



Project Director: Anil K. Puri, Ph.D.

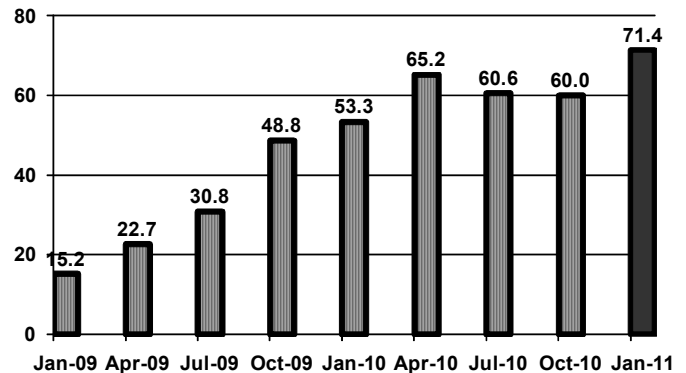
Orange County Business Expectations Survey, OCBX

This survey of OC business executives was conducted during December 14-21, 2010. 92 executives responded for a response rate of approximately 15.8%.

Orange County Business Expectations: OCBX Index

reached its highest level in three years, since the beginning of 2007. Its value of 71.4 is a big jump from 60 in the 4th quarter of 2010. OCBX index is a measure of overall view of the economy and it is constructed from other variables in the survey. A reading of above 50 indicates future growth in the economy. This represents a significant improvement in business sentiment going into 2011.

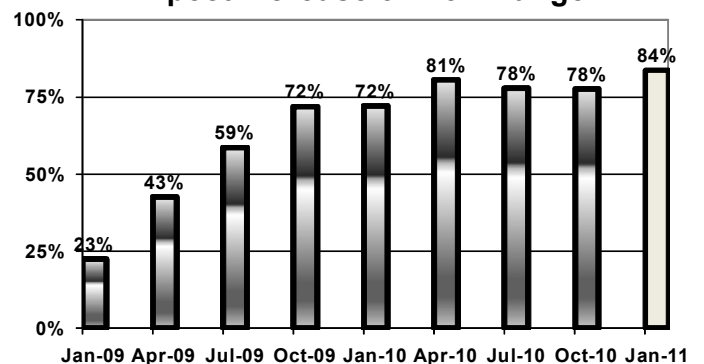
Orange County Business Expectations: OCBX Index



Overall Business Activity

The proportion of owners, CEOs, and managers that expect overall business activity to improve or stay the same increased to 84% for the 1st quarter of 2011 from 78% for the 4th quarter 2010. This variable measures responses to questions about Orange County executives' own industry as well as their outlook for the regional economy. This value is also the highest since early 2007. It indicates that the business perceptions have turned up for the local economy.

Overall Business Activity: Expect Increase or No Change



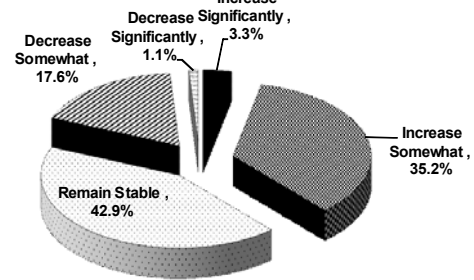
**Orange County Business Expectations Survey, OCBX
1st Quarter 2011**

Project Director: Anil K. Puri, Ph.D.

Own Industry Activity Survey Results

38.7% (36.3% in the previous quarter) of the executives expect significant or some growth in their own industry. 18.7% of businesses predict some decreases in their industry (compared to 22.2% previously). A 42.9% (40.4% previously) of Orange County firms believe that their own industry will remain stable. OC leaders are becoming more optimistic about the local economy.

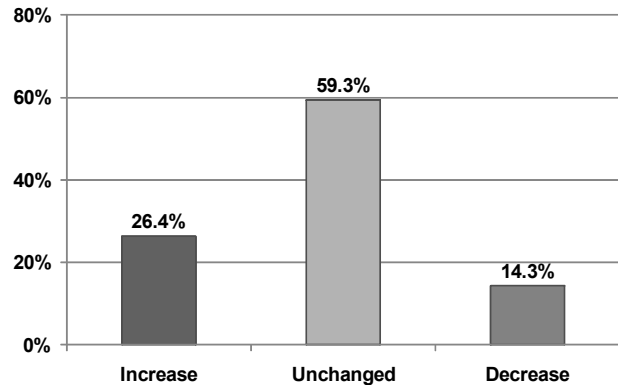
**Expected Local Industry Activity
Over the Next Three Months**



Employment

The employment prospects remain mixed for the local economy. 59.3% of firms surveyed intend to make no change in their labor force (compared to 58.2% last quarter), 26.4% intend to hire more (compared to 29.6% last quarter) and 14.3%, expect to cut jobs (compared to 12.2% last quarter). In other words, employers are still not ready to hire more workers. In fact, some are planning further reductions.

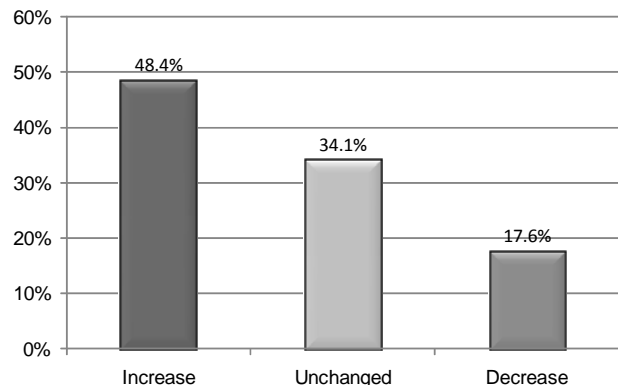
Expected Employment



Sales/Revenues

48.4% of the firms surveyed expect their sales to increase this quarter (compared to 41% in the 1st quarter of 2010), 34.1% expect little change (compared to 40% the last quarter) and a 17.6% expect to have lower sales (compared to 19% in the last quarter). Executives by a sizeable number are expecting sales environment to improve in this quarter.

Expected Gross Sales/Revenue

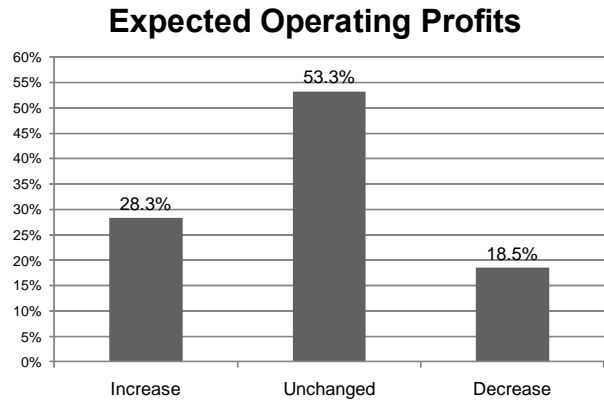


**Orange County Business Expectations Survey, OCBX
1st Quarter 2011**

Project Director: Anil K. Puri, Ph.D.

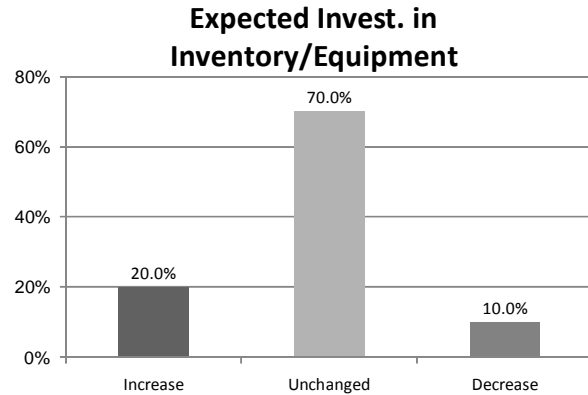
Operating Profits

28.3% of the firms surveyed expect to have higher profits in the next three months (compared to 36% last quarter), 53.3% expect no change (compared to 45% from last quarter) while 18.5% expect lower profits (compared to 19% last quarter). Profit expectations of OC firms have declined somewhat over the previous quarter in spite of expectations of improvement in sales and general economic conditions..



Inventory/Equipment Investment

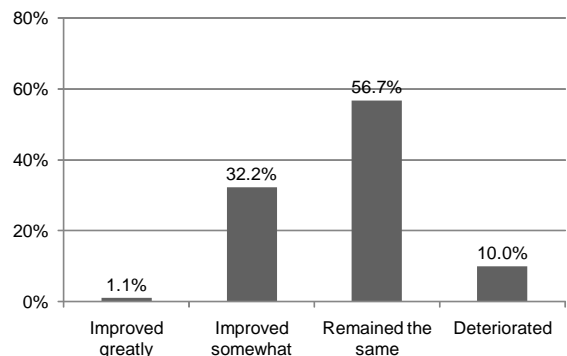
The percentage of those who said that they intend to increase inventories was 20% compared to 20.4% for the last quarter. The share of those intending to leave the inventories unchanged increased to 70% from 66.3% and those who are going to reduce inventories decreased to 10% from 13.3%. There appears to be a little overall change in the business inventory expectations with a smaller number planning reductions.



Credit Conditions in the Last Three Months [SPECIAL QUESTION]

When asked how the credit conditions in their businesses have changed, 33.3% said that there has been some improvement (compared to 24.5% in the last quarter). 56.7% indicated no change (compared to 60.2% in the last quarter) while 10% (compared to 15.3% in the last quarter) indicated further deterioration. It appears that finally the credit conditions in the county are beginning to improve.

Credit Conditions over the Last Three Months



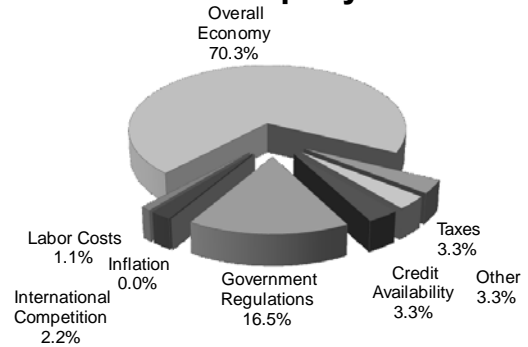
**Orange County Business Expectations Survey, OCBX
1st Quarter 2011**

Project Director: Anil K. Puri, Ph.D.

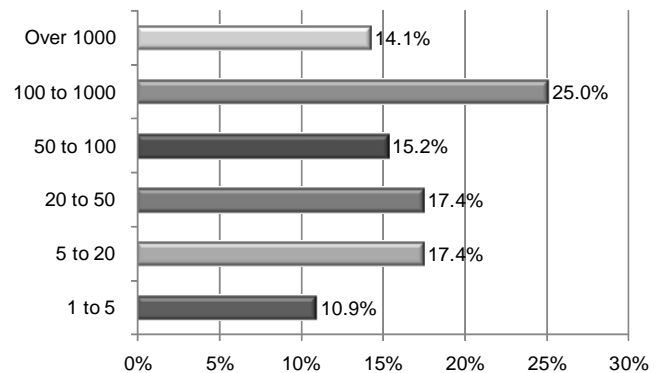
Most Significant Factors

The concern over the state of the overall economy remains the most important issue at 70.3% (compared to 63.3% last quarter). Government regulation was the second major concern with 16.5% (compared to 17.3% last quarter) and the credit availability concern declined to 3.3% (compared to only 9.2% last quarter). It appears that credit is not as restricted as it has been in the last several quarters.

Most Significant Factor Impacting Your Company



**Size of Firms included in OCBX
Index: Employment Levels**



Sample Firm Size

Over 39.1% of the firms who responded to the survey employ more than 100 workers, (compared to 44% in the last quarter), while 28.3% had fewer than 20 employees (compared to 26% last quarter). The rest, 32.6% (30% in the previous quarter), hire between 20 and 100 employees.