team neo | Cleveland+ Business

PLUS REVIEW Q1 2012

Quarterly Economic Indicators
18 Counties of Northeast Ohio

The unemployment rate in Cleveland Plus continues to outperform that of the US, and the GRP is expected to grow in 2012. Adding to this positive momentum is the heightening activity within the oil and gas industry.

This report explores the exciting potential of oil and gas projects being awarded to Northeast Ohio in terms of job creation, revenue and overall economic enhancement.

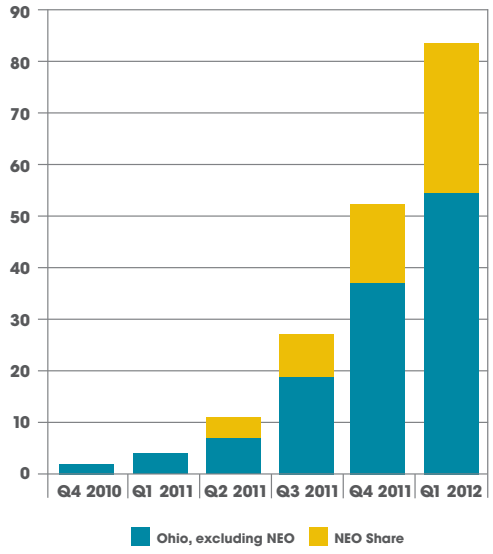
OHIO UTICA SHALE OPPORTUNITIES FUEL GROWTH

Horizontal well activity is gaining momentum across Northeast Ohio as oil and gas companies begin to fully embrace the tremendous potential of liquid natural gas opportunities in Utica Shale deposits as well as the strength of our region's supply chain. We stand on the brink of exponential increases in well activity as permits lead to drilling and, ultimately, oil and gas production.

According to the report, An Analysis of the Economic Potential for Shale Formations in Ohio (prepared by Cleveland State University, The Ohio State University and Marietta College), by 2014, increased activity could result in:

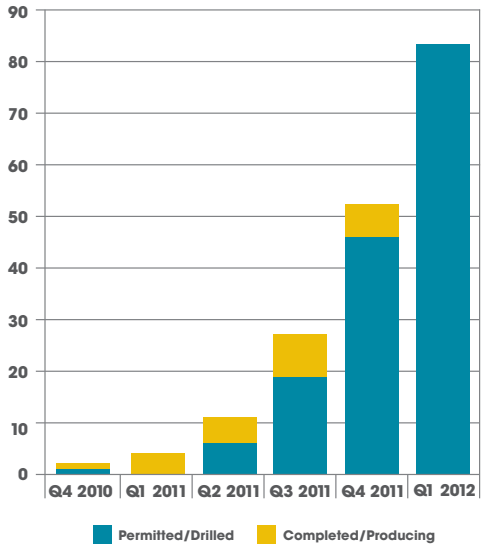
- Drilling more than 1,000 wells a year
- Creating nearly 66,000 new jobs in the oil and gas sector
- Growing the state's economy by nearly $5 billion
- Generating nearly $3.3 billion in new income
- Generating more than $430 million in tax revenue

HORIZONTAL WELL ACTIVITY IN OHIO



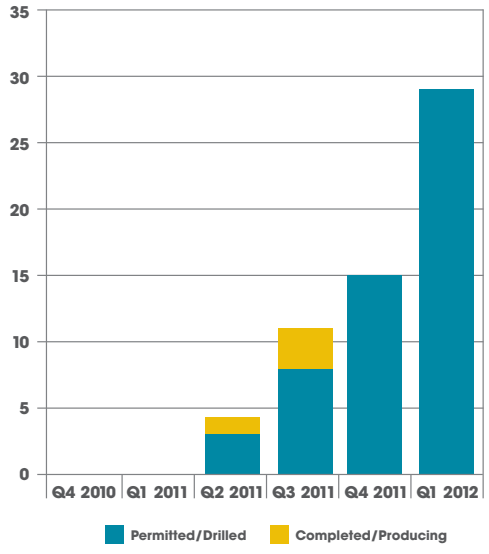
The upward climb in horizonal well activity reflects the growing interest of large oil and gas companies in Ohio's resources. Through Q1 2012, 179 wells were permitted, drilled, completed or producing. Nearly half of this activity occurred in the first quarter of 2012. Of these, 56 (or 31%) are in Northeast Ohio.

OHIO HORIZONTAL WELL ACTIVITY BY FUNCTION



Of the 179 Ohio wells in various phases of activity, 24 are completed and/or producing. The great majority, 155, remain in the permit/drilling phase, indicating a boom of activity to come.

NEO HORIZONTAL WELL ACTIVITY BY FUNCTION



Of the 56 active Northeast Ohio wells, four are completed and/or producing, while 52 are poised for production activity in the near future.

Source for well activity charts: Department of Natural Resources; all graphs provide quarterly activity and are non-cumulative

DEVELOPMENT ACTIVITY

DOWNTOWN CLEVELAND BUSTLES WITH ACTIVITY

Large-scale projects throughout the downtown Cleveland area continue to advance:

- The $450 million first phase Horseshoe Casino Cleveland opened its doors on May 14. It is the first casino to open in Ohio.
- The $465 million Medical Mart & Convention Center is on schedule to open in 2013.
- The $287 million Innerbelt Bridge project continues to progress and is expected to be open to traffic in the fall of 2013.

OIL AND GAS DEVELOPMENTS FUEL YOUNGSTOWN-WARREN GROWTH

Development activity associated with the Marcellus and Utica Shales is building momentum in the Youngstown-Warren area. Examples of recent commitments:

- Exterran Energy Solutions is investing $13.2 million to build a 65,000-square-foot production facility in Youngstown's Salt Springs Industrial Park. This facility will manufacture separators, dehydrators and other equipment used to treat and process natural gas and oil.
- Weatherford Artificial Lift Systems, a Houston-based subsidiary of Weatherford International Ltd. of Switzerland, has closed on a $3.4 million facility in Youngstown for oilfield services in support of upstream activity.
- CONSOL Energy is opening a satellite office for its gas division in the Columbiana County World Trade Park to support its Utica Shale work.
- Approximately 1,000 members of the Associated Landowners of the Ohio Valley have agreed to lease more than 84,000 acres of land throughout Trumbull County to BP America for oil and gas production.
- Chesapeake Energy Corporation and partners M3 Midstream LLC ("Momentum") and EV Energy Partners, L.P. are investing approximately $900 million to build the largest integrated midstream service complex in eastern Ohio. Columbiana County will be home to the state-of-the-art cryogenic natural gas processing facility, while Harrison County will house the fractionation plant and loading/terminal facilities.
- The Youngstown/Warren Regional Chamber and partners were awarded a $2 Million Job Ready Site Grant for improvements at the Ohio Commerce Center in Lordstown. The grant will be predominantly used for rail and roadway improvements and will assist in attracting new business opportunities to the Mahoning Valley.

VITAMIX BREAKS GROUND ON $10 MILLION EXPANSION

The company known for making smoothies a household staple has begun a $10 million expansion of its headquarters in Olmsted Falls. Responding to a surge in international sales, Vitamix also plans to add 100 employees to its workforce of 500.

FORTUNE 500 COMPANY COMES TO MASSILLON

Multibillion-dollar Fortune 500 supplier National Oilwell Varco has leased a distribution center in Massillon for sales associates and employees who will service area gas and oil wells. The company is a worldwide leader in providing equipment, mechanical components and coatings for land and offshore drilling.

TIMKEN TO INVEST $225 MILLION IN PLANT, $42 MILLION IN NEW OFFICE COMPLEX

The Timken Company, headquartered in Canton, is moving forward with a $225 million investment in its Faircrest Steel Plant to improve productivity, expand its product range and increase capacity to serve growing demand for its specialty steel alloy BARS.

Additionally, Timken is building a $42 million, two-story office complex connected to its existing facility near the Akron-Canton Airport. The new 160,000-square-foot building will accommodate nearly 1,000 R&D, engineering, customer service, sales and marketing employees when it is completed in the fourth quarter of 2013.

VXI GLOBAL TO ADD 700 WORKERS

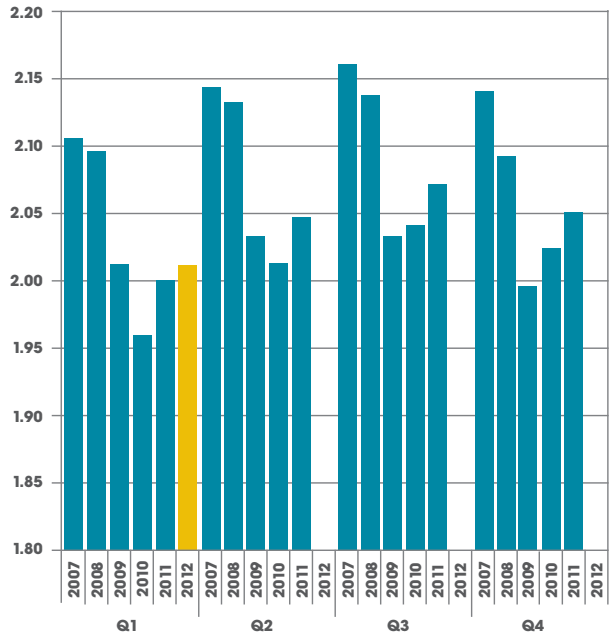
VXI Global Solutions plans to add 700 employees by year-end to the 500 currently working in its downtown Canton call center.

STARK STATE DEDICATES $9.6 MILLION BUSINESS CENTER, GAINS FUNDING FOR $10 MILLION ENERGY CENTER

Stark State College has dedicated a $9.6 million Business and Entrepreneurial Center that will offer more than 30 degrees, options and certificates in accounting, business management, corporate finance, entrepreneurship, marketing management and other programs, along with a business incubator program.

The college also anticipates receiving $10 million for a Downtown Campus and Energy Center that will serve the education and training needs of the emerging oil and gas industry, serving students and companies in Stark and surrounding counties. The award, pending final approval from the Ohio legislature, will come from Ohio's $400 million biennial capital budget for higher education.

NORTHEAST OHIO TOTAL EMPLOYMENT (NOT SEASONALLY ADJUSTED)

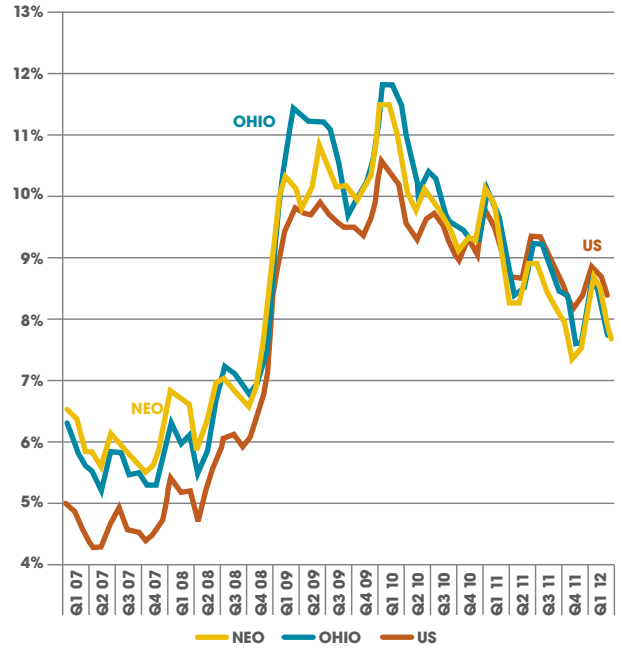


YEAR-OVER-YEAR EMPLOYMENT GROWTH CONTINUES

The Cleveland Plus region employed 2.01 million workers in the first quarter of 2012, up 9,000 workers from Q1 2011. This is the seventh straight quarter of year-over-year growth in the region.

Source: Ohio Labor Market Information (LMI)

UNEMPLOYMENT RATES THROUGH MARCH 2012

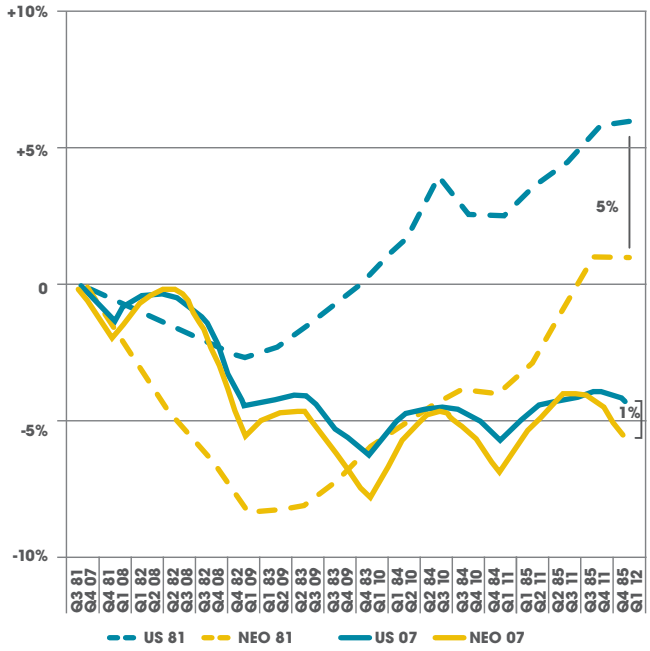


NEO UNEMPLOYMENT LOWER THAN NATIONAL RATE

The unemployment rate for Northeast Ohio averaged 8.3% in Q1 2012, on pace with the state of Ohio and slightly lower than the US rate of 8.6%. This represents a 1.4% decrease in the unemployment rate as compared with Q1 2011, when it was 9.7%.

Source: Ohio Labor Market Information (LMI)

RECESSION EMPLOYMENT COMPARISON

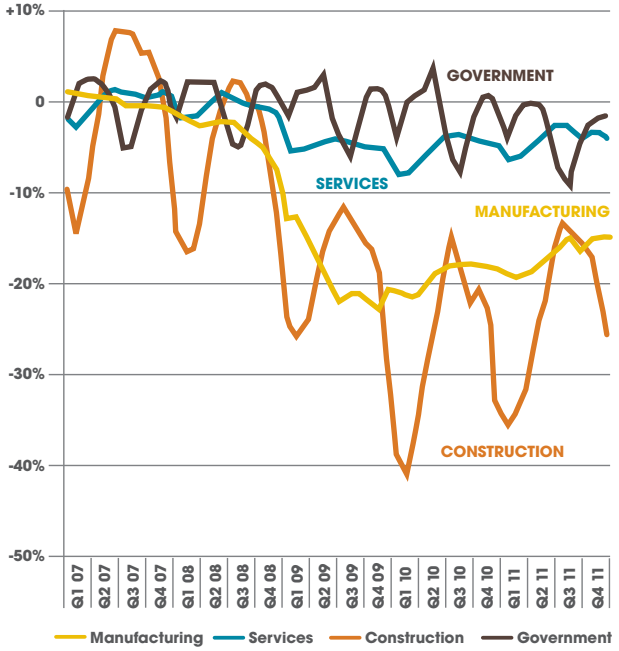


CLEVELAND PLUS TRACKING CLOSE TO US

Through 18 quarters of the 2007 recession, the employment index for Cleveland Plus is trending slightly lower (1%) than the US. This compares to a gap through 18 quarters of the 1981 recession, when Northeast Ohio's index was 5% lower than the US. Moreover, in 2010 and 2011, Northeast Ohio saw a dip in Q1, followed by improvements through later quarters.

Source: Ohio Labor Market Information (LMI)

CHANGE IN EMPLOYMENT BY SECTOR 0=2007 AVERAGE

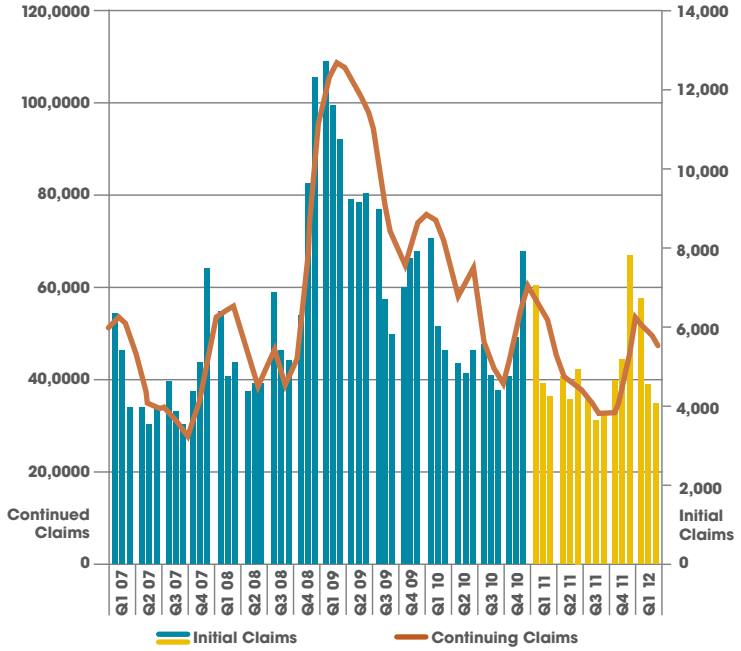


MANUFACTURING SEES 5% GROWTH YEAR-OVER-YEAR

Manufacturing increased 5% year-over-year with more than 10,000 jobs gained. Construction also gained 3.7%, or nearly 2,000 workers, while the services sector remained unchanged year-over-year and government was down almost 8,000 workers (-3.5%) from Q1 2011.

Source: Bureau of Labor Statistics (BLS)

AVERAGE MONTHLY UNEMPLOYMENT CLAIMS

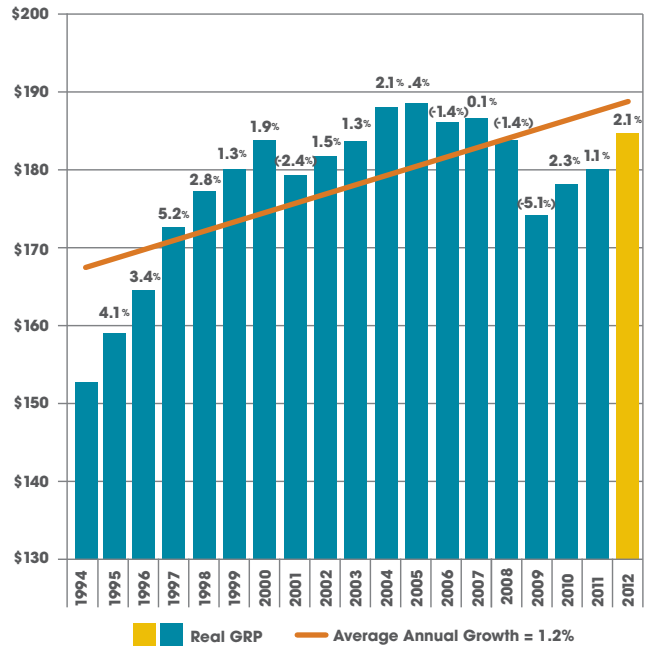


INITIAL UNEMPLOYMENT CLAIMS UP SLIGHTLY YEAR-OVER-YEAR

Initial claims increased slightly to 6,100 year-over-year in Q1 2012 – an increase of about 900 over Q1 2011. Continued claims decreased year-over-year by about 6,000, averaging just over 51,000.

Source: Ohio Labor Market Information (LMI)

NEO REAL GROSS REGIONAL PRODUCT (GRP) IN BILLIONS

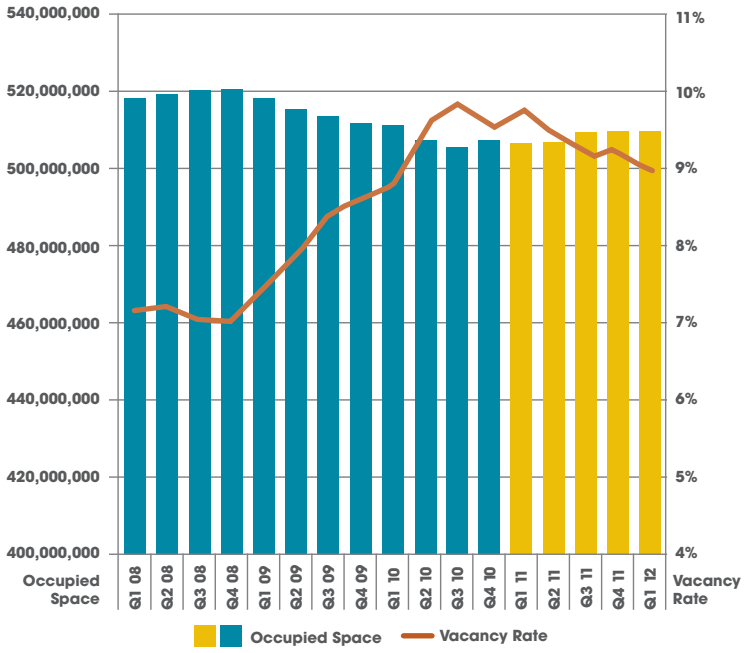


NEO GRP GROWTH EXPECTED IN 2012

GRP in the 18-county region is projected to exceed that of 2011, with an estimated increase of 2.1%and total GRP of more than $184 billion. (GRP grew approximately 1.1% in 2011.) Since 1994, the Cleveland Plus economy has grown by more than $31 billion, or more than 20%.

Source: Economy.com

NORTHEAST OHIO OCCUPIED INDUSTRIAL SPACE

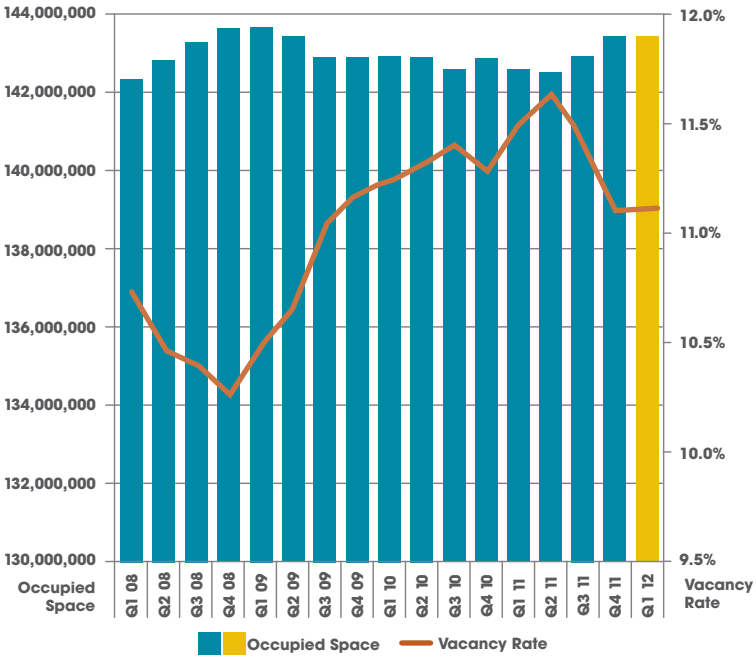


INDUSTRIAL SPACE VACANCIES DECLINE

The vacancy rate for industrial space declined slightly, to 9.0%, in Q1 2012, while occupied space held steady at 510 million square feet.

Source: CoStar

NORTHEAST OHIO CLASS A, B AND C OFFICE MARKET



OFFICE SPACE REMAINS CONSISTENT

Class A, B and C office vacancy rates remained at 11.1% through the first quarter of 2012, with occupied space at 143 million square feet.

Source: CoStar

OUR PARTNERS INCLUDE

DATA SOURCES

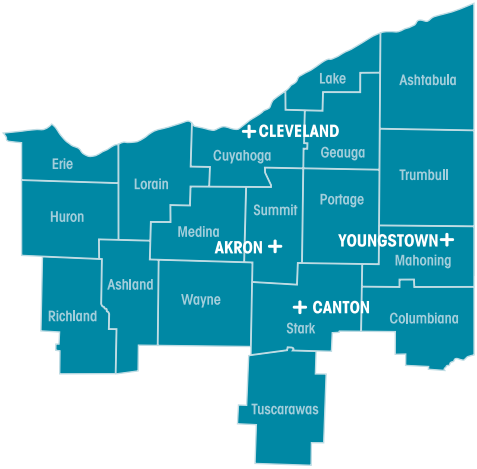
Team Northeast Ohio uses a number of data sources for the Regional Economic Review. One of the primary sources is the Moody's Economy.com (economy.com) data for Northeast Ohio.

Moody's Economy.com county-level output, employment and payroll historical data are estimated from several publicly available sources and are summarized into the Team NEO regional footprint. It is important to understand data provided by Economy.com are estimates of economic activity.

Team NEO also uses data from federal and state sources as part of the report. We rely heavily on data from the U.S. Bureau of Labor Statistics (bls.gov) and Ohio's Labor Market Information (lmi.state.oh.us) for information on wages, unemployment and both general and industry-specific employment.

Industrial and office real estate data for this edition were derived from the CoStar Group. Due to market limits within the CoStar database, historic trend data for the Team NEO region are reflective of 14 of the 18 counties forming the regional footprint. These counties include: Ashtabula, Cuyahoga, Erie, Geauga, Huron, Lake, Lorain, Mahoning, Medina, Portage, Richland, Stark, Summit and Trumbull. Recession employment data for this edition reflect former 16-county footprint. Employment sector data reflect MSA data (Cleveland-Akron-Canton-Youngstown).

ABOUT TEAM NEO AND THE CLEVELAND PLUS 18-COUNTY REGION



Team NEO advances Northeast Ohio's economy by serving as the 18-county region's private-sector economic development hub. It builds collaboration among the region's economic development organizations, attracts new businesses from around the world and connects the region to the state's JobsOhio program. Since 2007, the organization has attracted 56 new company operations, almost 5,400 new jobs and more than $192 million in annual payroll to Northeast Ohio, leading to a total annual regional payroll benefit of $333+ million.

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