DEMOGRAPHIC/ECONOMIC SUMMARY OF THE CITY

Houston is the largest city in Texas and one of the primary demographic and economic drivers of the Southern United States with a population of 2.24 million. In terms of population, the City of Houston is ranked the fourth largest city in the country, just behind Chicago and ahead of Phoenix according to the Census Bureau.

The 2008 American Community Survey (ACS) reports that Houston's population is evenly split between men and women. The median age is 32.9, and 73.2% of the population is at least 18 years old. Residents that are 65 and older represent 9.1% of the population.

Houston is a multicultural city, in part because of its many academic institutions and strong industries that attract people from all over the world. Over 90 languages are spoken in the city. The racial makeup of Houston, according to ACS, is 55.6% White, 23.6% African American, 0.4% American Indian and Alaska Native, 5.5% Asian, and 13.7% is some other race. Almost 42.7% of the population is Hispanic or Latino of any race. The city has the third-largest Hispanic and third-largest Mexican-American population in the United States. It also has more Hispanic Americans than any other city in Texas.

The Houston area has a highly skilled workforce. Seventy four percent of the population twenty-five years and over are high school graduates and approximately 28% of the population has a bachelor's degree or higher. The total school enrollment in Houston was 520,000 in 2008.

Houston is the academic center of the Southwest, providing a first-rate education system. From "Pre-K to gray," Houston offers every subject specialization across all learning levels. The area includes more than 125 business and secretarial schools, 66 public school districts across the region, 50 independent charter schools, and 224 private and parochial schools. The Houston Independent School District, the largest public school system in Texas, is the seventh largest in the United States with an enrollment of 200,225 students in 296 schools.

The U.S. News & World Report consistently rank the prestigious Rice University's Jesse H. Jones School of Management, University of Houston's Law Center, Baylor College of Medicine, University of Texas Health Science Center, Rice University's George R. Brown School of Engineering and the University of Houston Cullen Center among the top universities in the nation in the fields of business, law, medicine, and engineering respectively. The University of Houston is known as a premier metropolitan research and teaching institution that is recognized throughout the world as a leader in energy research, law, business and environmental education.

Select list of Houston Area Colleges and Universities:

Colleges	Universities
Alvin Community College	Baylor College of Medicine
Blinn College	Houston Baptist University
Brazosport College	Lamar University
College of the Mainland	Prairie View A&M University
Galveston College	Rice University
Houston Community College System	Sam Houston State University
Lee College	Texas A&M University
North Harris Montgomery College District	Texas A&M University at Galveston
San Jacinto College District	Texas A&M University Health Science Center
Wharton County Junior College	Texas Southern University
	University of Houston
	University of Houston – Clear Lake
	University of Houston – Downtown
	University of Phoenix – Houston Campus
	University of St. Thomas
	University of Texas – M.D. Anderson Cancer Center
	University of Texas Health Science Center
	University of Texas Medical Branch at Galveston

ECONOMIC DRIVERS

The City of Houston, the county seat of Harris County, is the economic center of the Houston – Sugar Land – Baytown Metropolitan Statistical Area (MSA). The entire MSA includes the counties of Austin, Brazoria, Chambers, Fort Bend, Galveston, Harris, Liberty, Montgomery, San Jacinto, and Waller. It ranks as the sixth largest in the United States. The MSA covers more than 10,000 square miles and has an estimated population of 5.7 million residents, creating one of the most dynamic urban centers in the United States. The Houston Metropolitan area ranks as the number one place to live in the country, according to Kiplinger Personal Finance, citing abundant jobs, strong economy, reasonable living costs and entertainment venues.

Houston is the U.S. energy headquarters and a world center for virtually every segment of the petroleum industry. More than 3,000 energy-related establishments are located within the Houston MSA, including more than 500 exploration and production firms, more than 150 pipeline transportation establishments and hundreds of manufacturers and wholesalers of energy-sector products. The upstream energy employment has grown an average of 3.97% over the last 3 years while non-agricultural wage and salary employment has grown an average of only 1.3%. Oil and natural gas prices dropped sharply in late 2008 due to the recession but have now stabilized. By February 2010, the price of oil settled at $77.62 per barrel on the New York Mercantile Exchange compared to $47.41 per barrel in late April 2009.

While energy remains an important part of the local economy, Houston's economic base has diversified significantly over the past 20 years. The Port of Houston is a world-class port, ranking first in the United States in foreign waterborne tonnage, second in total tonnage and is the seventh largest container port in the U.S. Houston is linked to 1,000 ports in 200 countries by approximately 100 cargo ship lines. The Port of Houston has experienced double digit growth for the past 8 years. However, in 2009, the lower cargo volumes led to a decreased projection in revenue by 16%. The West Gulf Maritime Association acknowledged the recession's impact but said Houston is doing better than other U.S. ports. The Panama Canal expansion, with expected completion in 2014, will mean better access to and from Asia and continued growth for the Port of Houston in the years to come.

The Bayport Container and Cruise Terminal (Bayport), part of the Port of Houston, became operational in 2007. In addition to providing jobs and additional capacity, Bayport meets the highest environmental standards in design and procedures. The Port of Houston and the Army Corps of Engineers are creating 4,200 acres of marshland as part of the Houston Ship Channel project; the Bayport project also will include marshland as part of its mitigation plan. The port authority will create up to another 200 acres of marshlands in Galveston Bay from dredge material. These marshlands act as a nursery for marine life and provide excellent bird watching and fishing opportunities, thus increasing the recreational value of Galveston Bay.

Lyndon B. Johnson Space Center (JSC) continues to advance national security and technology in the United States. The Center was established in 1961 and renamed in 1973 in honor of the late U.S. president and Texas native, Lyndon B. Johnson. JSC's responsibilities include training and developing astronauts worldwide, and in 2011 it will celebrate 50 years at the center of manned spaceflight. It also leads the design and implementation of the International Space Station, where astronauts from all over the world convene to perform experiments that enhance technology and medical science. JSC's research complements the business community by transferring its findings to the private sector for commercial development. The center employs approximately 3,200 residents and 15,000 contractors in the Houston area, of which 110 are astronauts.

Houston is also home to the world renowned Texas Medical Center (TMC) on vibrant, thousand-acre campus south of downtown. TMC is comprised of 48 member institutions, including 13 hospitals and 19 academic institutions. The TMC provided 5.5 million patient visits in 2009 due to the efforts of its 82,200 employees, including over 16,000 physicians, scientists, researchers, and other degreed professionals in the life sciences.

The Houston Airport System (HAS) forms one of North America's largest public airport systems, ranking fourth in the United States and sixth internationally. The three airport facilities of HAS are George Bush Intercontinental Airport, William P. Hobby Airport and Ellington Airport. George Bush International Airport (IAH) has emerged as one of the top five performing airports anywhere in the world according to the results of the Airports Council International Airport Services Quality Survey. In 2009, HAS served over 48.5 million passengers, which includes 7.8 international travelers.

The Houston-Sugar Land-Baytown MSA's Gross Area Product (GAP) in 2008 was $435.9 billion, slightly larger than Belgium, Columbia, Malaysia, Venezuela, or Sweden's Gross Domestic Product (GDP).

ARTS AND ENTERTAINMENT

With the nation's fifth largest ballet and opera companies, Houston is one of only five cities in the United States with permanent professional resident companies in all of the major performing arts disciplines of opera, ballet, music and theater. Home to nine world-class performing arts organizations, Houston Theater District is second only to New York in the number of theater seats in a concentrated area. The Houston Grand Opera is the only opera company in the U.S. to win a Grammy, a Tony and an Emmy while the Alley Theatre is the only regional theatre in Texas to win a Tony award. Other performing arts companies such as Broadway in Houston, Da Camera of Houston, Houston Symphony, Society for the Performing Arts, Theatre Under the Stars (TUTS), and Uniquely Houston also serve to enrich the lives of Houston area residents.

The Houston Museum District is one of the most visited and one of the top cultural districts in the country. With its eighteen members within a 1.5 mile radius, the district offers a wide array of exhibits featuring themes of art, history, culture, nature and science. In 2008, the museum district added the Buffalo Soldiers National Museum, a museum dedicated to the purpose of preserving, promoting, and perpetuating the history, tradition, and outstanding contributions of the Buffalo Soldiers toward the development and defense of the United States of America. With fourteen galleries of hands-on activities, The Children's Museum of Houston is ranked by MSN.com as the No. 1 children's museum in the country.

Members of Houston Museum Districts:

Buffalo Soldiers National Museum	Byzantine Fresco Chapel Museum
Children's Museum of Houston	Contemporary Arts Museum Houston
Czech Center Museum Houston	Holocaust Museum Houston
Houston Center for Contemporary Craft	Houston Center for Photography
Houston Museum of Natural Science	Houston Zoo, Inc.
The John C. Freeman Weather Museum	The Health Museum
The Jung Center of Houston	Lawndale Art Center
The Menil Collection	Museum of Fine Arts, Houston
Rice University Art Gallery	The Rothko Chapel

Houston, home to a team from nearly every major professional sport and state of the art football, basketball and baseball stadiums, is a sports lover's paradise. In FY2010 Houston entered into an agreement to partner with Major League Soccer's Houston Dynamo, Texas Southern University, and Harris County, to construct a permanent, 21,000 seat soccer facility. The city boasts an array of championship teams such as the Houston Dynamo, Houston Rockets and Houston Astros. Houston has established itself as a destination for hosting major sporting events such as Super Bowl XXXVIII, Major League Baseball and National Basketball Association All-Star Games, the 2005 World Series, the 2005 Big 12 Conference Football Championship, the USA Gymnastics 2008 Men's Visa Championships, the 2010 NCAA Men's Basketball South Region Tournament, as well as the annual Shell Houston Open. Additionally, Houston's will host the 2010 Major League Soccer All-Star Game, 2011 NCAA Men's Final Four, 2011 Senior Games, 2012 Amateur Athletic Union Junior Olympic games, and the 2016 NCAA Men's Final Four.

Houston Area Sports Teams:

Professional Teams		Collegiate Teams/Mascots
Aeros	International Hockey League	Houston Baptist University - Huskies
Astros	Major League Baseball – National League	Rice University - Owls
Dynamo	Major League Soccer	Texas Southern University - Tigers
Energy	Women's National Football League	University of Houston – Cougars
Rockets	National Basketball Association	San Jacinto College Gators
Texans	National Football League-American Conference	

EXHIBIT 1
HOUSTON PMSA AT A GLANCE

POPULATION

2000	4,177,600
2001	4,268,100
2002	4,340,900
2003	4,376,600
2004	4,428,400
2005	4,622,400
2006	4,729,300
2007	4,917,300
2008	5,076,600
2009	5,125,000

NEW REAL ESTATE SUPPLY - RESIDENTIAL (Units)

1999	40,951
2000	36,656
2001	37,752
2002	46,093
2003	61,767
2004	57,336
2005	59,844
2006	75,134
2007	81,861
2008	62,114

NON-AGRICULTURAL WAGE & SALARY EMPLOYMENT

2000	2,243,500
2001	2,282,400
2002	2,277,400
2003	2,262,900
2004	2,278,700
2005	2,337,100
2006	2,434,100
2007	2,532,200
2008	2,593,300
2009	2,527,300

RESIDENTIAL VACANCY RATE

1999	7.9 %
2000	7.2
2001	6.1
2002	5.8
2003	6.4
2004	8.1
2005	9.2
2006	9.2
2007	9.6
2008	10.3

PERSONAL INCOME (Per Capita)

1999	31,168
2000	34,053
2001	35,440
2002	34,517
2003	35,140
2004	37,517
2005	40,565
2006	43,497
2007	46,471
2008	48,259

UNEMPLOYMENT RATE (*)

2000	4.4 %
2001	4.7
2002	6.1
2003	6.7
2004	6.2
2005	5.6
2006	5.0
2007	4.3
2008	4.8
2009	7.6

HOUSTON CONSUMER PRICE INDEX
ALL URBAN (1982-84 = 100)

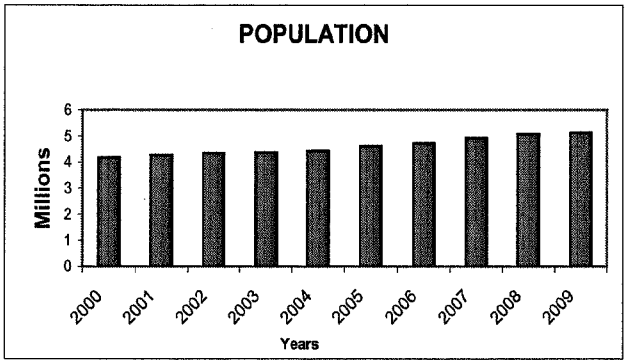
	Average Index	% Change
2000	154.2	3.7 %
2001	158.8	3.0
2002	159.2	0.3
2003	163.7	2.8
2004	169.5	3.5
2005	175.6	3.6
2006	180.6	2.8
2007	183.8	1.8
2008	189.9	3.3
2009	190.9	0.5

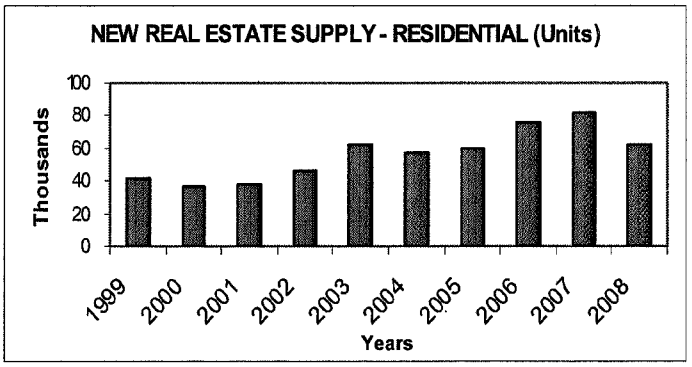
TOP TEN PROPERTY TAXPAYERS IN 2009
(Amounts Expressed in Millions)

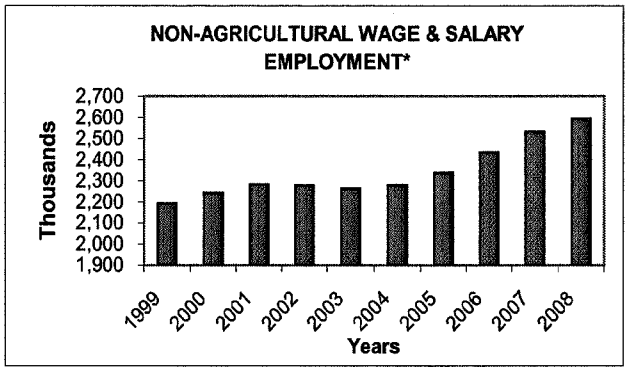
	Taxable Value
CenterPoint Energy Inc.	$1,566
Crescent Real Estate	1,137
Houston Refining	988
Hines Interests	847
Cullen Allen Holdings LP	680
AT&T Mobility LLC	578
TPG BH ICC Towers	481
Exxon Mobil	478
Anheuser Busch	417
Valero Energy Corp	387

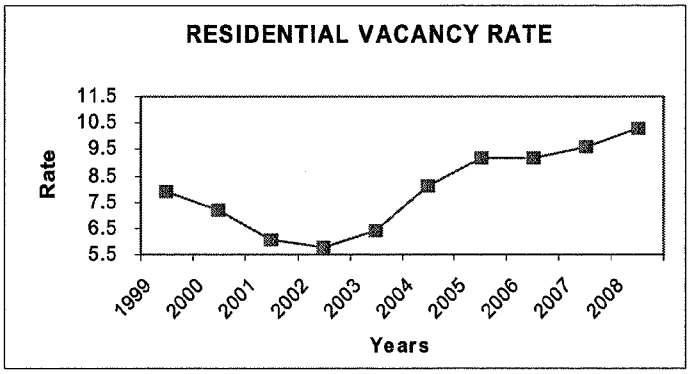
PMSA: Primary Metropolitan Statistical Area
* Not Seasonally Adjusted
Source: University of Houston, Center for Public Policy (as of March 2010 except as otherwise noted).

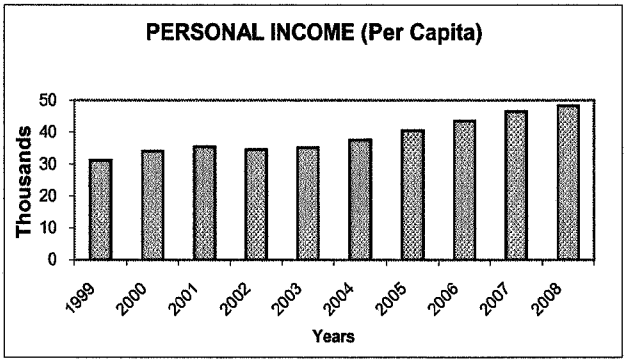
EXHIBIT 2
HOUSTON PMSA AT A GLANCE

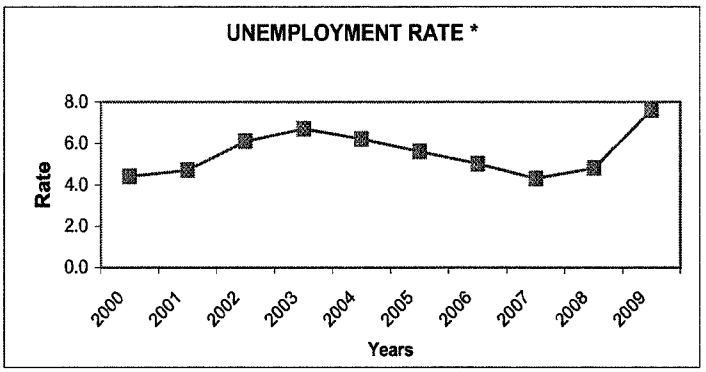


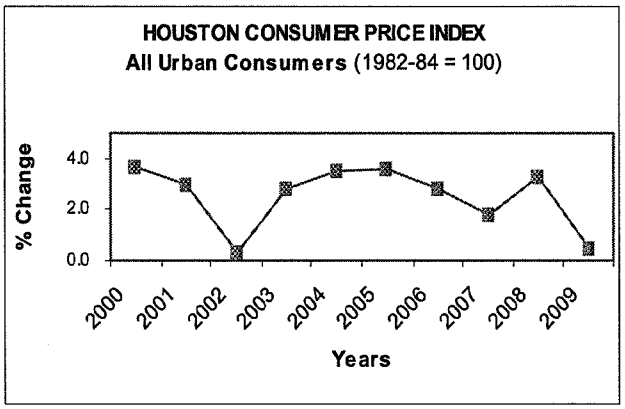


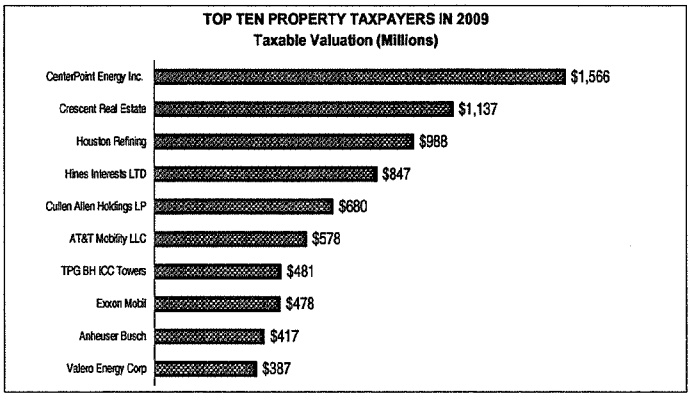












* Not Seasonally Adjusted

ECONOMIC OUTLOOK

ECONOMIC INDICATORS

The following table shows actual and projected economic indicators for the Houston MSA (Metropolitan Statistical Area):

ECONOMIC INDICATORS
SHORT-RANGE FORECAST (Revised April 2010)
HOUSTON PMSA

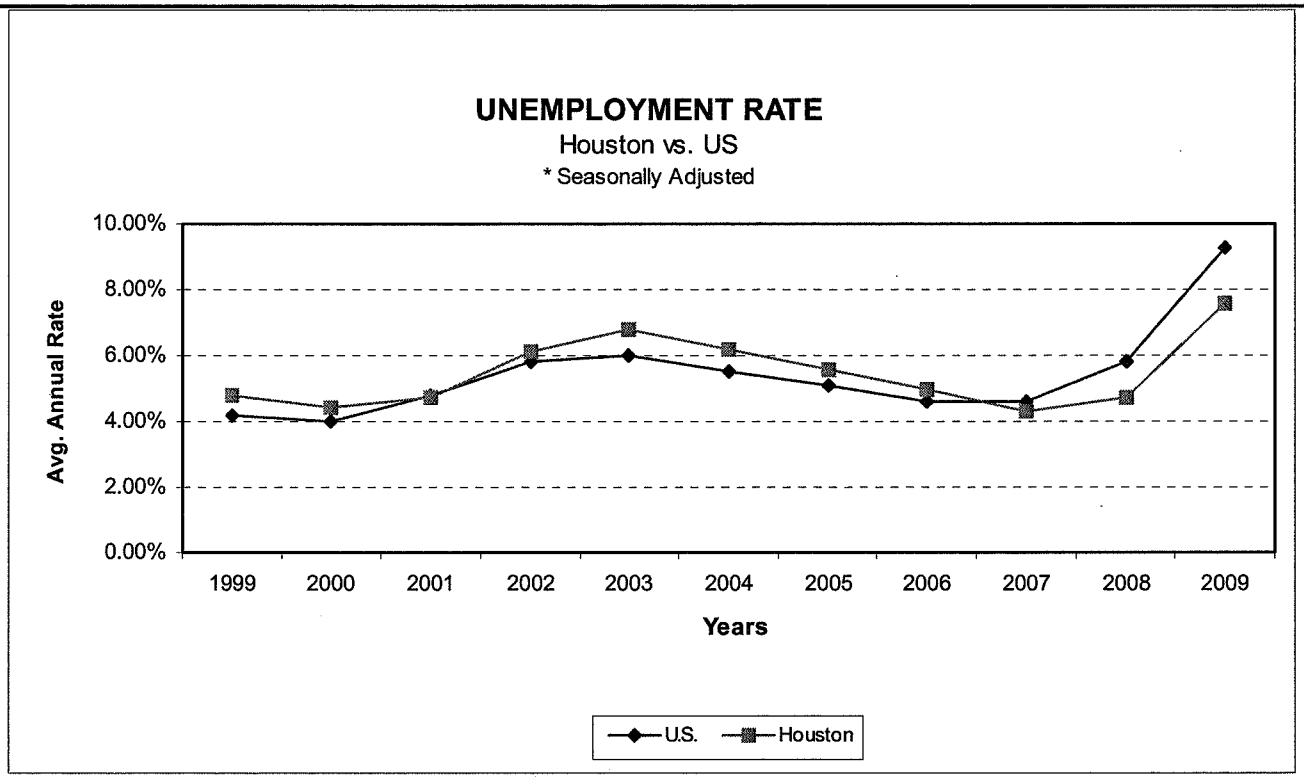
	2008	2009	2010	2011	2012	2013	2014
Population	**5,076,604**	**5,125,027**	**5,147,033**	**5,192,388**	**5,299,977**	**5,433,762**	**5,570,695**
	3.24%	0.95%	0.43%	0.88%	2.07%	2.52%	2.52%
Retail Sales (millions)	**$ 84,208**	**$ 81,641**	**$ 81,915**	**$ 85,172**	**$ 90,759**	**$ 95,976**	**$ 102,425**
	6.30%	-3.05%	0.34%	3.98%	6.56%	5.75%	6.72%
Total Employment	**2,404,449**	**2,341,805**	**2,335,675**	**2,369,493**	**2,429,323**	**2,480,882**	**2,549,145**
	2.42%	-2.61%	-0.26%	1.45%	2.53%	2.12%	2.75%
Construction	**185,752**	**165,208**	**146,024**	**140,691**	**142,238**	**146,517**	**151,426**
	4.67%	-11.06%	-11.61%	-3.65%	1.10%	3.01%	3.35%
Trade	**522,756**	**511,338**	**511,486**	**517,352**	**528,663**	**535,968**	**547,891**
	2.31%	-2.18%	0.03%	1.15%	2.19%	1.38%	2.22%
Services	**778,866**	**769,286**	**775,801**	**798,129**	**827,978**	**856,795**	**890,565**
	1.12%	-1.23%	0.85%	2.88%	3.74%	3.48%	3.94%
Government	**317,089**	**322,797**	**327,251**	**331,902**	**337,113**	**343,448**	**349,884**
	2.82%	1.80%	1.38%	1.42%	1.57%	1.88%	1.87%

Source: University of Houston Institute for Regional Forecasting – March 2010
All Numbers represent the old Houston Primary Metropolitan Statistical Area: Chambers, Fort Bend, Harris, Liberty, Montgomery, and Waller counties.

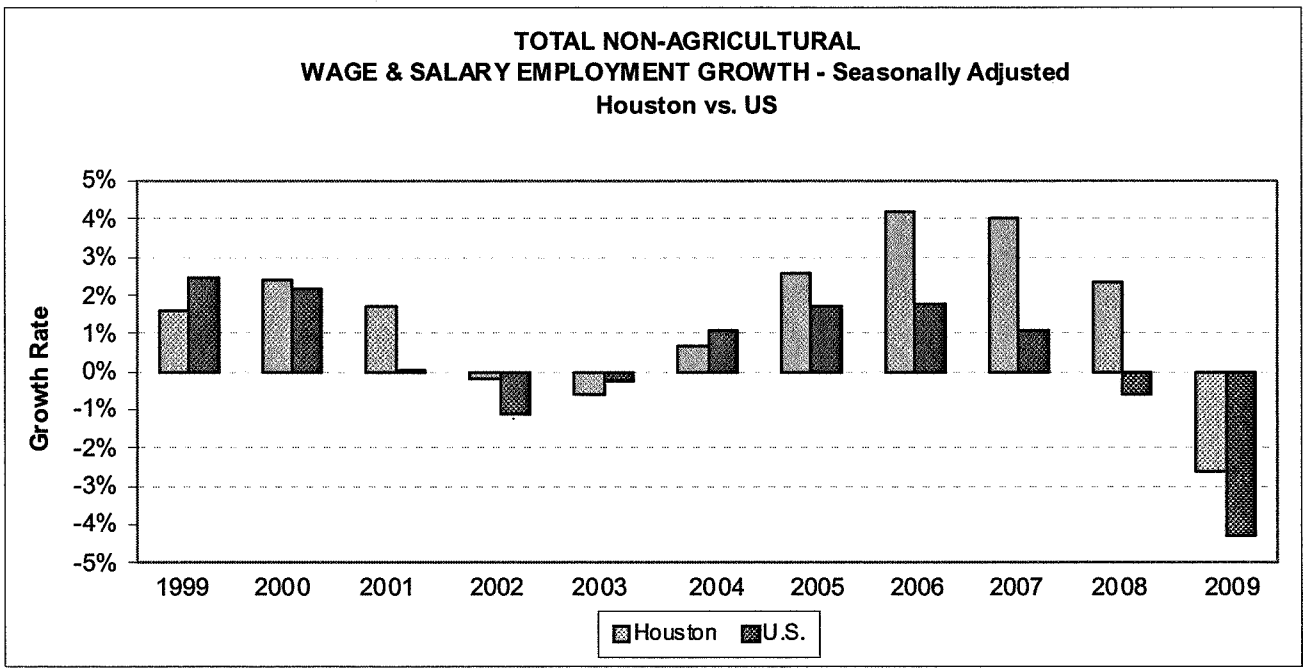
The Institute for Regional Forecasting projects that the PMSA population will grow 5.5% over the next 3 years.

The annual average of local unemployment rate (not seasonally adjusted) is 7.6%, 280 basis points higher than 2008 and 170 basis points lower than the national unemployment rate.

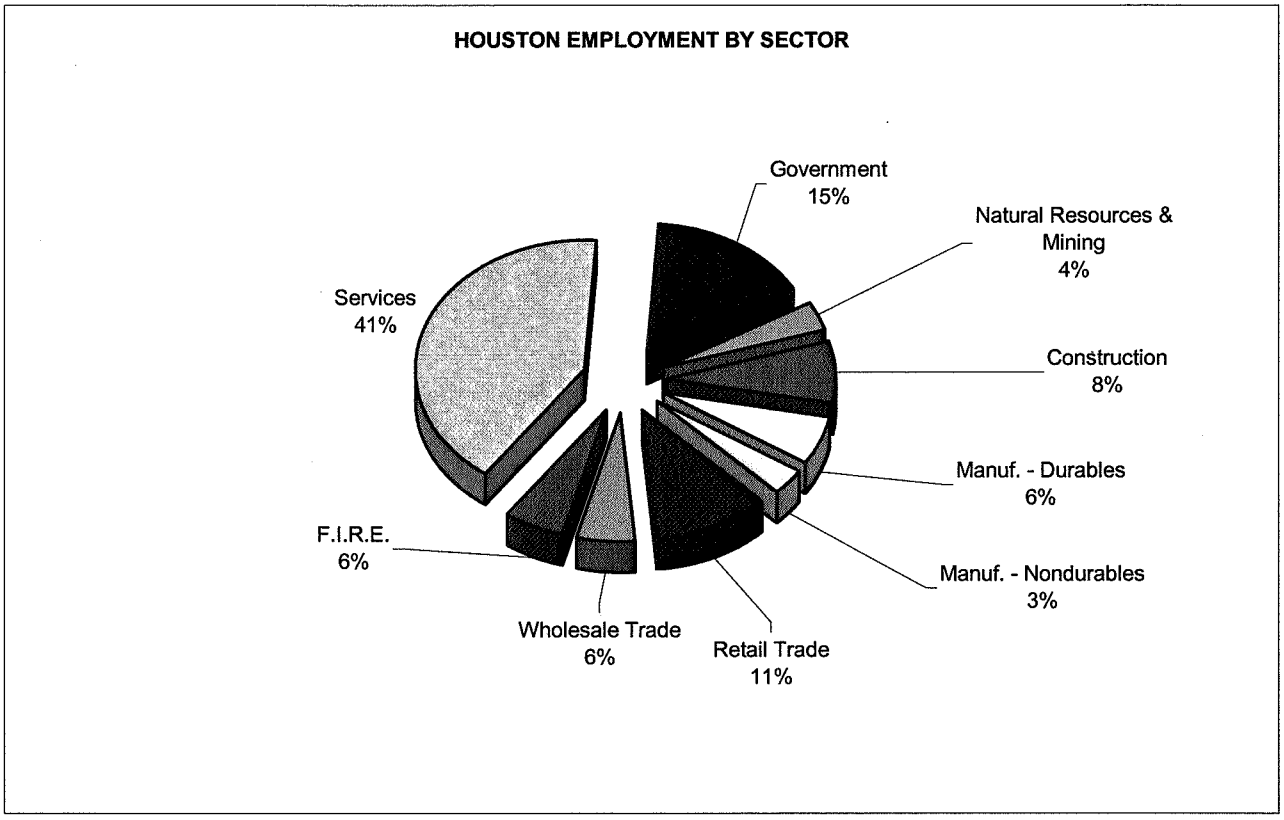
Houston's economy is largely driven by the upstream energy, construction and international trade. Prices of West Texas Intermediate crude are expected to show little change in 2010, averaging about $79 for the year while natural gas consumption is expected to decline 0.4 percent as some power generation shifts away from natural gas to new coal-fired generation. Construction is anticipated to experience a modest decline in 2010 while wholesale trade is expected to regain 5,200 of the 16,400 jobs it lost this year.



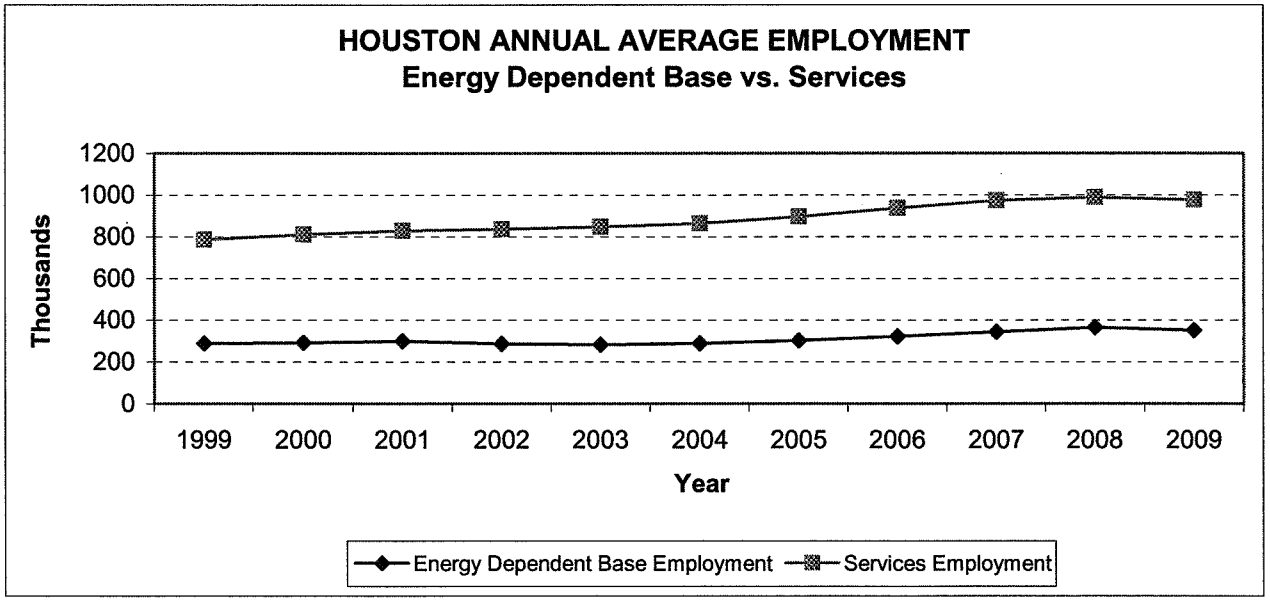
Nationally, the growth of non-agricultural wage and salary positions continued to decline from 2008 through 2009 while these same positions started to decline in 2008 locally by -2.6%.



Jobs in natural resources and mining decreased by a -2.2% in 2009 while construction jobs decreased by -11.1% compared to 2008.



Energy base employment decreased -3.7% in 2009 compared to -1% for services related jobs. Diversification in the economic base dampens total employment swings related to changes in energy markets.

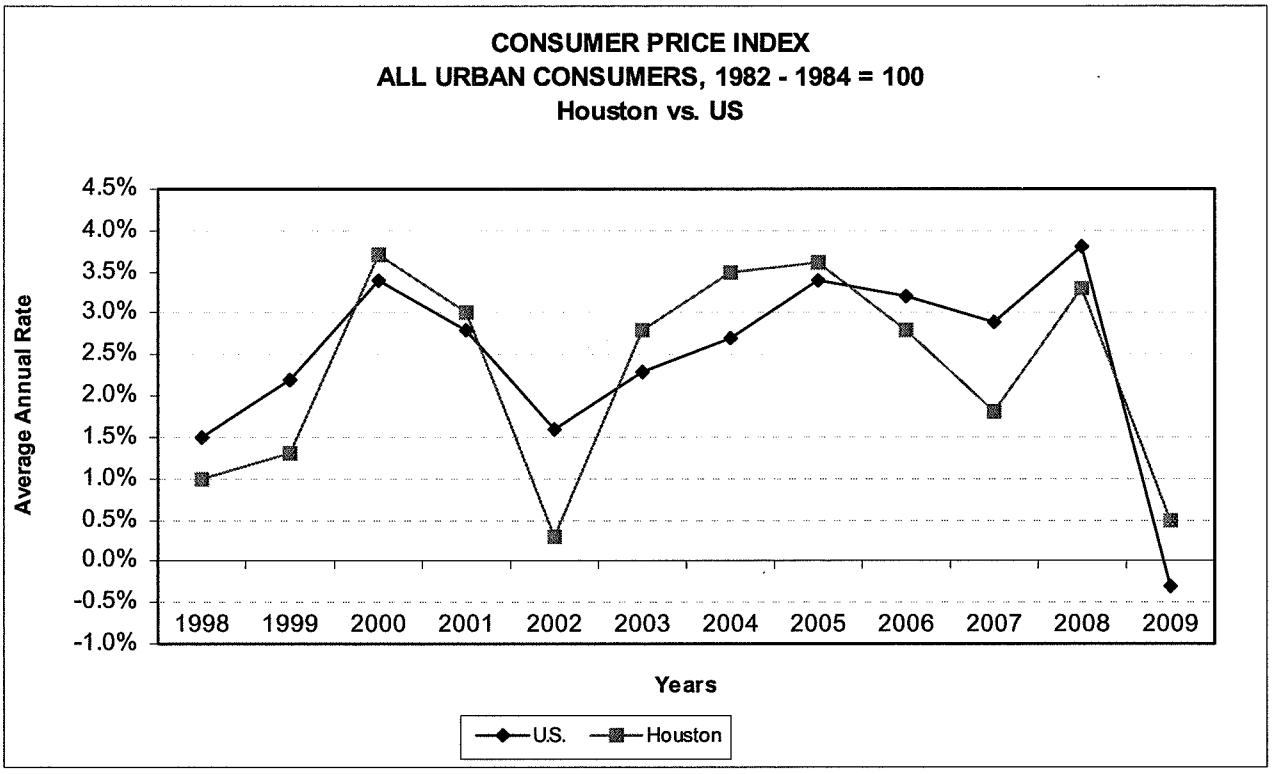


INCOME

Per capita income is widely used to compare the standards of living in different regions. In Houston, personal income rose from $46,471 in 2007 to $48,259 in 2008; a 3.8% increase over the previous year. Over the last 10 years, per capita income has increased an average of 4.9%.

PRICES

Houston prices, as measured by the Houston Consumer Price Index (CPI), rose 0.5% in 2009 compared to the national decrease of -0.3%. Average CPI for the local area in 2009 was 190.9 versus 214.5 for the United States, meaning there is a lower cost of living for Houston residents than is the case nationally.

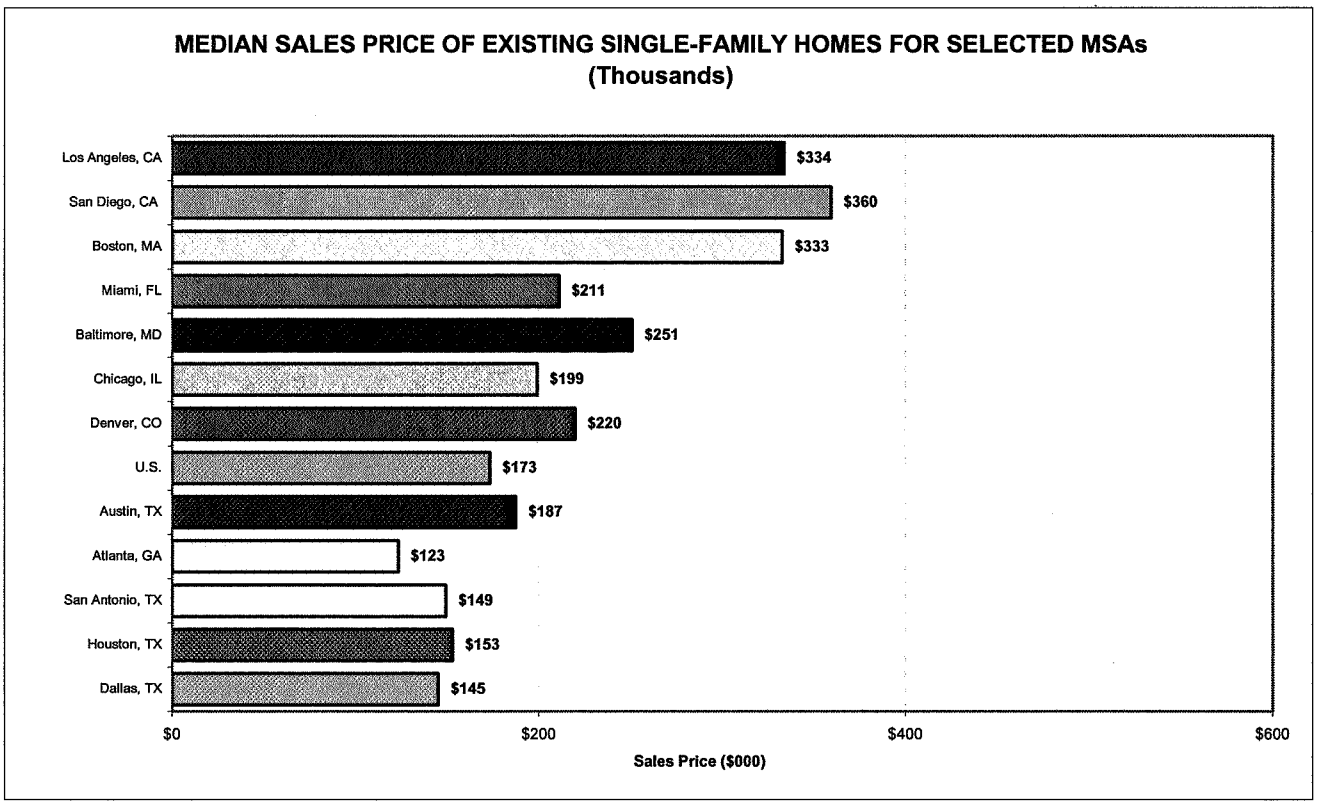


HOUSING COSTS

The National Association of Realtors reports that Houston's fourth quarter 2009 median sales price of $153,100 is $20,100 lower than the national median sales price of existing single-family homes.

All MSAs in Texas fall below the national median sales price with Dallas having the lowest followed by San Antonio, Houston, and Austin. Compared to 2008, Houston and Denver were the only cities that experienced growth in median sales price both regionally and nationally (+0.99% and +0.27%) respectively. The median sales prices in major cities had declined enormously in 2009 with the largest decline in Miami (-25.92%) followed by Chicago (-18.89%), Atlanta (-17.46%) and Los Angeles (-16.96%).

San Jose, California still has the highest median sales price of single-family homes in 2009 at $530,000 (-20.6% from 2008) while Saginaw Township, Michigan has the lowest at $56,900 (-8.25% from 2008).



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