

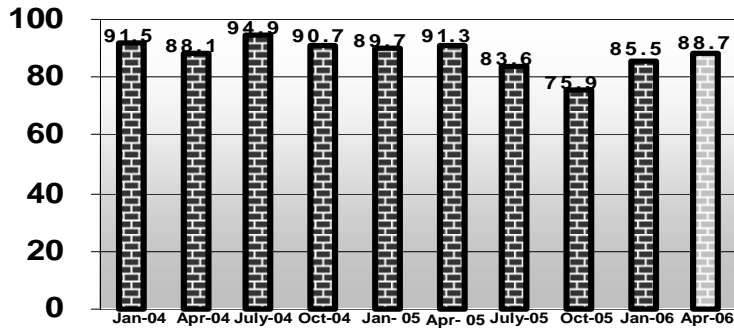


Orange County Business Expectations Survey, OCBX, 2nd Quarter 2006

Project Director: Anil K. Puri, Ph.D; Research Associate: Lee Cockerill

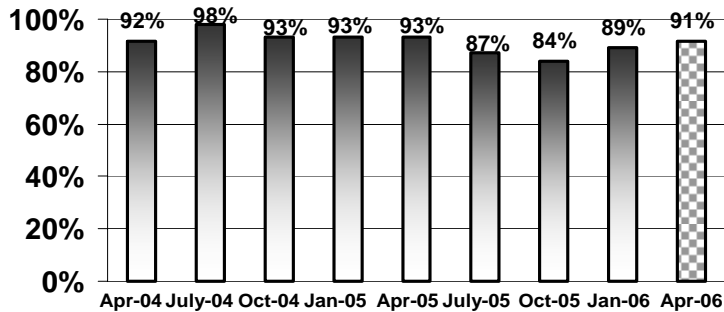
This survey of businesses was conducted during the week(s) of March 21st thru March 24th , 2006. Of the 735 firms contacted, 128 responded for a response rate of 17%.

Orange County Business Expectations: OCBX Index



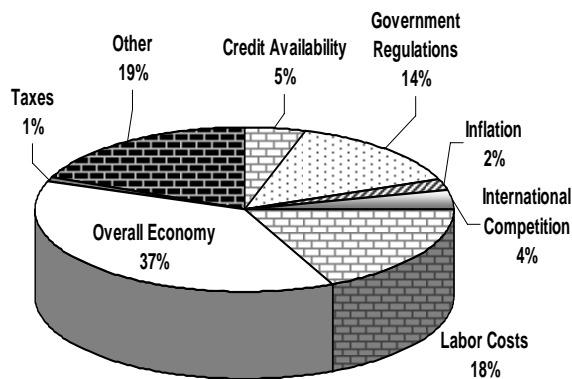
Business expectations: Business expectations for growth for Orange County further increased for the second quarter 2006. The overall index, OCBX, value was 88.7 compared to a reading of 85.5 for the 1st quarter 2006. This is the highest reading in the last twelve months. A reading of 50 would indicate no change. The Orange County CEOs, business owners, and managers are a little more optimistic than they were last quarter and more so than they have been in a year.

Overall Business Activity: Expect Increase or No Change



Overall Business Activity: The proportion of owners, CEOs and managers that expect overall business activity to improve or stay the same increased to 91% from 89% reading for the 1st quarter 2006. This is only a slight improvement over the previous quarter but this value, too, is better than any in the last year.

Most Significant Factor Impacting Your Company



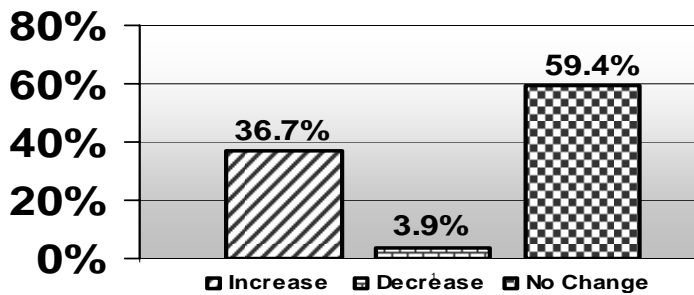
Most Significant Factor: The Overall economy continues to be the most important concern. Labor costs continue as the second most important item in businessmen’s mind.



Orange County Business Expectations Survey, *OCBX*, 2nd Quarter 2006

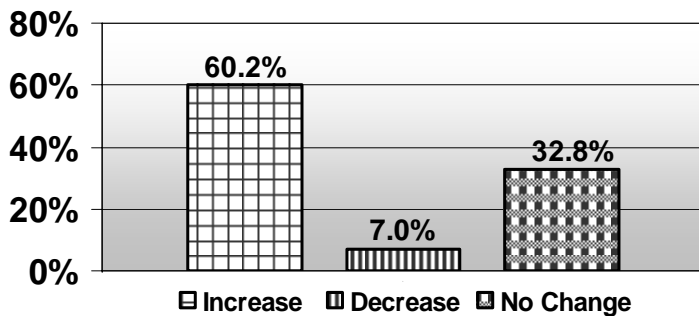
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Expected Employment 2nd Quarter 2006



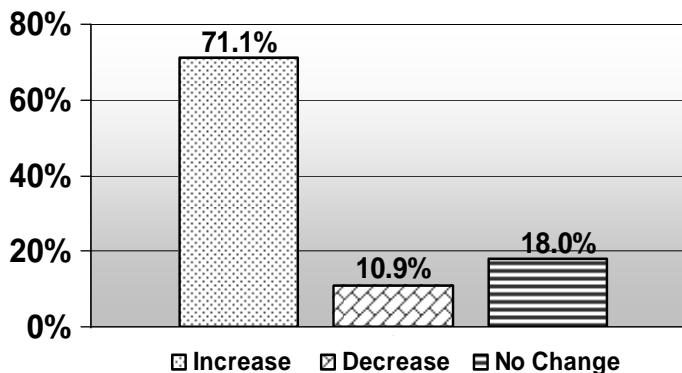
Employment: There is some improvement in the hiring plans of firms compared to the last quarter. Though a larger number, 59.4%, of firms surveyed intend to make no changes in their labor force (compared to 51.8% last quarter), 36.7% intend to hire more (compared to 40.9% last quarter) while only 3.9% expect to cut jobs (compared to 7.3% last quarter). Overall, the hiring plans may be a bit more cautious but there are fewer planned cuts.

Expected Labor Cost/Wage 2nd Quarter 2006



Labor Costs: A smaller number of OC firms expect their labor costs to go up in the second quarter of 2006. 60.2% expect increases (compared to 73.7% last quarter) and 32.8% of the firms expect no change in their labor costs (compared to 19.1% last quarter). At the same time 7.2% expect their labor costs to fall (compared to 7.2% last quarter).

Expected Gross Sales/Revenue 2nd Quarter 2006



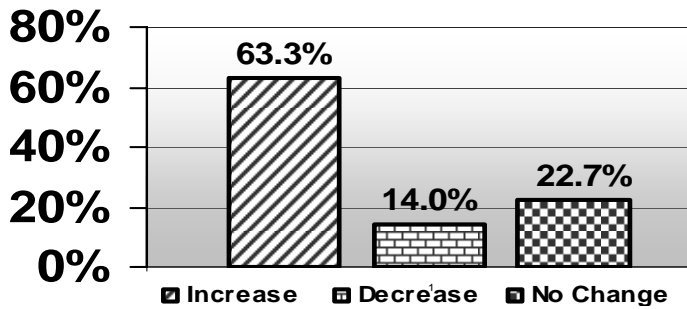
Sales/Revenues: 71.1% of the firms surveyed expect their sales to increase in this quarter (compared to 80.9% in the 1st quarter of 2006), 18% expect little change (compared to 7.3% last quarter) and 10.9% expect to have lower sales (compared to 11.8% in the last quarter). Overall, the percentage of firms expecting higher or same sales this quarter compared to the last quarter has remained unchanged.



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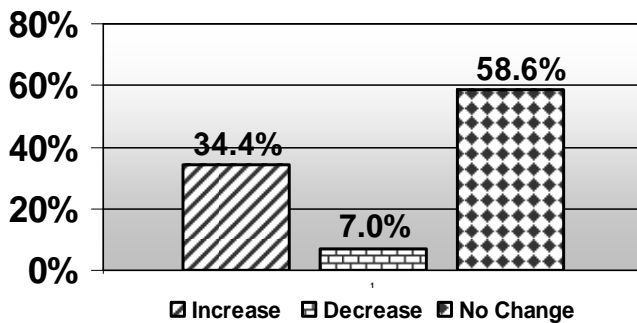
Expected Operating Profits 2nd Quarter 2006



Operating Profits:

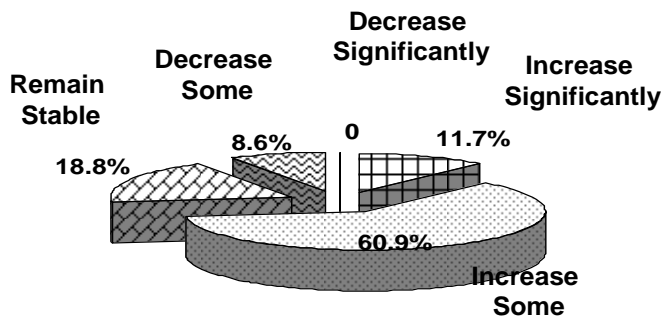
63.3% of the firms surveyed expect to have higher profits in the next three months (compared to 71.8% last quarter), 22.7% expect no change (compared to 14.5% last quarter) while 14% expect lower profits (compared to 13.7% last quarter). Again, there is little change in the number who expect profits to remain the same or higher.

Expected Invest. in Inventory/Equipment 2nd Quarter 2006



Inventory/Equipment Investment: While 58.6% of the firms do not expect to make a change in their inventories/equipment investments (compared to 59.1% last quarter), 7% expect decreases (compared to 9% last quarter), and 34.4% expect increases (compared to 31.9% last quarter). Overall, there is little change in the inventory plans of the firms this quarter.

Expected Local Industry Activity Over the Next Three Months



Own Industry Activity Survey Results:

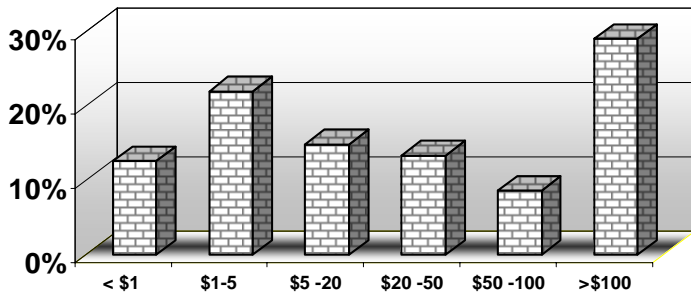
The breakdown of survey results reveals that 72.6% expect significant or some growth (compared to 62.7% last quarter) in their own industry. 8.6% of businesses predict some decreases (compared to 14.6% in the last quarter) in their industry. 18.8% of Orange County firms believe that their own industry will remain stable (compared to 22.7% in the last quarter).



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Annual Sales/Gross Revenues Survey Firms (in \$millions)

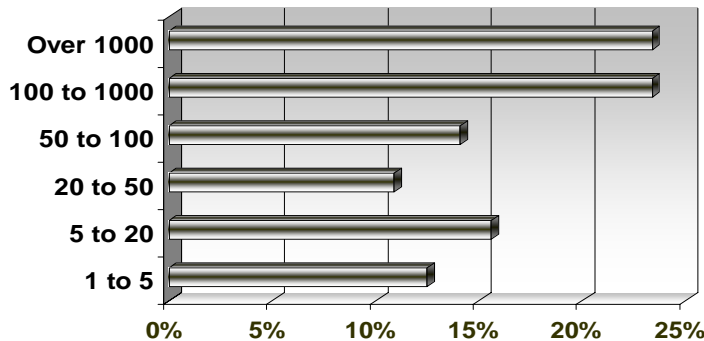


Firm Size- Sales/Revenues:

The bipolar nature of the response is reflected in the sales/revenues of the respondent firms.

Approximately 37.6% (compared to 35% last quarter) of the firms had revenues of over \$50 million while 49.7% had sales under \$20 million (compared to 52.7% in the previous quarter). This pattern has held for most of the survey's history.

Size of Firms Included in OCBX Index: Employment Levels



Sample Firm Size: Employment: Over 46.9% of the firms who responded to the survey employed more than 100 workers, (compared to 47.3% of the last quarter), while 28.1% had fewer than 20 employees (compared to 27.3% last quarter). The rest hire between 20 and 100 employees.