CSUF Index: Government Shutdown Trims Year-End Outlook

ECONOMY: Eases off recent hot streak, still ahead of last year’s level

By JANE YU

Orange County’s business executives have tempered their outlook for the short term, according to the latest business expectations index from California State University, Fullerton, registering the first quarterly decline in a year. The index is based on a survey conducted by the school’s Mihaylo College of Business and Economics. A reading of more than 50 generally indicates expectations of future growth.

The index slipped from a reading of 93.9 three months ago—the highest level in nearly a decade—to 85.2 for the fourth quarter. Local executives remain optimistic compared with the same time a year ago, when the index fell slightly to 70.5.

The timing of the latest survey—which was conducted from Sept. 24 to Oct. 2—likely contributed to the decline in business expectations, according to Anil Puri, dean of the Mihaylo College of Business and Economics.

OC Business Expectations Index

Q4 Concerns

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<th>OC Business Expectations Index (50 or higher signals expected economic expansion)</th>
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Late LA Entrepreneur Gives $53M to Hoag

HEALTHCARE: Initial portions for heart and vascular care institute

By VITA REED

Hoag Memorial Hospital Presbyterian has received the largest gift in its 61-year history—a $53 million donation from the estate of a man who made his fortune in metal forging with a shop in southern Los Angeles County.

The Newport Beach-based health system, which*

OC Industrial Benchmark Rises With HB Sale

REAL ESTATE: LBA cashes out; beer distributor set for expansion

By MARK MUELLER

An affiliate of the biggest beer wholesaler in the nation has bought one of Huntington Beach’s largest buildings, where it plans to expand its local distribution operations.

The unit of Rosemont, Ill.-based Reyes Beverage Group last week completed the purchase of 5901 Bolsa Ave., a 493,000-square-foot industrial building at Springdale Street and Bolsa.

Irvine Startup Skips ‘Shark Tank,’ Finds Backer on Ball Court

TECHNOLOGY: Device retfits vending machines for smartphones

By CHRIS CASACCIA

An Irvine startup backed by billionaire investor and Dallas Mavericks owner Mark Cuban is hoping to shake up the vending machine industry with a simple mobile payment system.

Leiku’s Network’s prototype device allows users to make purchases with PayPal and Google Wallet using their smartphones.

“We’re still working on the distribution model,” said cofounder Ray Hernandez, who’s in talks with PepsiCo Inc. and Dr. Pepper Snapple Group Inc. on a possible deal to sell its devices to be used in retrofit of existing vending machines or the production of new ones.

Purchase, N.Y.-based PepsiCo owns more than 2 million vending machines. The company, which runs the Frito-Lay, Tropicana and Gatorade brands,

Hernandez: got to know Cuban at gym

Cuban: called initial idea horrible

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LikeUs

from page 1

among others, had sales of nearly $65 billion last year.

Plano, Texas-based Dr. Pepper, with a sta-

tle of brands that includes 7-Up, Mott’s apple

juice and Yoo-hoo, owns more than 1.4 mil-

lion vending machines. It saw sales of $1.4 bil-

lion in 2012.

Coca-Cola Co. has close to 3 million vend-

ing machines and plans to roll out thousands

that take smartphone payments and track pur-

chase information to offer discounts and free

drinks to consumers.

LikeUs, which launched last year, hasn’t

settled on a business model. It either will sell

device as a stand-alone unit after ramping

up production or give it away for free and

charge companies a fee for data storage and

transactions.

“We’re having talks with different compa-

nies right now,” Hernandez said.

One of them is SAP AG, a Germany-based

big-data provider and business software maker

with more than $21 billion in sales in 2012. The

company recently began showing a vending

machine that was limited to accepting

near-field communications, or NFC, pay-

ments. It was attracted to the LikeUs device

because it can handle transactions from

Apple, Android or mobile site operating sys-

tems.

Hernandez, 32, launched the company last

year in San Francisco with fellow program-

mer Keyston Clay, 27, before moving to

Irvine about five months ago to be closer to

his family after their second child was

born.

Hot Idea

The genesis of LikeUs began more than two

years ago on an August afternoon when

healthcare act and government shutdow n are

worked.

Now the company needed money to get the

project off the ground.

Enter Mark Cuban. The high-profile entrepreneur and star of

the ABC reality show “Shark Tank” was a member of the same upscale fitness club as Hernandez, who had heard plenty of stories of Cuban playing pickup games at the gym.

Hernandez went there every day at 11 a.m. hoping to

meet him.

One late morning Cuban walked onto the
court and was later matched up against

Hernandez.
The two became acquaintances, but Her-

nandez couldn’t muster the courage to ask

the question.

“I’d get scared and chicken out,” he said. “I knew I had one more chance to approach him.”

That moment came in January 2012, days

before he was set to move to San Francisco.

Cuban was on a treadmill, and Hernandez

was a few rows behind him. A runner stubb-

led on the treadmill between them and a few

minutes later, went flying off of it.

Apparently impressed, Cuban stepped off, which

prompted Hernandez and Cuban to check on

the runner. The paramedics arrived and took

the man to the hospital, leaving Hernandez

with a chance to tell Cuban about his business idea.

Cuban said it was horrible, one of the worst

he heard.

He added some constructive criticism,
saying Hernandez that the key was the mobile

phone, not social network logins through a

tablet.

Hernandez found an electrical engineer in

Canada and mapped out the changes in less

than two weeks.

Cuban seeded the company with a $75,000

investment less than a month later.

“It was the best advice I got,” Hernandez said.

“I’m just the guy who has a million ideas a day and always thinks he can build anything.”

McKennon, who participated in the survey.

He said the firm hasn’t held back on spending

money on marketing and networking efforts, which he said has helped boost business.

“We invested and continue to invest in tech-

nology,” he said, adding that the firm plans a

few hires for the fourth quarter.

Survey responses were mixed regarding

plans for investments in inventory and equip-

ment. The proportions of those who said there were inventory cutbacks, as well as of those who expect to make cuts, de-

clined. More have indicated plans to keep in-

ventories at the same level, with 62% of respon-

dents saying they plan to do so. The results indicate a “conservative bent of mind,” Purii said.

The survey asked local executives to name

the most significant concerns they have for

their company. The state of the overall econ-

omy remained the biggest worry, at about 47%.

Government regulation was the next major concern, at 33%, up from 27% three months ago.

Concern over labor costs fell to about 2%. Labor costs were cited in the previous survey as a key concern by 8% of respondents, mainly driven by uncertainties regarding ele-

ments of healthcare reform, including some that took effect last week.

“It appears that the concerns over the healthcare law and upcoming government shutdown are not being reflected in the ‘government regulation factor,’” Purii said.

In a repeat question, the survey asked for projections of Orange County housing prices through the end of 2014. The majority of respondents said they expect a decline in prices, with 56% indicating prices will likely fall, compared with 37% last quarter.

About one in five said prices will rise by 5% or more.