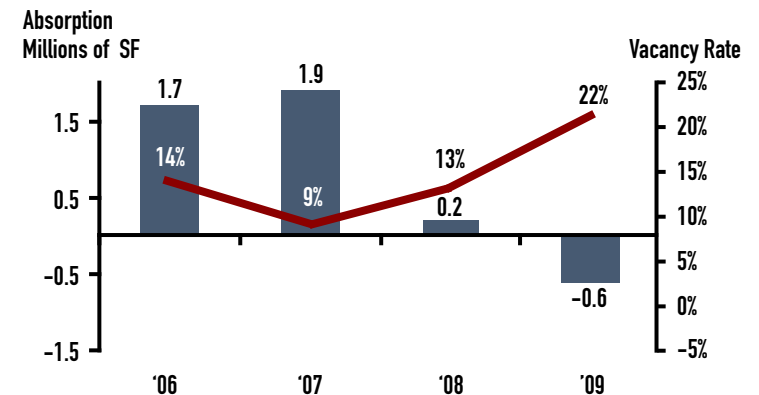
While volatility caused the national retail sector to struggle, Austin's population growth buoyed the local retail market. The local market posted positive absorption figures for the ninth straight year in 2009, with 92% of available commercial retail space occupied. Infill of large retail centers recently vacated by failing companies like Circuit City and Bed, Bath and Beyond, as well as growth in shopping centers such as the Hill Country Galleria, drove the absorption of retail space. Approximately 278,000 square feet of space was absorbed in 2009, a 25% decline from the previous year. Although absorption has been down for the past two years, Austin's retail market remains far healthier than the national retail market.

Office Market



Source: Oxford Commercial; NAI/CIP

Industrial Market



Source: Oxford Commercial; NAI/CIP

Austin Commercial Market

	Office	Industrial	Retail
Inventory SF	41,959,858	50,061,722	40,000,000
Occupancy	77.2%	78.0%	92.0%
Rental Rate	\$29.40	\$7.17	\$20.43
Absorption YTD	-544,255	-598,000	278,130

Source: AngelouEconomics; Oxford Commercial; NAI/CIP; CB Richard Ellis



Residential Real Estate

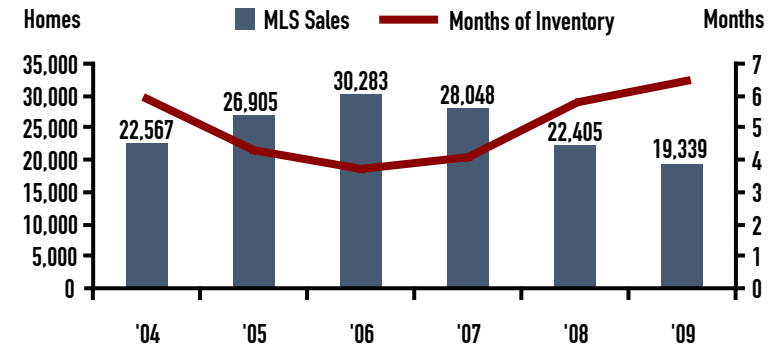
2009 AUSTIN ECONOMY

Since peaking in late 2005, the national residential market has dropped precipitously. Beginning with an implosion of the subprime mortgage market, the current housing crisis has ensnared an increasing number of prime borrowers. Although the Austin residential real estate market continues to outperform the national real estate market, the metropolitan area has not been able to escape the broader macroeconomic climate. Over the past year, Austin's residential real estate market actually depreciated, though the decline was minimal compared to most other urban markets. In 2009, the average sales price of a home in Austin dropped to \$235,000, a decrease of 3.2% compared to 2008 figures. However, the number of home sales has started to rebound, rising to levels observed mid-2008. Additionally, inventory has declined to 5.7 months, which should add pressure to home prices.

Despite a growing population through 2009, the rental market has cooled along with home sales. Average rents dropped to \$0.94 per square foot, a remarkably weak performance. Additionally, inducements equal to four weeks rent are common, further reducing the overall price. Unfortunately, the local Austin market has not been able to fully absorb excess inventory, causing a steady decline in occupancy rates. After climbing to 95.4% in 2007, Austin's multi-family occupancy rate dropped to 91.6% in 2008 and is now at 89.3%. Although occupancy rates have declined slightly over the past three years, the rental market has been surprisingly stable. More than 4,000 new rental units became available in the second half of 2009, yet occupancy rates did not change proportionally.

Single Family Market

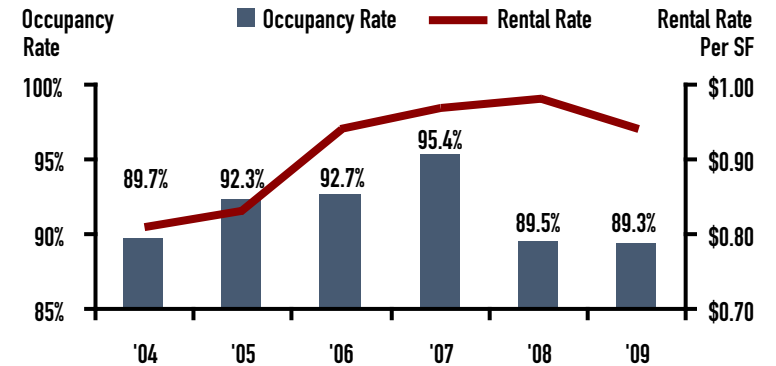
Austin Metro



Source: Texas Real Estate Center

Multi-Family Market

Austin Metro



Source: ALN Apartment Data



Emerging Growth Sectors

2009 AUSTIN ECONOMY

Traditional technology niches including computers, semiconductors, and software are expected to grow as demand for its computers, semiconductors, and software, growth in these sectors has slowed significantly in recent years. However, they are forecasted to show growth in the future, as demand for traditional technologies in developing countries and clean technologies in developed countries begins to rebound. Austin should capitalize on the opportunities they present.

As inventories have depleted over the recession, production is forecasted to pick up again early in 2010. Global chip and computer demand will also begin to pick up as the recession wanes and companies stop putting off necessary updates. By 2011, chip sales are expected to surpass 2007 levels to over \$262 billion, globally. With Austin's strong employment in computer manufacturing and software design, the metro area is well positioned to benefit from this growth.

Clean energy continues to be a growing sector for the United States. In 2009, new businesses blossomed across the nation to develop products required by government mandates and provide alternative energy solutions. With a supportive local utility and forward-thinking public policy, Austin is crafting itself as a sustainable city and a center for clean technology. Solar installation and manufacturing, energy services companies, and green building in particular are industry strengths for Austin. As Austin continues to adjust its incentives programs for energy efficiency and renewable energy consumption, it will continue to encourage job and business growth in what will likely be the most important emerging sector of the next half-century.

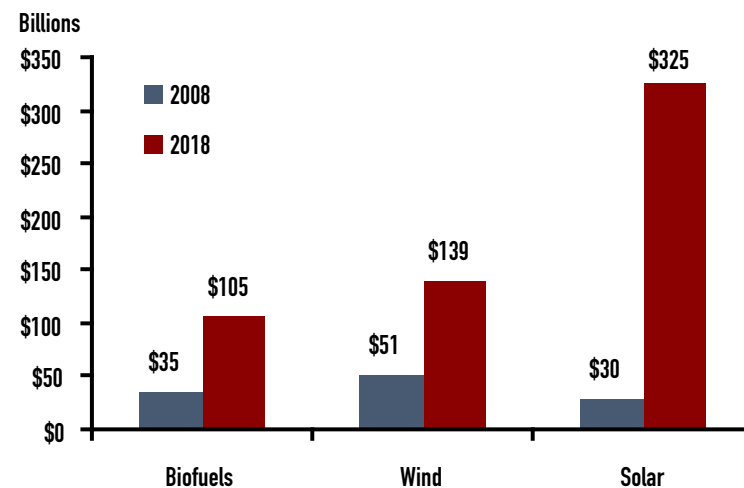
Clean energy requires job skills from numerous fields and levels. Electrical, civil and mechanical engineers are all needed to develop less expensive renewable technology. Technicians are required for maintaining and servicing machines. As many clean energy advancements hit the consumer market, service personnel will be needed to handle customer needs and questions.

Top Clean-Tech Job Sectors

ENERGY	WATER
<ul style="list-style-type: none"> Renewable Energy (e.g., Solar, Wind) Energy Storage Energy Conservation & Efficiency Smart Grid Devices & Networks Electric Transmission & Grid Infrastructure Biomass & Sustainable Biofuels 	<ul style="list-style-type: none"> Energy-Efficient Desalination UV Filtration Reverse Osmosis Filtration Membranes Automated Metering and Controls Water Recovery and Capture
TRANSPORTATION	MATERIALS
<ul style="list-style-type: none"> Hybrid-Electric Vehicles All-Electric Vehicles Electric Rail Hydrogen Fuel Cells for Transport Advanced Transportation Infrastructure Advanced Batteries for Vehicles 	<ul style="list-style-type: none"> Biomimicry Bio-Based Recycling Reuse and Recycling Green Building Materials Cradle-to-Cradle Systems Green Chemistry

Source: Clean Edge, Inc.

Global Clean Energy Growth



Source: Clean Edge, Inc.



Conclusion

2010-2011 FORECAST

Companies and workers continue to consider Austin a "hot spot" for top talent and interesting, well-paying jobs.

At the beginning of 2010, the national economy remains in the grips of its worst economic slowdown of the last 50 years. With the recession expected to be officially declared over by mid-year, the recovery is moving at a snail's pace. Job recovery will likely take much longer.

Unlike much of the nation, the Austin area has weathered the storm very well. With minimal job loss in 2009, Austin can look forward to the future with relative confidence. Companies and workers continue to consider Austin a "hot spot" for top talent and interesting, well-paying jobs. Austin consistently ranks high on "Best Cities" lists, whether they measure business-friendliness, quality of life, or entrepreneurship. These traits will remain Austin's core competitive strengths as it attracts companies and people.

For Austin to maintain its competitiveness, it must continually build upon these great assets. In today's struggling financial environment, this translates into increased local government support. Effective economic development policy must be bolstered by strategic incentives and inducements that are competitive with other cities' attraction packages.

In addition to government support that attracts companies and people, Austin's success will also be determined by its capacity to grow jobs from within. To do so, the Austin area must cultivate entrepreneurship and attract additional early-stage capital. If people migrating to the region cannot find work, they must find the tools in place to create their own. Austin area residents are very entrepreneurial, and the region needs to continually assess and improve its infrastructure to keep entrepreneurship flourishing.

AngelouEconomics expects the current economic conditions to extend through the second quarter of this year, as the embattled technology sector and real estate markets struggle to rediscover their footing. In the meantime, Austin's traditional economic base, the public sector, will continue to provide stability. While this "recession-proof" sector is incapable of supplying the region with an abundance of new jobs, gradual employment gains will persist through the end of the year.

The region's economy will continue its path of improvement with the addition of 9,200 jobs in 2010 and another 17,100 jobs in 2011. Meanwhile, Austin's population will surpass 1,837,000 in the next two years.



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2010-2011 Economic Forecast

CHALLENGING TIMES, EMERGING OPPORTUNITIES



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