



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

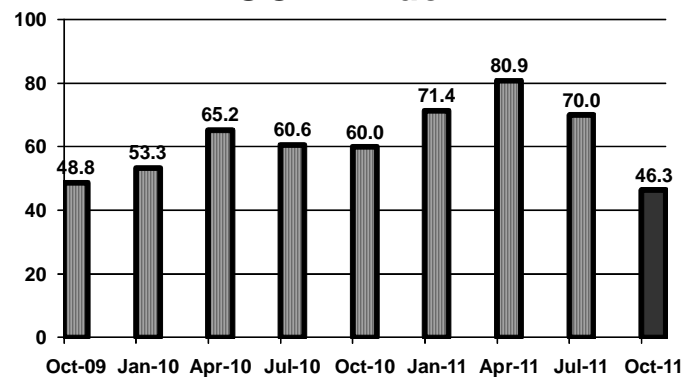
Orange County Business Expectations Survey, OCBX

This survey of OC business executives was conducted during September 20-27, 2011. 77 executives responded for a response rate of approximately 12.8%.

Orange County Business Expectations: OCBX Index

Following a small decline last quarter, the OCBX Index for the 4th quarter 2011 plunged to its lowest level in two years. Its value was 46.3 in comparison with the values of 70 for the third quarter and 80.9 for the second quarter 2011. 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. The current level is barely above its value in October 2009, signifying very low business expectations.

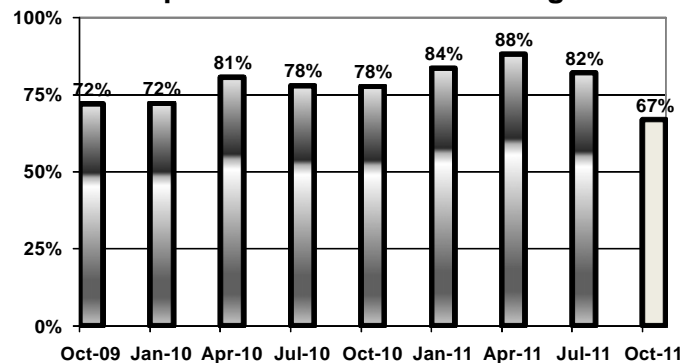
Orange County Business Expectations: OCBX Index



Overall Business Activity

The proportion of owners, CEOs, and managers that expect overall business activity to improve or stay the same fell to 67% for the 4th quarter of 2011 from 82% for the 3rd quarter 2011. This variable measures responses to questions about Orange County executives' own industry as well as their outlook for the regional economy. It is clear that expectations for the growth of the local economy have significantly deteriorated in the last quarter.

Overall Business Activity: Expect Increase or No Change



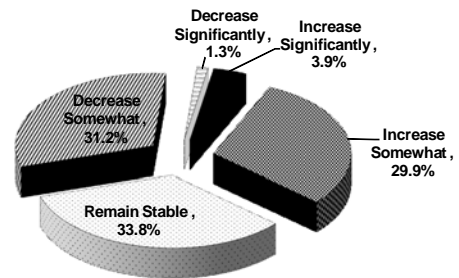
**Orange County Business Expectations Survey, OCBX
4th Quarter 2011**

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

Own Industry Activity Survey Results

33.8% (49% in the previous quarter) of the executives expect significant or some growth in their own industry. 32.5% of businesses predict some decreases in their industry (compared to 19% previously). A 33.8% (32% previously) of Orange County firms believe that their own industry will remain stable. The downward trend in OC leaders' expectations has spread to a much larger number of firms and shows a general lowering of expectations.

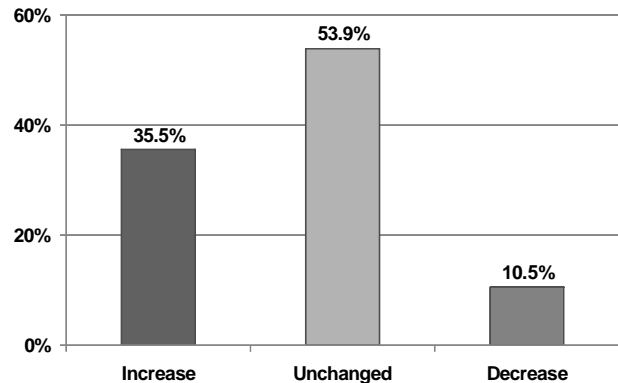
Expected Local Industry Activity Over the Next Three Months



Employment

The employment prospects have changed in an interesting way. 53.6% of firms surveyed intend to make no change in their labor force (compared to 58.6% last quarter), 35.5% intend to hire more (compared to 34.3% last quarter) and 10.5%, expect to cut jobs (compared to 7.1% last quarter). In spite of deteriorating business conditions, employers are not planning major changes in payrolls.

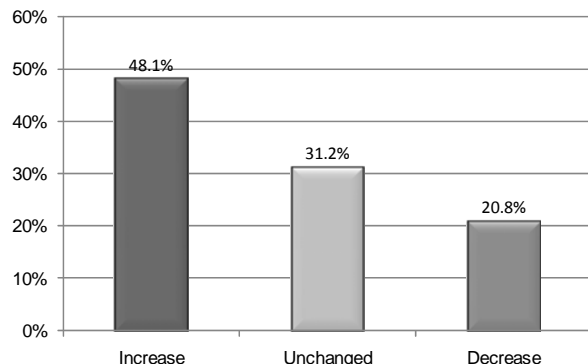
Expected Employment



Sales/Revenues

48.1% of the firms surveyed expect their sales to increase this quarter (compared to 48% in the 2nd quarter of 2011), 31.2% expect little change (compared to 40.2% the last quarter) and a 20.8% expect to have lower sales (compared to 11.8% in the last quarter). Executives are becoming concerned about slower sales in the coming quarter.

Expected Gross Sales/Revenue



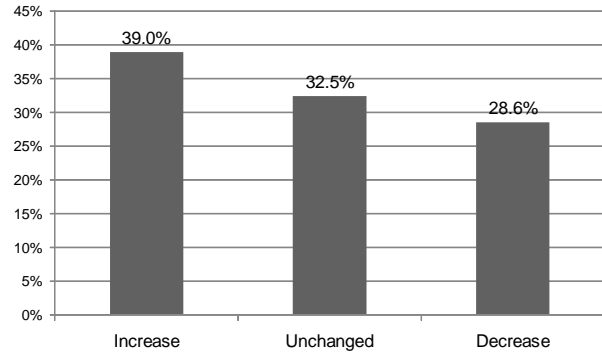
**Orange County Business Expectations Survey, OCBX
4th Quarter 2011**

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

Operating Profits

39% of the firms surveyed expect to have higher profits in the next three months (compared to 45% last quarter), 32.5% expect no change (compared to 41% from last quarter) while 28.6% expect lower profits (compared to 14% last quarter). Profit expectations of OC firms have worsened significantly over the previous quarter along with deteriorating expectations for sales and general economic conditions..

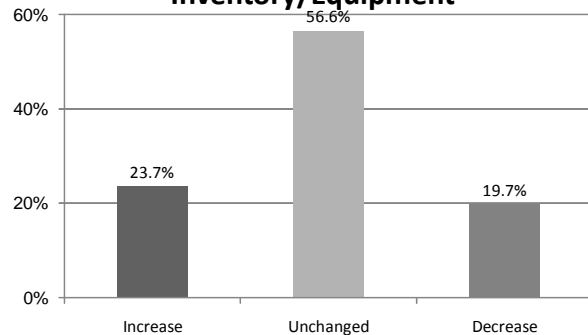
Expected Operating Profits



Inventory/Equipment Investment

The percentage of those who said that they expect to see inventories increase was 23.7% compared to 29.6% in the last quarter. The share of those expecting the inventories to remain unchanged increased to 56.6% from 54.1% and those who were expecting to reduce inventories rose to 19.7% from 16.3%. The executives appear ready to reduce their inventories in the coming quarter.

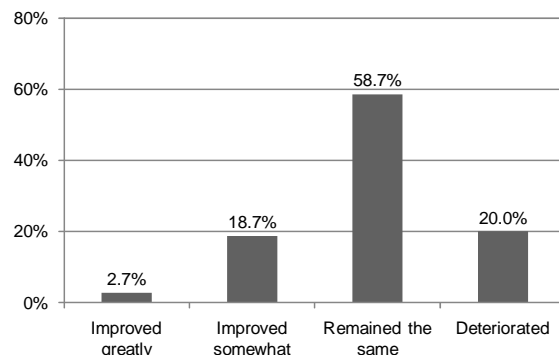
**Expected Invest. in
Inventory/Equipment**



Credit Conditions

When asked how the credit conditions in their businesses have changed, 21.4% said that there has been some improvement (compared to 33% in the last quarter). 58.7% indicated no change (compared to 57% in the last quarter) while 20% (compared to 10% in the last quarter) indicated further deterioration. It appears that the credit conditions in the county have once again are taking turn for the worse.

Credit Conditions over the Last Three Months



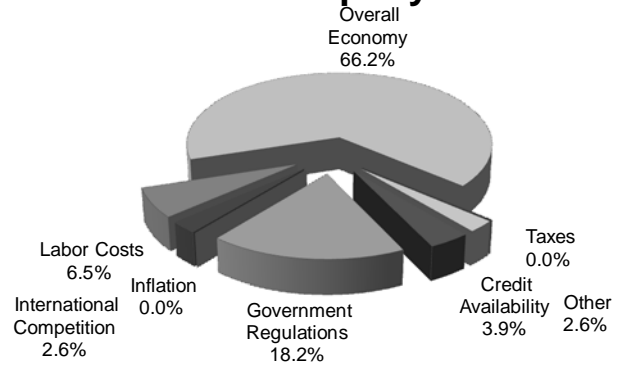
Orange County Business Expectations Survey, OCBX
4th Quarter 2011

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

Most Significant Factor Impacting Your Company

Most Significant Factors

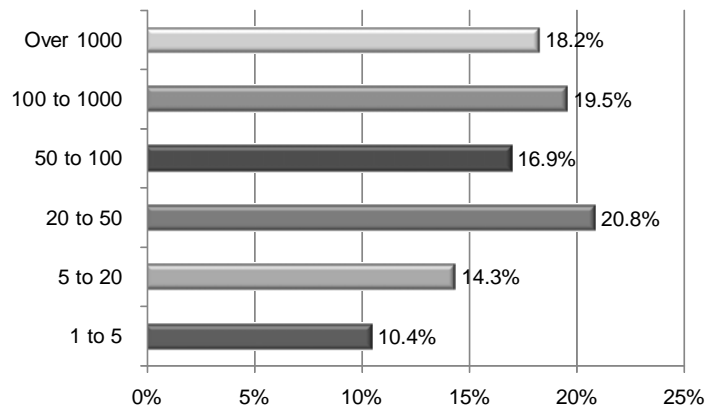
The concern over the state of the overall economy increased to 66.2% (compared to 64.4% last quarter). Government regulation was the second major concern with 18.2% (compared to 18.8% last quarter) and labor costs replaced credit availability as the third most important concern. Other issues became relatively less important.



Size of Firms included in OCBX Index: Employment Levels

Sample Firm Size

Over 37.7% of the firms who responded to the survey employ more than 100 workers, (compared to 38% in the last quarter), while 24.7% had fewer than 20 employees (compared to 35% last quarter). The rest, 37.8% (27% in the previous quarter), hire between 20 and 100 employees.



**Orange County Business Expectations Survey, OCBX
4th Quarter 2011**

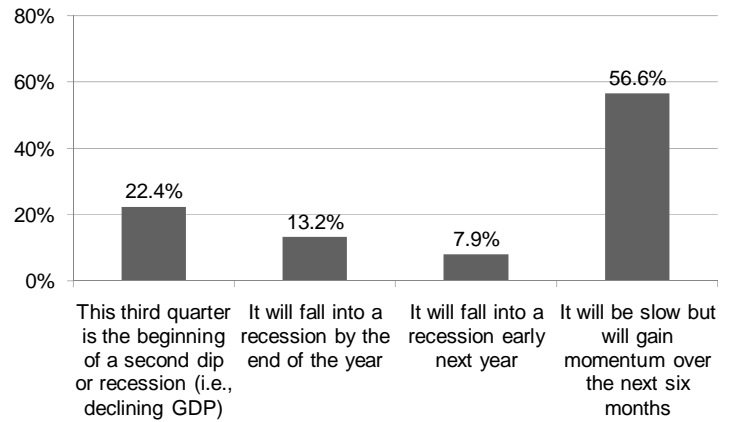
Project Director: Anil K. Puri, Ph.D.

What is your view of the national economy?

[SPECIAL QUESTION]

Current State Of the U.S. Economy

In this special question, while a majority, 56.6% of the executives said that the current slowdown will last only six months before the economy picks up, 22.4% expressed the belief that we are currently in a recession. About 21% feel that a recession is around the corner.



Orange County housing construction activity will recover in

[SPECIAL QUESTION]

Orange County Housing Construction

In this second special question, almost 62% of the executives think that Orange County construction activity will take three or more years to recover. Only 11.8% feel that this will happen within a year. 26.3% think the recovery will begin within two years.

