

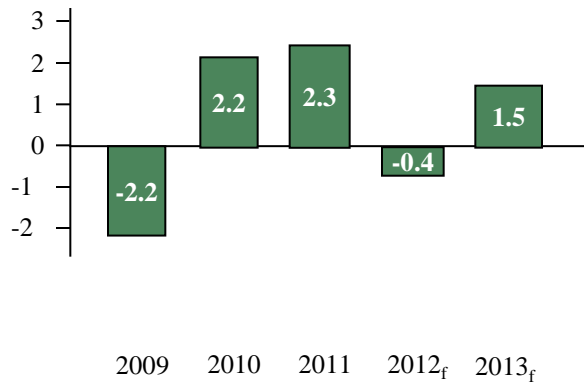
Babson Capital/UNC Charlotte Economic Forecast March 12, 2013



The data used in this report comes from the websites for the U.S. Department of Commerce's Bureau of Economic Analysis (www.bea.gov) and the North Carolina Employment Security Commission (www.ncesc.com) as of November 14, 2012. The opinions expressed in this Forecast by Professor Connaughton (the Babson Capital Professor of Economics at the Belk College of Business) and UNC Charlotte do not necessarily represent the views of Babson Capital Management LLC or its affiliates.

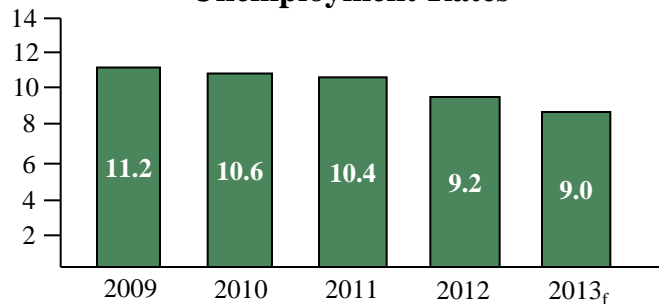
FORECAST HIGHLIGHTS

Annual Growth Rates In Real GSP



GSP/Gross State Product is a yardstick that measures the total output of a state's economy for a given year. It is analogous to the U.S. Gross Domestic Product (GDP).

Year-End Seasonally Adjusted North Carolina Unemployment Rates



- For 2012, North Carolina real GSP is expected to decrease by 0.4 percent over the 2011 level.

- Nine of the state's 15 economic sectors are forecast to experience modest output increases during 2012. The sectors with the strongest expected growth are Construction, with a projected real increase of 2.9 percent; Business and Professional Services, with a projected real increase of 2.8 percent; Information, with a projected real increase of 2.3 percent; Hospitality and Leisure Services, with a projected real increase of 2.0 percent; and Transportation, Warehousing and Utilities (TWU), with a projected real increase of 1.5 percent.

- For 2012, NORTH CAROLINA establishments added 72,400 net additional jobs, an increase of 1.8 percent.

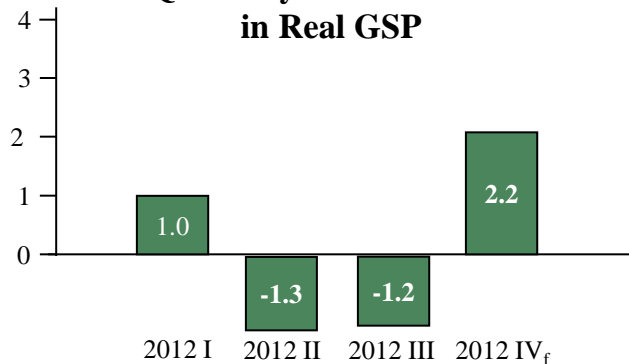
- The North Carolina December unemployment rate was 9.2 percent.

- For 2013, North Carolina real GSP is forecast to increase by 1.5 percent over the 2012 level.

- Thirteen of the state's 15 economic sectors are forecast to experience output increases during 2013. The sectors with the strongest expected growth are Business and Professional Services, with a projected real increase of 4.0 percent; Transportation, Warehousing and Utilities (TWU), with a projected real increase of 2.5 percent; Other Services, with a projected real increase of 2.4 percent; Wholesale Trade, with a projected real increase of 2.1 percent; and Information with a projected real increases of 1.9 percent.

- For 2013, North Carolina establishments are forecast to add 65,300 net additional jobs, an increase of 1.6 percent.

Quarterly Growth Rates in Real GSP



2012 Highlights

| | 2012 * | Percent Change |
|--------------------------------|-----------|----------------|
| Current Dollars | | |
| Total Gross Product | 444,955.7 | 1.2 |
| Constant (2000 Dollars) | | |
| Total Gross Product | 385,838.8 | -0.4 |
| Agricultural | 3,032.2 | -14.6 |
| Mining | 129.8 | 0.6 |
| Construction | 12,717.3 | 2.9 |
| Manufacturing | 77,927.9 | -3.1 |
| Durable Goods | 37,238.0 | -2.6 |
| Nondurable Goods | 40,689.9 | -3.5 |
| TWU | 12,953.0 | 1.5 |
| Wholesale Trade | 19,134.0 | 0.3 |
| Retail Trade | 23,313.2 | 0.1 |
| Information | 13,836.2 | 2.3 |
| FIRE | 81,478.0 | -0.0 |
| B & P | 41,108.3 | 2.8 |
| E & H | 28,693.2 | -0.3 |
| H & L | 12,047.9 | 2.0 |
| Services | 7,576.8 | 0.2 |
| Government | 51,891.1 | -1.7 |

* millions of dollars

2012 GSP

Gross State Product (GSP) is expected to reach a level of \$444,955.7 million in 2012. Real (inflation-adjusted) GSP is expected to decrease by 0.4 percent over the 2011 level. This decline in 2012 would follow very modest growth in 2011 and result in three years of slow growth since the recovery began.

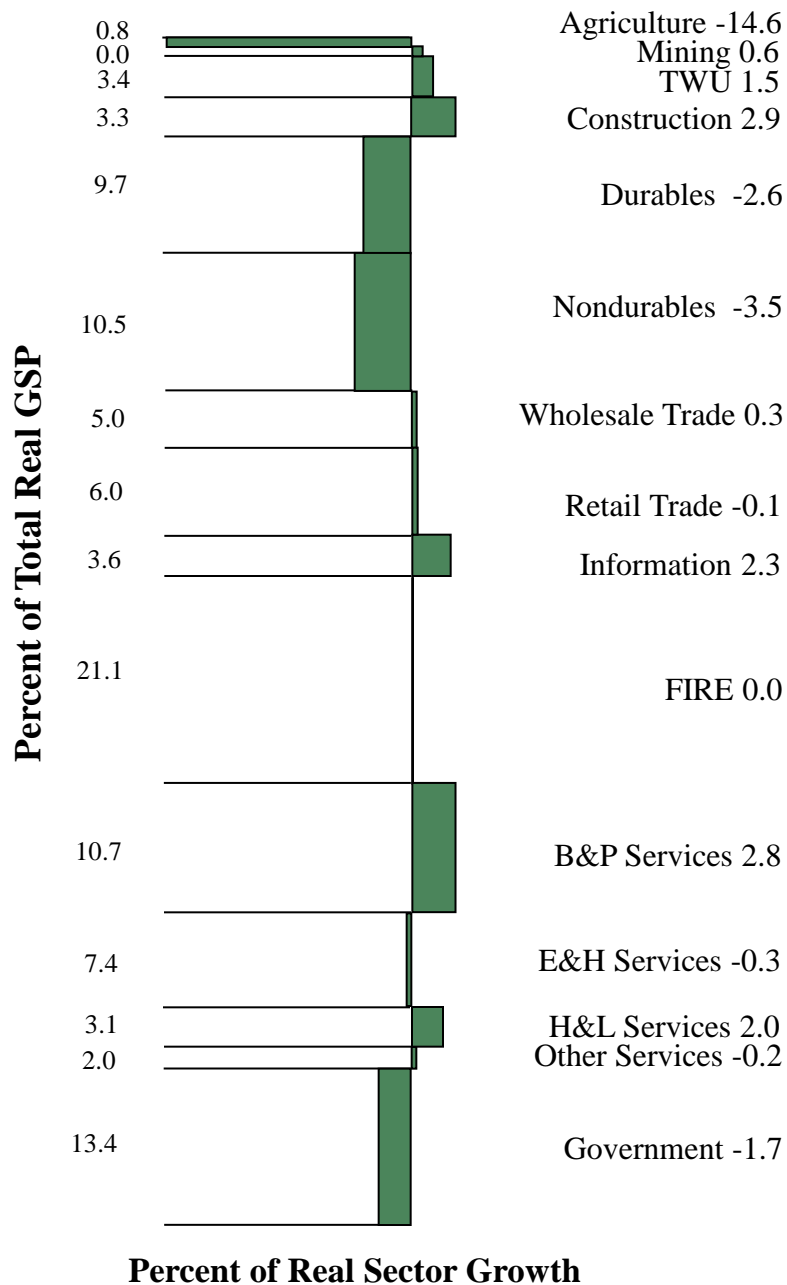
For 2012, first quarter GSP increased at an annualized real rate of 1.0 percent. During the second quarter, GSP decreased at an annualized real rate of 1.3 percent. In the third quarter, GSP also decreased at an annualized real rate of 1.2 percent. In the fourth quarter of 2012, GSP is expected to pickup and record an annualized real growth rate of 2.2 percent.

While both the U.S. and state recoveries began in July of 2009, for North Carolina it has been a weak recovery. For 2012, the U.S. economy recorded slow real GDP growth of 2.2 percent and was able to avoid a double-dip recession. However, for North Carolina 2012 turned out to be much weaker than the U.S. In addition to an overall annual decline in GSP, the second and third quarters produced successive quarters of decline and amounted to a double-dip recession for the state.

It is the weak GSP growth that the state has experienced since the recovery began that has produced modest job growth over the past two years. By the end of 2012, the state had replaced only 154,200 of the 333,400 jobs lost during the recession. That means that 46.3 percent of the total jobs lost have been replaced over the last three years. At this pace, it will take another three or four years to gain back the jobs lost during 2008 and 2009.

In addition, this slow job growth has led to a continuing high unemployment rate for North Carolina. Since 2009, the North Carolina unemployment rate has consistently ranked among the worst five states.

2012 Total Real GSP Growth -0.4%



2012 GSP SECTOR ANALYSIS

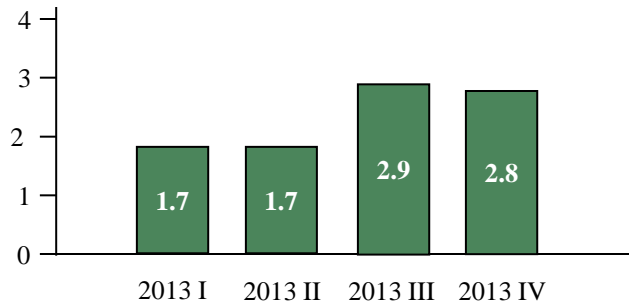
The chart to the left presents the projected contributions of each major economic sector to North Carolina's Gross State Product (GSP). The real (inflation-adjusted) growth rate for 2012 is forecast to decrease by 0.4 percent. Projected real growth rates for each sector (displayed in black type) are plotted on the horizontal axis. Projected percentages of GSP contributed by each sector (displayed in green type) are plotted on the vertical axis. The resulting rectangles show the expected weighted importance of each sector's growth during 2012. All of the sector information presented in the table to the left is based on the new North American Industry Classification System (NAICS) definitions.

Nine of the state's 15 economic sectors are forecast to experience modest output increases during 2012. The sectors with the strongest expected growth are Construction with a projected real increase of 2.9 percent; Business and Professional (B&P) Services with a projected real increase of 2.8 percent; Information, with a projected real increase of 2.3 percent; Hospitality and Leisure (H&L) Services with a projected real increase of 2.0 percent; Transportation, Warehousing and Utilities (TWU), with a projected real increase of 1.5 percent; Mining, with a projected real increase of 0.6 percent; Wholesale Trade with a projected real increase of 0.3 percent; Other Services with a projected decline of 0.2 percent; and retail trade with a projected decline of 0.1 percent.

Two sectors are not expected to grow, but will decline by less than the overall state rate of 0.4 percent: Finance, Insurance and Real Estate, which is projected to be flat in 2012; and Education and Health (E&H) Services with a projected decline of 0.3 percent.

Four sectors are also expected to experience output decline at rates below the overall state level: Government, with a projected decline of 1.7 percent; Durable Goods Manufacturing, with a projected decline of 2.6 percent; Nondurable Goods Manufacturing, with a projected decline of 3.5 percent; and Agriculture with a projected decline of 14.6 percent.

Quarterly Growth Rates in Forecasted Real GSP



2013 Highlights

| | 2013 * | Percent Change |
|--------------------------------|-----------|-------------------|
| Current Dollars | | |
| Total Gross Product | 460,970.6 | 3.6 |
| Constant (2000 Dollars) | | |
| Total Gross Product | 391,496.2 | 1.5 |
| Agricultural | 3,083.0 | 1.7 |
| Mining | 126.7 | -2.4 |
| Construction | 12,904.6 | 1.5 |
| Manufacturing | 78,621.8 | 0.9 |
| Durable Goods | 37,303.8 | 0.2 |
| Nondurable Goods | 41,318.1 | 1.5 |
| TWU | 13,279.9 | 2.5 |
| Wholesale Trade | 19,539.0 | 2.1 |
| Retail Trade | 23,658.5 | 1.5 |
| Information | 14,101.6 | 1.9 |
| FIRE | 82,435.7 | 1.2 |
| B & P | 42,743.9 | 4.0 |
| E & H | 29,127.5 | 1.5 |
| H & L | 12,238.2 | 1.6 |
| Services | 7,757.6 | 2.4 |
| Government | 51,878.2 | -0.0 |

* millions of dollars

2013 GSP

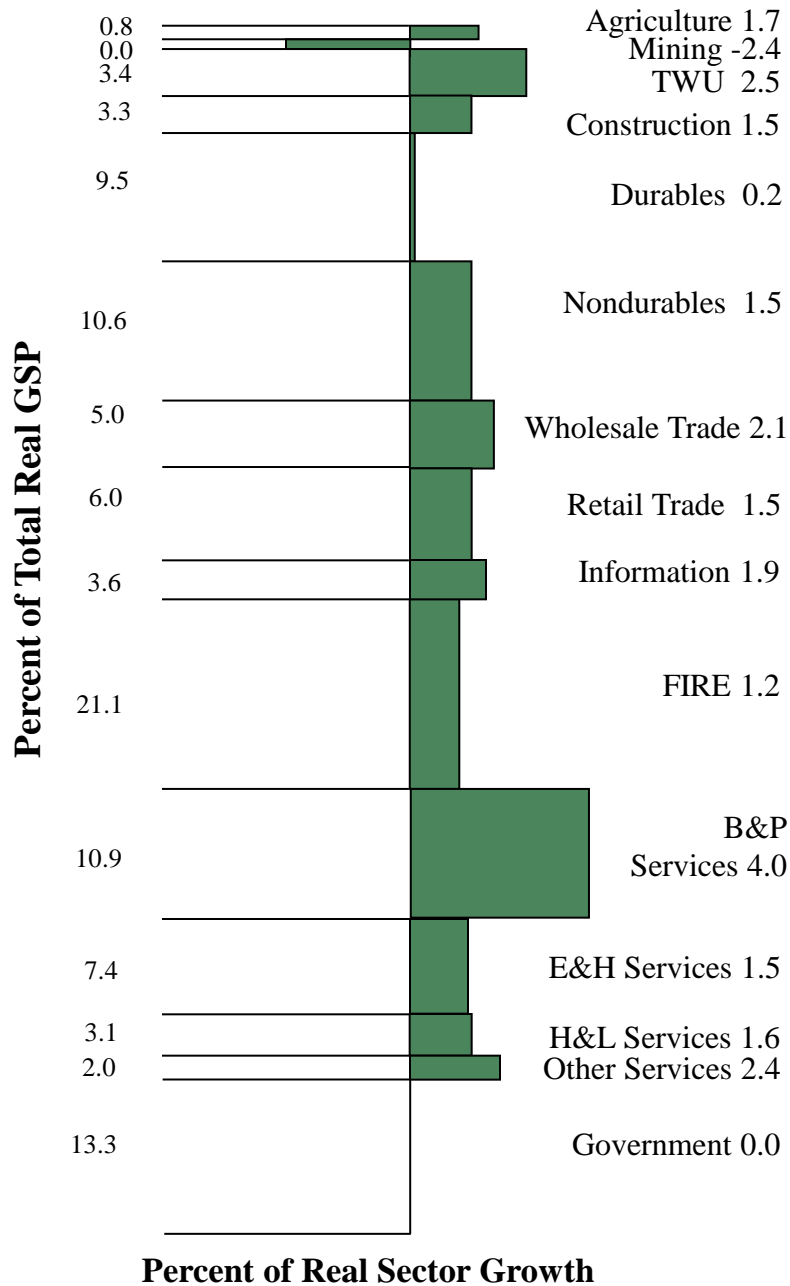
Gross State Product (GSP) is expected to reach a level of \$460,970.6 million in 2013. Real (inflation-adjusted) GSP is expected to increase by 1.5 percent over the 2012 level. This growth in 2013 would follow a modest decline in 2012 GSP and turn around a weak North Carolina economy.

For 2013 first quarter GSP is expected to increase at an annualized real rate of 1.7 percent. During the second quarter, GSP is expected to also increase at an annualized real rate of 1.7 percent. In the third quarter, GSP is expected to pick up and record an annualized real growth rate of 2.9 percent. In the fourth quarter of 2013, GSP is expected to grow at an annualized real rate of 2.8 percent.

After a disappointing 2012, the state's economy will continue to struggle during the first half of 2013. Continued uncertainty in Europe, along with tax increases and spending cuts enacted in 2013 are the principal reasons why growth will continue to be sluggish during the first two quarters of 2013. There are no quick fixes in Europe; the Eurozone problems will be with us for several years and because Europe represents the largest US export market, their double dip in 2012 and continuing troubles in 2013 will be influential in determining U.S. growth rates for several years.

While we avoided going over the "fiscal cliff" on January 1, 2013, we did not avoid tax increases. The compromise reached by the Congress and the President resulted in tax increases on U.S. households of \$160 billion in 2013. In addition, another \$85 billion in spending cuts as a result of sequestration took effect on March 1, 2013. Both the tax increases and spending cuts will impact GDP negatively during 2013. In addition, gasoline prices have risen by 50 cents per gallon since December 2012. This increase takes another \$100 billion out of consumer pockets that they could spend on other products in the economy.

2013 Total Real GSP Growth 1.5%



2013 GSP SECTOR ANALYSIS

The chart to the left presents the projected contributions of each major economic sector to North Carolina's Gross State Product (GSP). The real (inflation-adjusted) growth rate for 2013 is forecast to increase by 1.5 percent. Projected real growth rates for each sector (displayed in black type) are plotted on the horizontal axis. Projected percentages of GSP contributed by each sector (displayed in green type) are plotted on the vertical axis. The resulting rectangles show the expected weighted importance of each sector's growth during 2013. All of the sector information presented in the table to the left is based on the new North American Industry Classification System (NAICS) definitions.

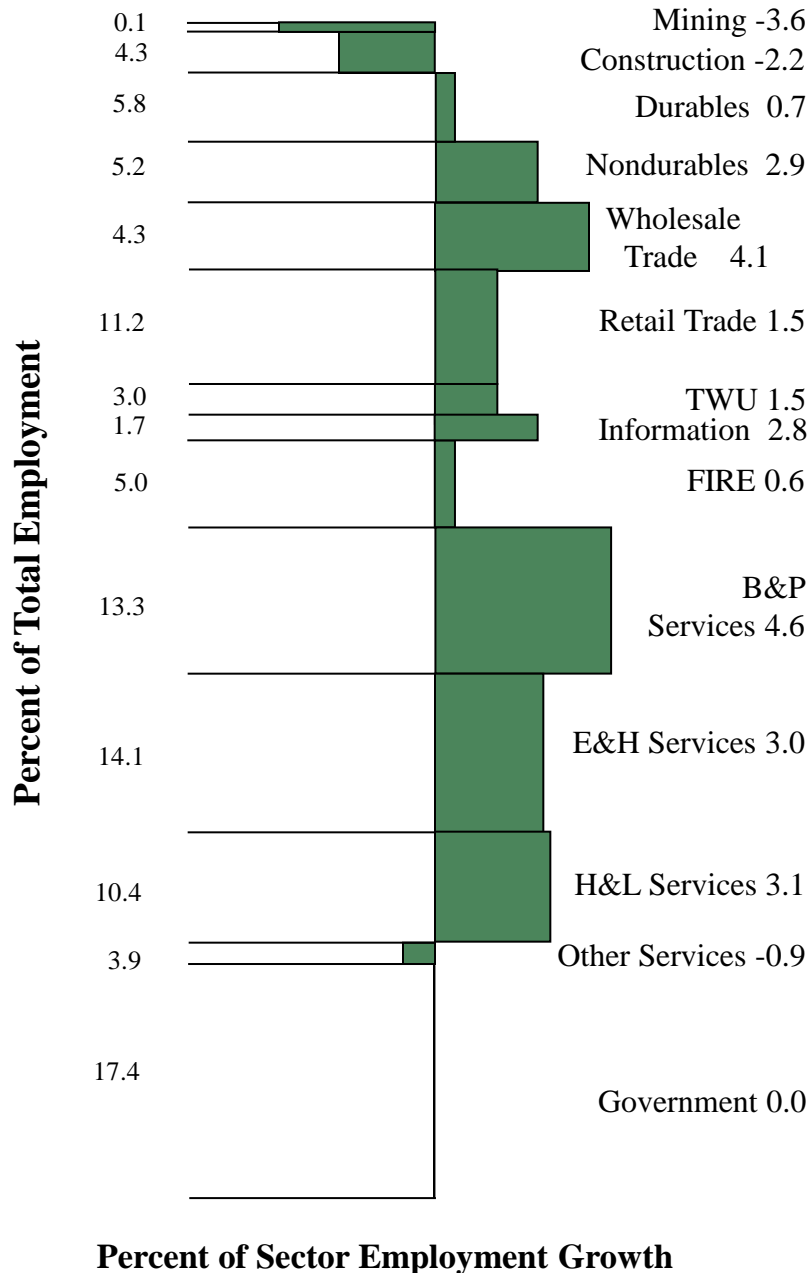
Thirteen of the state's 15 economic sectors are forecast to experience output increases during 2013. The sectors with the strongest expected growth are Business and Professional (B&P) Services, with a projected real increase of 4.0 percent; Transportation, Warehousing and Utilities (TWU), with a projected real increase of 2.5 percent; Other Services, with a projected real increase of 2.4 percent; Wholesale Trade, with a projected real increase of 2.1 percent; Information, with a projected real increase of 1.9 percent; Agriculture, with a projected real increase of 1.7 percent; and Hospitality and Leisure (H&L) Services, with a projected real increase of 1.6 percent.

Four sectors are also expected to record increases in 2013 at rates equal to the overall state growth of 1.5 percent: Educational and Health (E&H) Services, Retail Trade, Construction and Nondurable Goods Manufacturing.

Two sectors are expected to grow during 2013, but at rates less than the overall state rate of 1.5 percent: Finance, Insurance and Real Estate (FIRE), with a projected real increase of 1.2 percent and Durable Goods Manufacturing, with a projected real increase of 0.2 percent.

The Government sector is expected to be flat during 2013, and only Mining is expected to experience a decline in output, by 2.4 percent.

2012 Year-End Employment Trends



2012 EMPLOYMENT SECTOR ANALYSIS

The sector employment analysis presented on this page is based on the new North American Industrial Classification System (NAICS). Seasonally adjusted nonagricultural employment in North Carolina reached 4,004,600 persons by December 2012, an increase of 1.8 percent over the employment level in December 2011. The state gained 72,400 net jobs during the year.

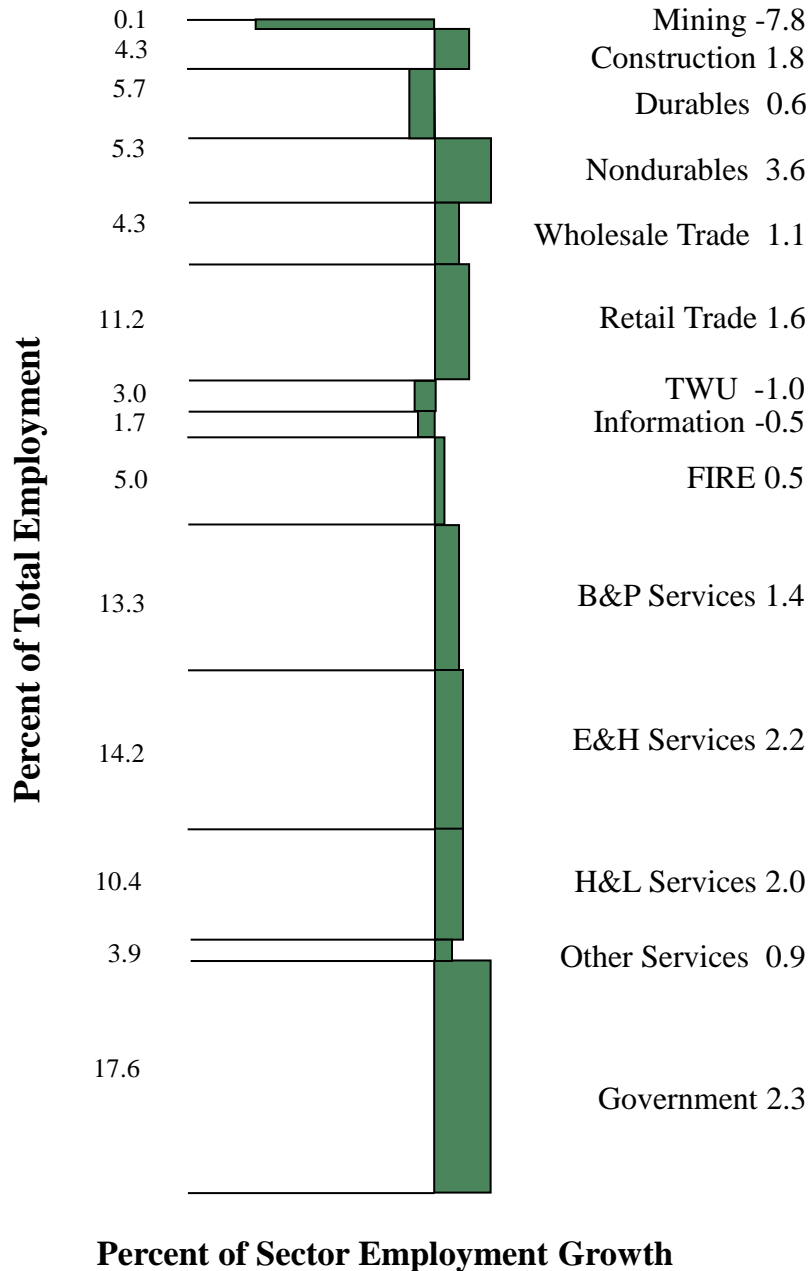
Ten of the state's 14 nonagricultural sectors of the economy experienced employment increases during 2012. The sectors with the strongest employment increases in 2012 were Business and Professional (B&P) Services at 4.6 percent, Wholesale Trade at 4.1 percent, and Hospitality and Leisure (H&L) Services at 3.1 percent.

2012 Employment Highlights

| | Year-End* | Percent Change |
|---------------------|-----------|----------------|
| Total Establishment | | |
| Employment | 4,004.6 | 1.8 |
| Mining | 5.3 | -3.6 |
| Construction | 173.8 | -2.2 |
| Manufacturing | 441.4 | 1.2 |
| Durable Goods | 231.7 | 0.7 |
| Nondurable Goods | 209.7 | 2.9 |
| Wholesale Trade | 171.5 | 4.1 |
| Retail Trade | 449.7 | 1.5 |
| TWU | 121.4 | 1.5 |
| Information | 69.6 | 2.8 |
| FIRE | 202.2 | 0.6 |
| B&P Services | 534.1 | 4.6 |
| E&H Services | 566.7 | 3.0 |
| H&L Services | 414.8 | 3.1 |
| Other Services | 155.9 | -0.9 |
| Government | 698.2 | 0.0 |

*thousands of persons

2013 Year-End Employment Trends



2013 EMPLOYMENT SECTOR ANALYSIS

The sector employment analysis presented on this page is based on the new North American Industrial Classification System (NAICS). Seasonally adjusted nonagricultural employment in North Carolina is expected to reach 4,069,900 persons in December 2013, an increase of 1.6 percent over the employment level in December 2012. The state is expected to gain 65,300 net jobs during the year.

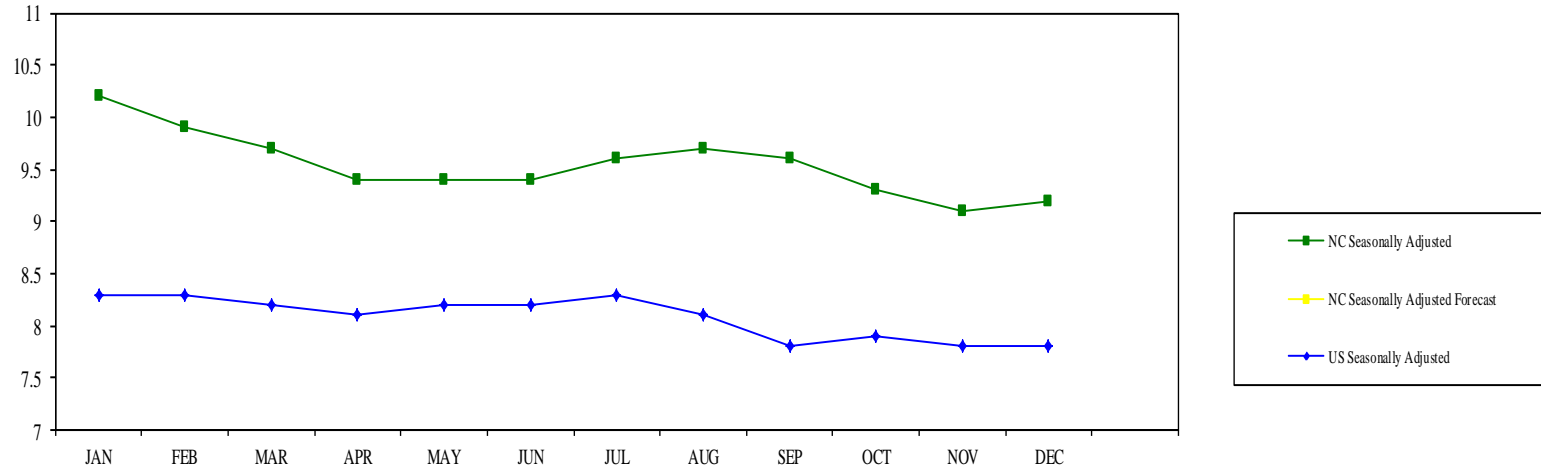
Ten of the state's 14 nonagricultural sectors of the economy are expected to experience employment increases during 2013. The sectors with the strongest employment increases in 2013 are Nondurable Goods Manufacturing at 3.6 percent, Government at 2.3 percent, and Educational and Health (E&H) Services at 2.2 percent.

2013 Employment Highlights

| | Year-End* | Percent Change |
|---------------------|-----------|----------------|
| Total Establishment | | |
| Employment | 4,069.9 | 1.6 |
| Mining | 4.9 | -7.8 |
| Construction | 176.8 | 1.8 |
| Manufacturing | 450.5 | 2.1 |
| Durable Goods | 233.1 | 0.6 |
| Nondurable Goods | 217.3 | 3.6 |
| Wholesale Trade | 173.3 | 1.1 |
| Retail Trade | 456.8 | 1.6 |
| TWU | 120.2 | -1.0 |
| Information | 69.2 | -0.5 |
| FIRE | 203.1 | 0.5 |
| B&P Services | 541.4 | 1.4 |
| E&H Services | 579.0 | 2.2 |
| H&L Services | 423.0 | 2.0 |
| Other Services | 157.3 | 0.9 |
| Government | 714.4 | 2.3 |

*thousands of persons

2012 NORTH CAROLINA UNEMPLOYMENT RATE



FORECAST reports historical seasonally adjusted monthly unemployment rates for North Carolina and the United States and forecasts the seasonally adjusted monthly unemployment rate for North Carolina. The seasonal adjustment accounts for variations in labor market conditions that cause regular fluctuations in the unemployment level each month.

The graph at the top of this page provides a summary of the monthly unemployment rates for 2012. The solid green line represents the North Carolina seasonally adjusted historic unemployment rate. The seasonally adjusted unemployment rate for the United States is represented by the solid blue line. The North Carolina seasonally adjusted unemployment rate forecast is represented by the solid yellow line. The seasonally adjusted rates for the United States and North Carolina can be compared directly and provide more reliable estimates than the unadjusted rates.

The North Carolina seasonally adjusted unemployment rate began the year at 10.2 percent, while the United States rate was 8.3 percent. By December the North Carolina rate had fallen to 9.2 percent, while the United States rate had fallen to 7.8 percent. Both the U.S. and North Carolina unemployment rates are expected to remain constant throughout 2013, and by December the North Carolina unemployment rate is expected to be around 9.0 percent.