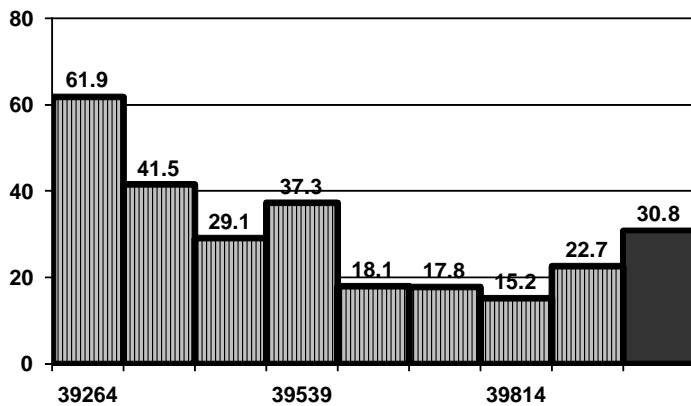


Orange County Business Expectations Survey OCBX, 3rd Quarter 2009

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

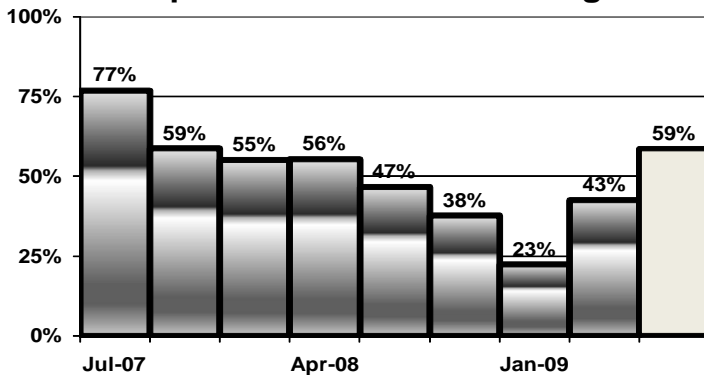
This survey of businesses was conducted during the week of June 22-26, 2009. Of the 733 firms contacted, 113 responded for a response rate of 15.4%.

Orange County Business Expectations: OCBX Index



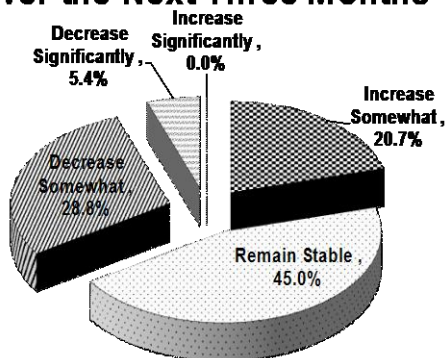
Business expectations: Orange County Business Expectations Index, OCBX, increased this quarter to 30.8. This increase is the second in a row in the last three quarters. The index reached its all-time low of 15.2 in the first quarter of 2009. A reading of 50 indicates no change. The current index value is still very low but appears to be the beginning of the end of a long downward trend.

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 jumped to 59% this quarter from 43% in the 2nd quarter 2009. This variable measures responses to questions about their own industry as well as their outlook for the regional economy. It indicates that the business perceptions continue to improve for the economy. This is the highest level since the second quarter 2008.

Expected Local Industry Activity Over the Next Three Months

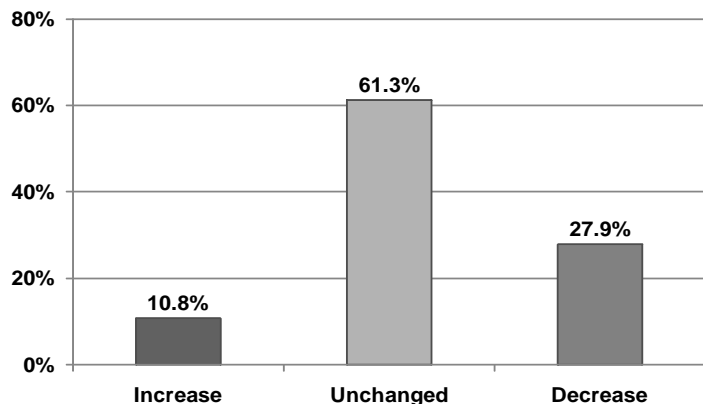


Own Industry Activity Survey Results: 20.7% (30.1% the previous quarter) of the executives expect significant or some growth in their own industry. 34.2% (43.1% previously) of businesses predict some decreases in their industry. Not a much larger number, 45% (24.8% previously), of Orange County firms believe that their own industry will remain stable. It appears that while general business conditions are expected to improve, business people do not expect it to lead to much increase in their local businesses.

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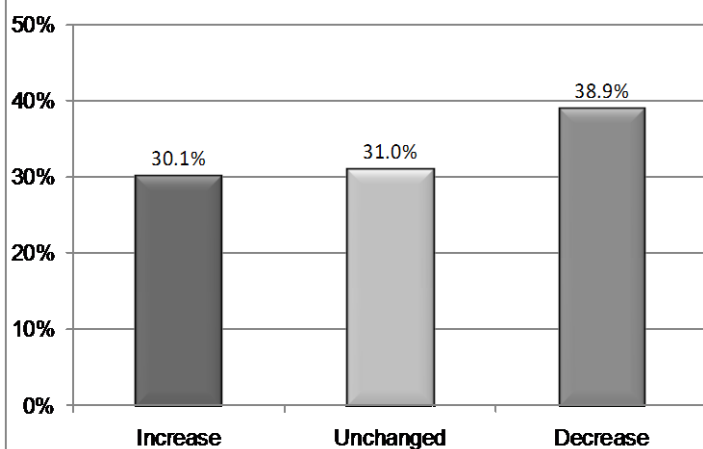
Project Director: Anil K. Puri, Ph.D.

Expected Employment



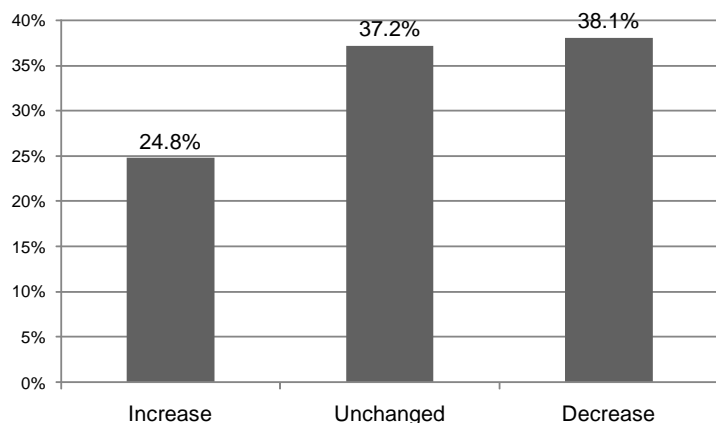
Employment: Reversing the trend from the last four quarters, employment prospects improved somewhat this quarter. 61.3% of firms surveyed intend to make no change in their labor force (compared to 41.4% last quarter), 10.8% intend to hire more (compared to 21.6% last quarter) but 27.9% expect to cut jobs (compared to 36.9% last quarter). In other words, employers are being very cautious in simply holding on to their current labor force and increasing it at this time.

Expected Gross Sales/Revenue



Sales/Revenues: 30.1% of the firms surveyed expect their sales to increase this quarter (compared to 27.9% in the 1st quarter of 2009), 31% expect little change (compared to 27.9% the last quarter) and a 38.9% expect to have lower sales (compared to 44.1% in the last quarter). Overall, the expectations for sales have improved only slightly from the previous quarter.

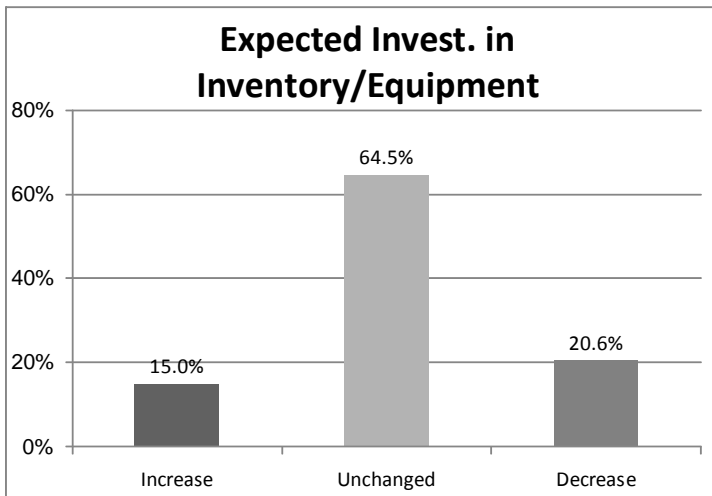
Expected Operating Profits



Operating Profits: 24.8% of the firms surveyed expect to have higher profits in the next three months (compared to 27.3% last quarter), 37.2% expect no change (compared to 26.4% from last quarter) while 38.1% expect lower profits (compared to 46.4% last quarter). Profit expectations, as in Sales, of OC firms seem to have barely improved over the previous quarter.

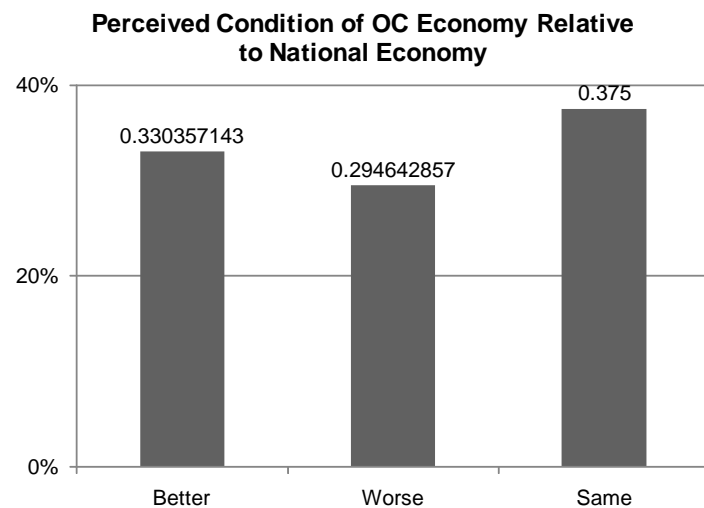
Orange County Business Expectations Survey OCBX, 3rd Quarter 2009

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Inventory/Equipment Investment:

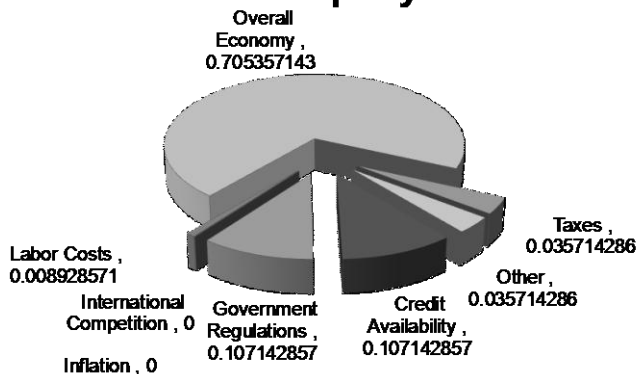
The percentage of those who said that they intend to increase inventories increases slightly to 15% compared to 7.5% for the last quarter. The share of those intending to leave the inventories unchanged increased to 64.5% from 63.6% and those who are going to reduce inventories decreased to 20.6% from 29%. Overall, there is a continuing small movement towards higher inventories as was also evident last quarter.



Performance of OC Economy: [SPECIAL QUESTION]

In a special question, when asked to rank the Orange County's current economic performance relative to the national economy, 33% (37.3% last quarter) said that they believe that the County's economy is doing better than the national economy. 29.5% (20.9% last quarter) thought it was doing worse while 37.5% (41.3% last quarter) felt the two are roughly at the same level. It appears that there is a slight deterioration in the number of people who feel that we are doing as well or better than the national economy.

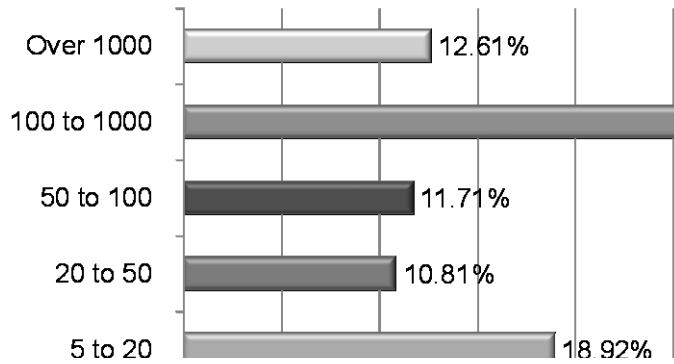
Most Significant Factor Impacting Your Company



Most Significant Factors: The concern over the state of the overall economy remains the most important issue. In fact, the importance of that concern increased again to 70.5% (compared to 60.4% last quarter). Government regulation which was the second most important concern is now again tied with credit availability as the next most important issues. It appears to reflect their concern about the future growth of the economy.

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**Size of Firms included in O
Index: Employment Level**



Sample Firm Size: Over 45.9% of the firms who responded to the survey employ more than 100 workers, (compared to 40.9% of the last quarter), while 31.5% had fewer than 20 employees (compared to 30.9% last quarter). The rest, 22.5%, hire between 20 and 100 employees.