



CALIFORNIA BUSINESS ROUNDTABLE BUSINESS LEADER SURVEY

FEBRUARY 2013

Research conducted by



SURVEY FINDINGS SUMMARY

- California Business Leaders do not believe the state is heading in the right direction and perceive the state to be facing a stagnant economy in 2013.
- California's primary attraction relies on the state's natural gifts – weather and the large California market. Other factors such as infrastructure, educated work force, etc. are not rated as high.
- Business Leaders see government falling short on three fronts – inefficient spending, taxes are too high, and perceived as an 'obstacle' that must be overcome on the path to economic growth.
- This increasing disillusionment among the state's job creators is already causing those with the means and opportunity to redistribute jobs and investment income outside of California to other states.

IDENTIFIED ACTIONABLE REFORMS

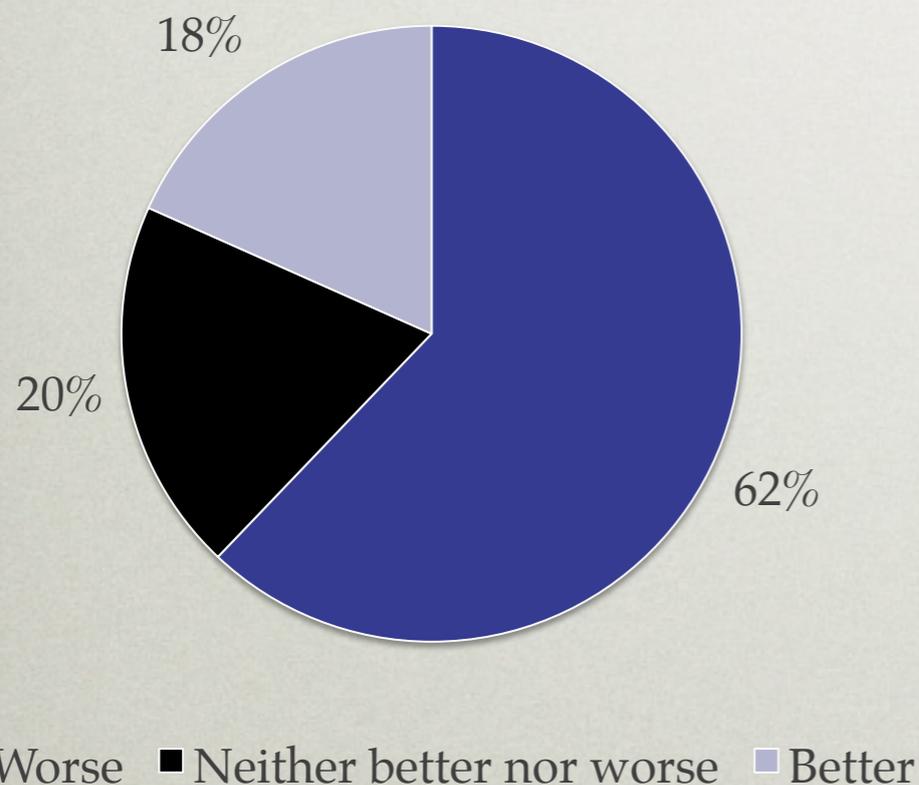
- Business Leaders would most like to see the following policy changes to improve business conditions in the state:
 - Reduce tax rates and maintain or deploy long-term tax credits that encourage manufacturing and research and development.
 - Institute a Rainy Day fund and a pay-as-you-go requirement to stabilize government spending/finances.
 - A sunset review of existing regulations and assist businesses by streamlining and reducing the costs of regulatory compliance.
 - Increase lawsuit filing requirements to reduce class action lawsuit abuse.

BUSINESS LEADER PERSPECTIVES

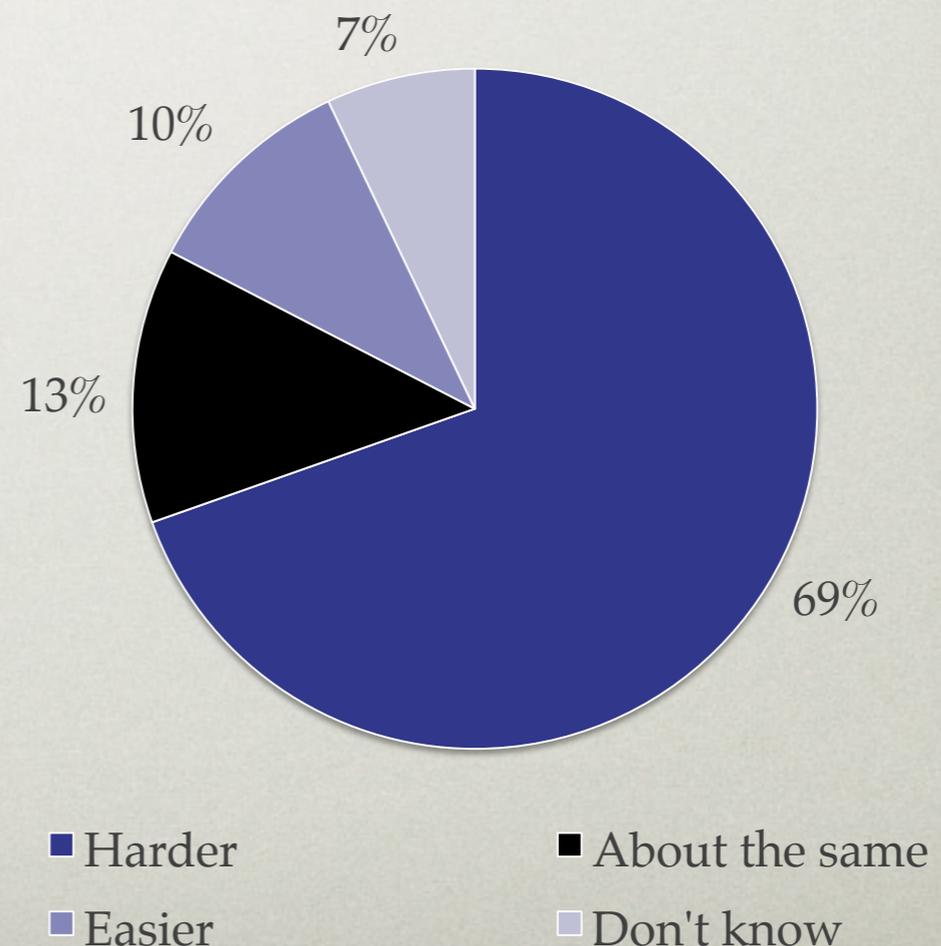
CALIFORNIA: A STATE APART

Compared with other states, Business Leaders see California as harder to do business in and economically worse off.

How would you rate California's economy compared to the rest of the country?



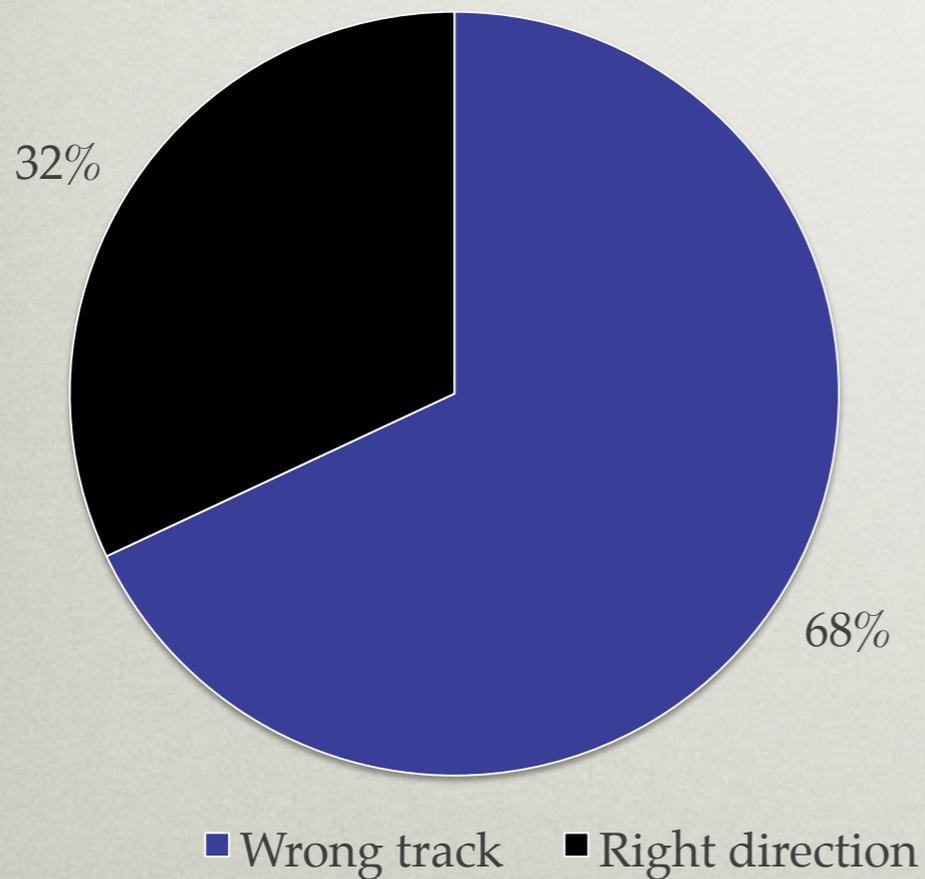
Do you think it is easier to do business in California than in other states?



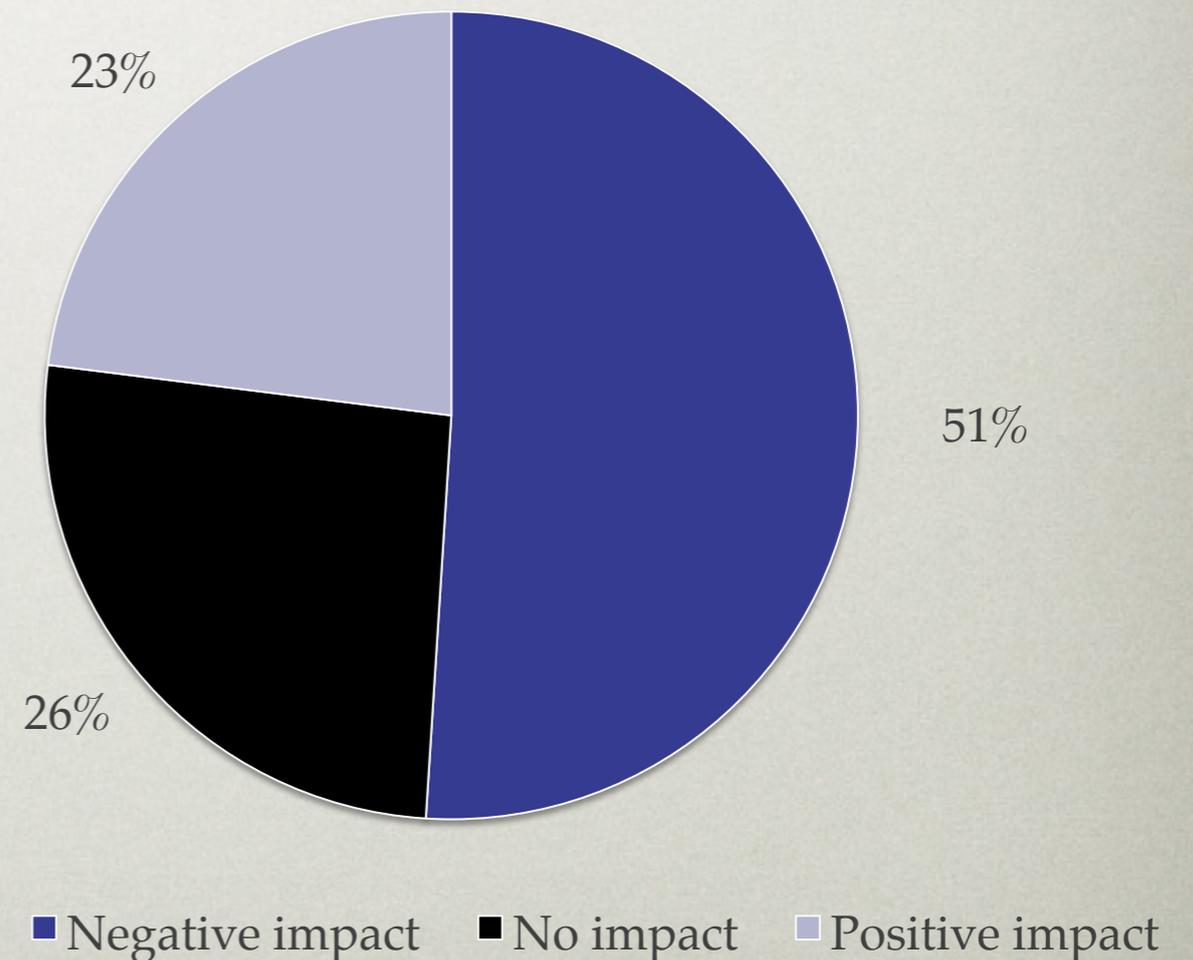
FOR BUSINESS LEADERS

STATE STILL ON THE WRONG TRACK

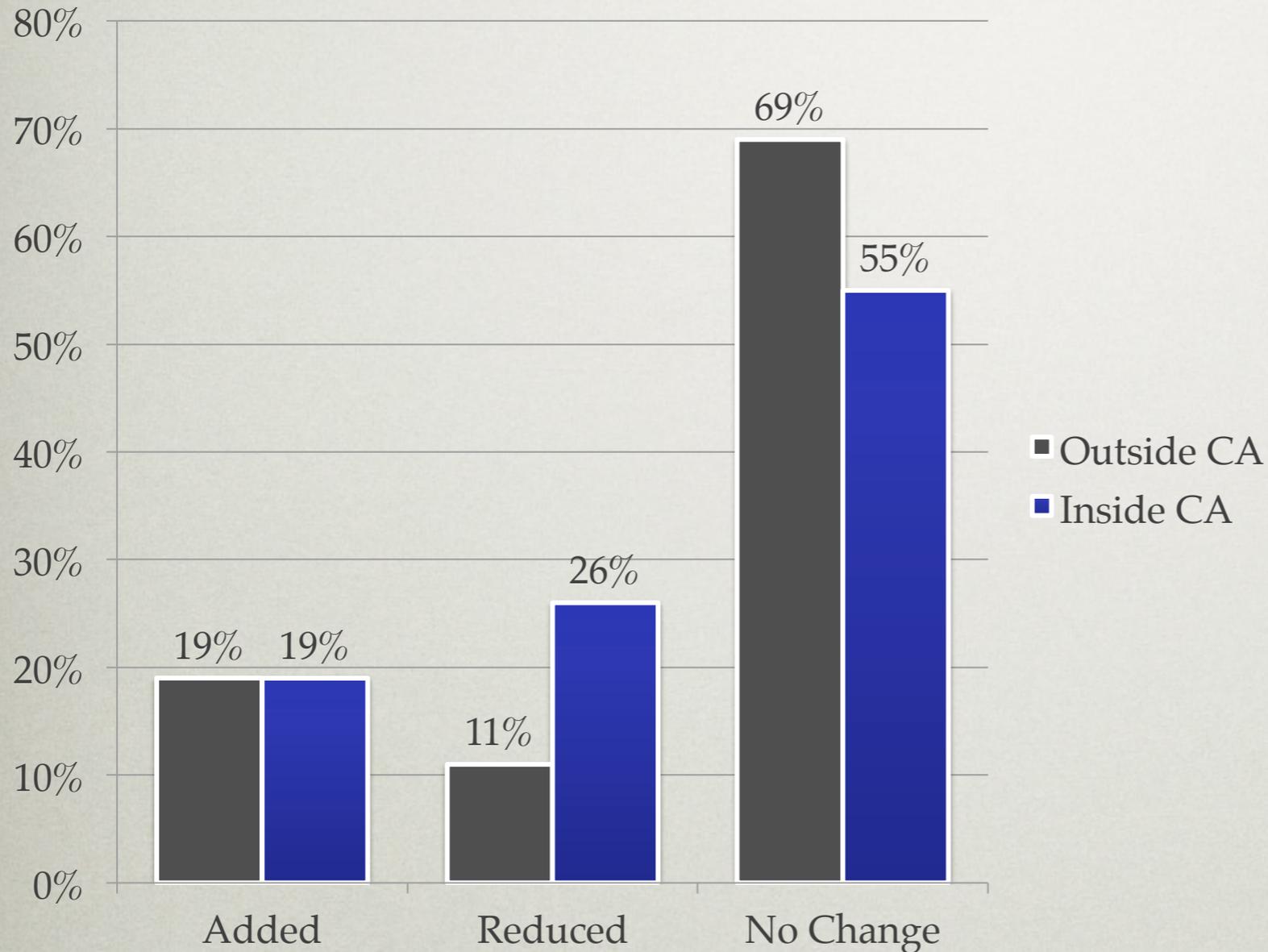
Overall, do you think things in California are going in the right direction, or do you think things have gotten off on the wrong track?



Are the results of the November 6, 2012 election likely to have an impact on you or your company's plans to expand and/or create jobs in California?



RESULTING IN CAUTIOUS APPROACH TO 2012 JOBS

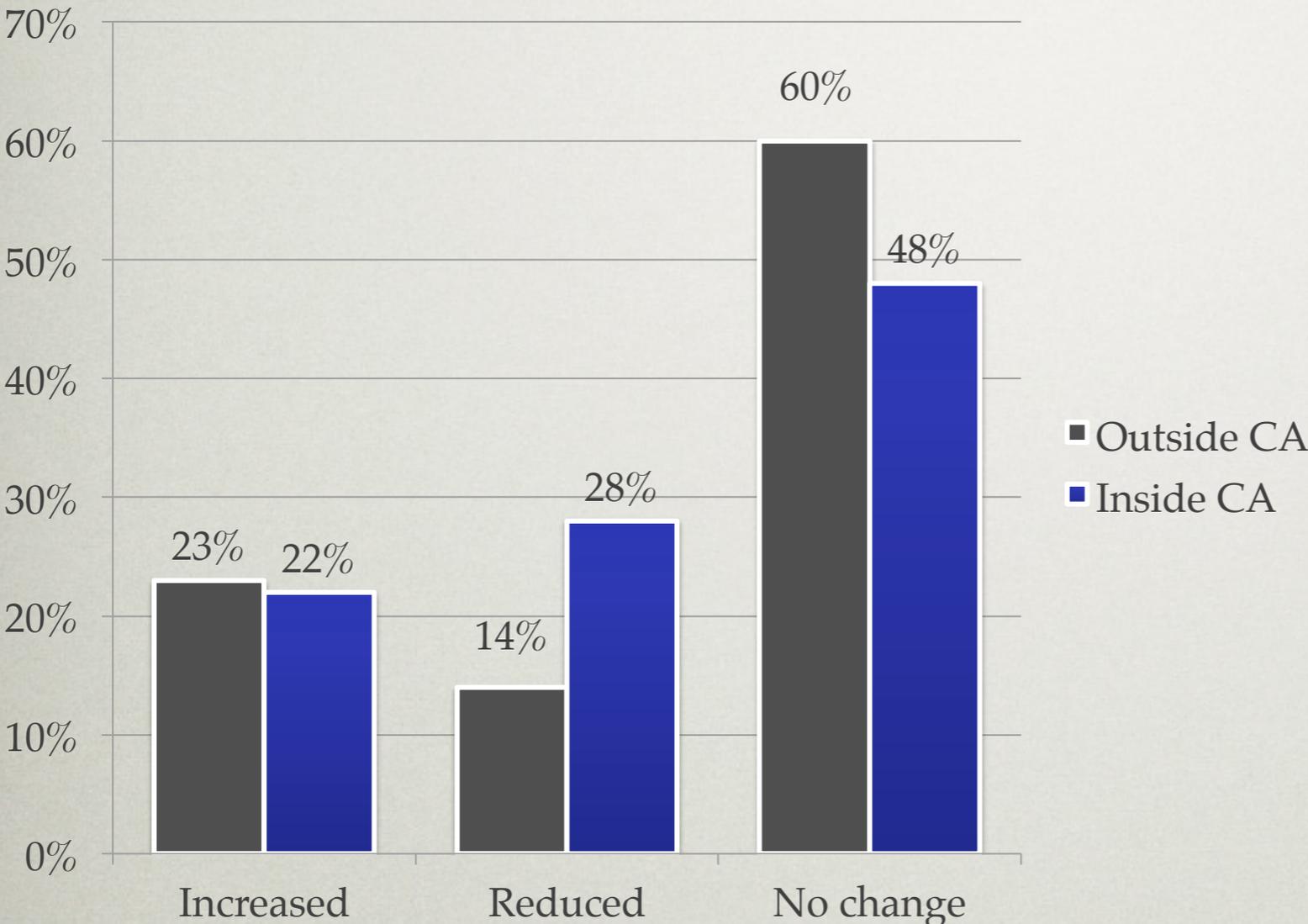


The majority of Business Leaders both with all business in CA and with out-of-state operations held the line on adding or reducing jobs in 2012.

Companies with operations solely in CA reduced jobs at a rate of over 2-1 (26% vs. 11%) compared with CA companies with out-of-state operations.

Overall, has your company added or reduced jobs in California/outside of California over the past year?

AND CAUTIOUS INVESTMENT IN 2012



Similar to the jobs report, California Business Leaders were more likely to report reducing investment in California operations in 2012.

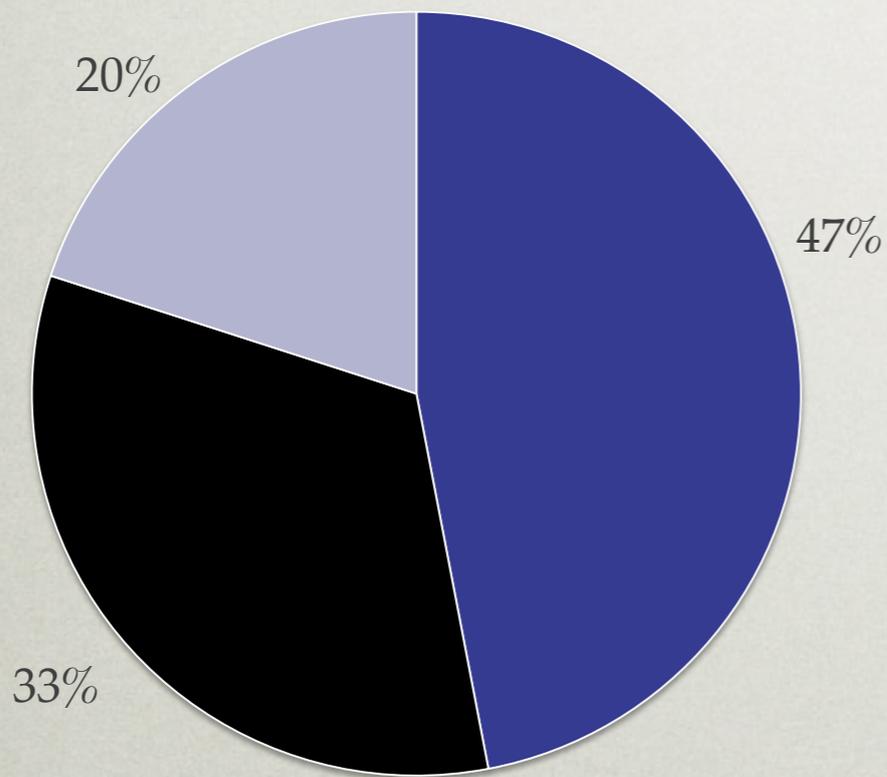
In addition, those with out-of-state operations were more likely to report increasing investment in out-of-state operations than report reducing operations investment.

Overall, has your company added or reduced investment in your California operations over the past year?/Overall, has your company added or reduced investment in your operations outside of California over the past year?

2013 OUTLOOK

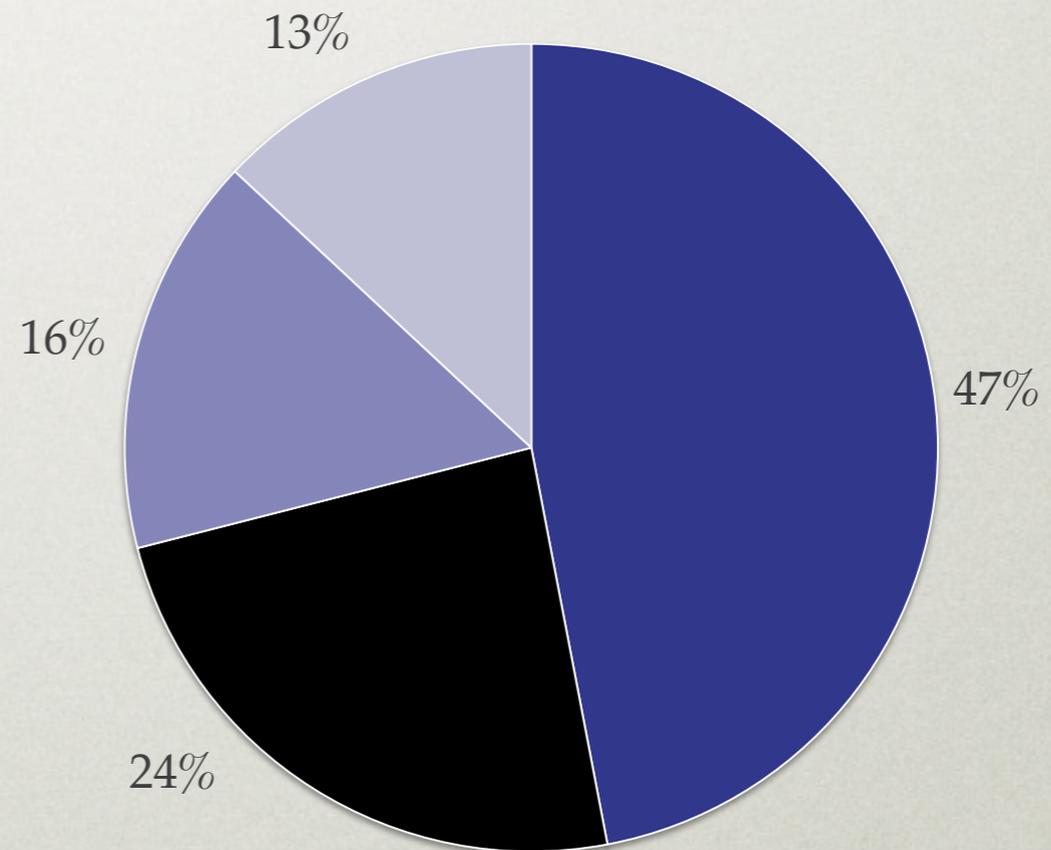
BUSINESS LEADERS EXPECT NEW REGULATIONS TO CHALLENGE JOB GROWTH

Do you expect the "Affordable Care Act," commonly called "Obama-care," to have a positive or negative impact on your business in the next year?



■ Negative ■ No impact/don't know ■ Positive

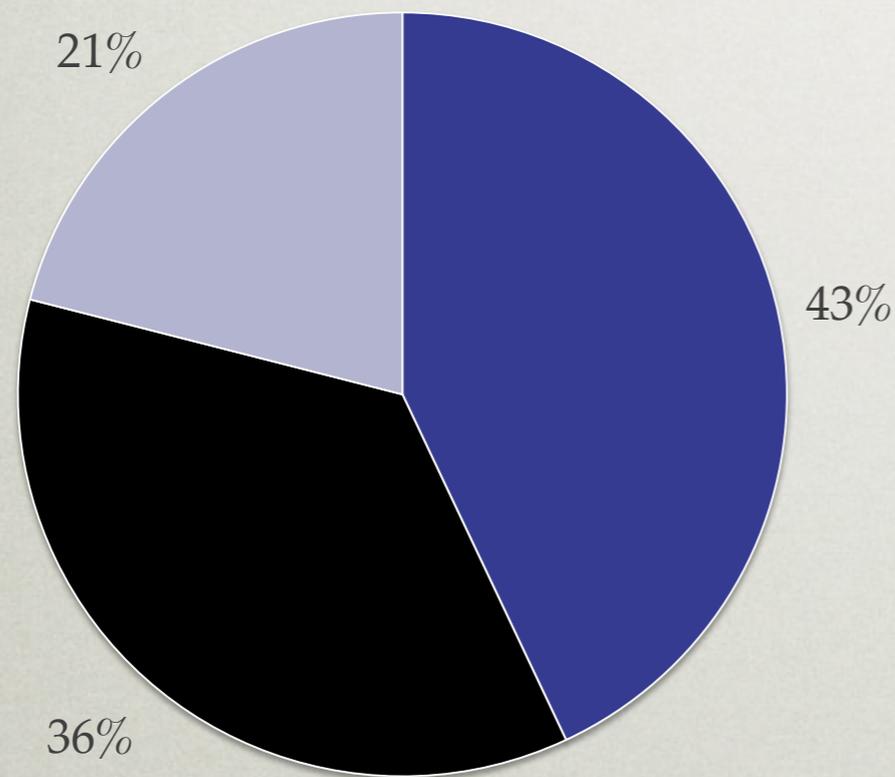
Do you believe that California's first-in-the-nation environmental regulations, such as AB 32, renewable portfolio standards, green chemistry requirements, and zero emissions vehicle requirements will result in higher job growth or lower job growth?



■ Lower job growth ■ Higher job growth
 ■ Can't say/Don't Know ■ No impact/can't say

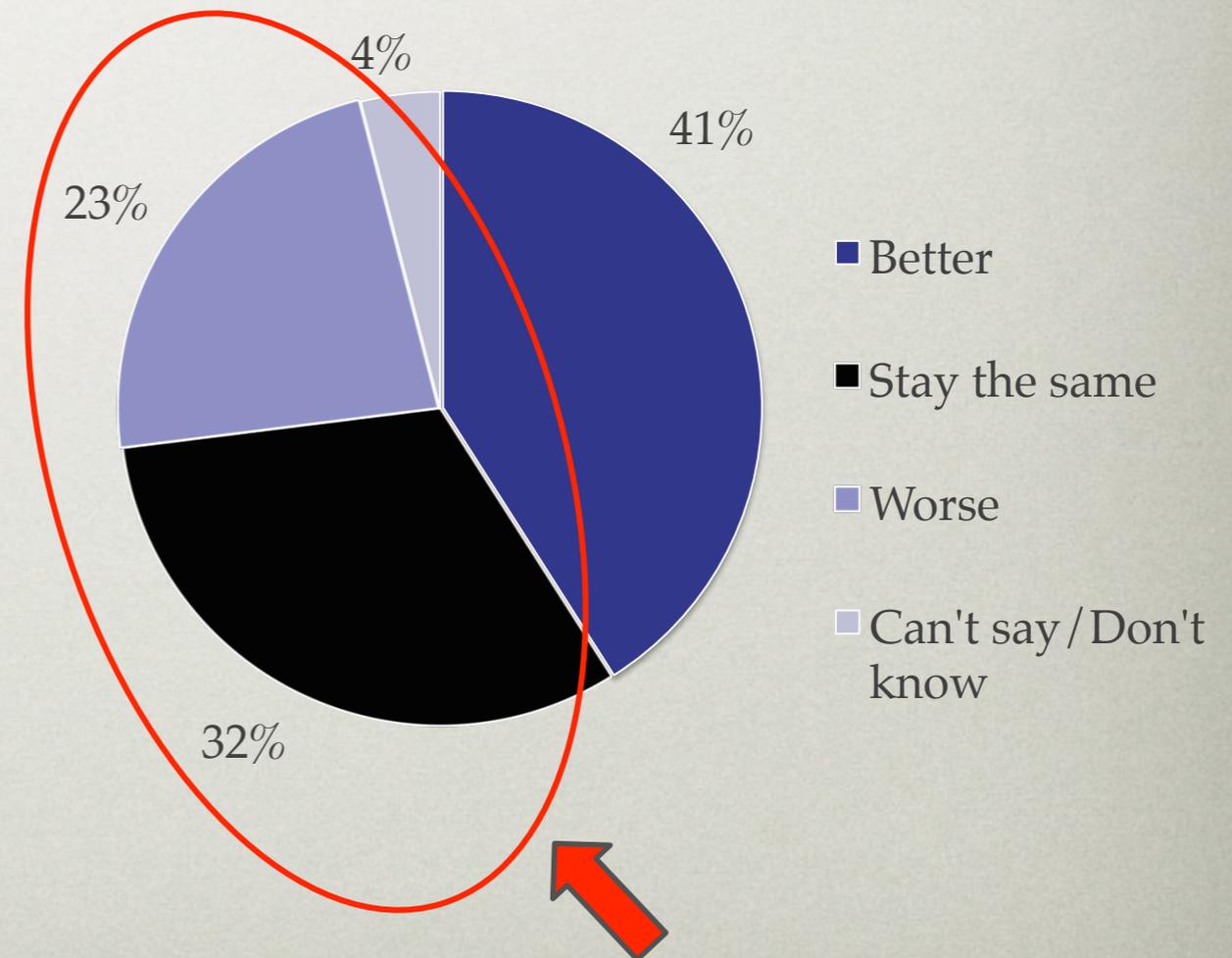
LEADING TO CAUTIOUS OUTLOOK FOR 2013 GROWTH

Thinking about next year, do you see California's economy getting better, getting worse, or will it stay the same?



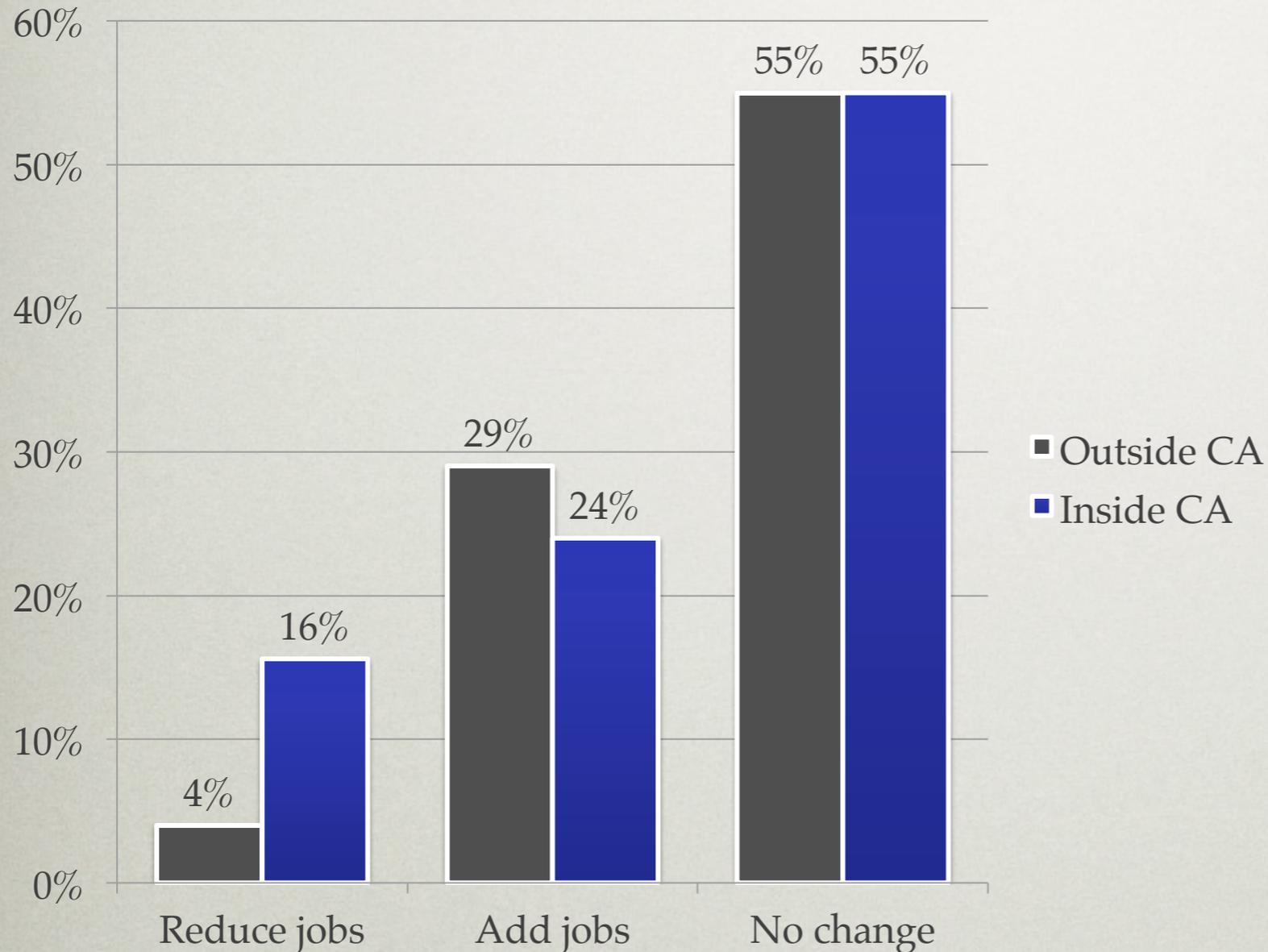
■ Worse ■ Better ■ Stay the same

What is the outlook for your company over the next year?



55% see their company's 2013 outlook as either worse than 2012 or staying the same

AND CAUTIOUS OUTLOOK IN 2013 ON JOBS

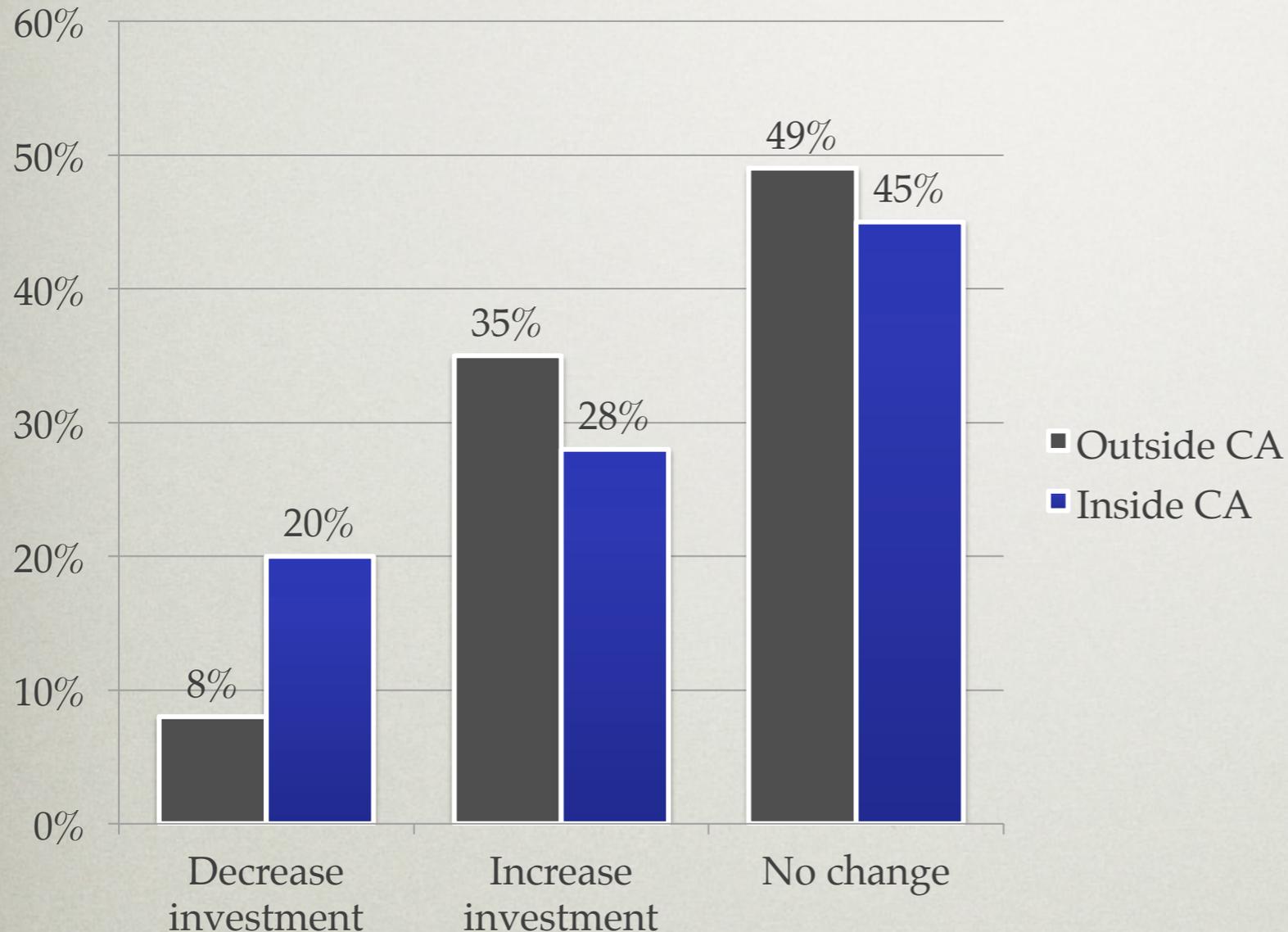


*Does your company plan to add or reduce jobs
in California in 2013?*

Similar to the 2012 jobs results, the majority of Business Leaders both with businesses in CA and with out-of-state operations plan to hold the line on adding or reducing jobs in 2013.

Also, as with 2012, companies with operations solely in CA reduced jobs at a rate of 4-1 (16% vs. 4%) compared with CA companies with out-of-state operations.

AND CAUTIOUS OUTLOOK ON 2013 INVESTMENT



Does your company plan to increase or decrease investment in California operations in 2013/Does your company plan to increase or decrease investment in operations outside of California in 2013?

Business Leaders were more likely to report plans to increase operations investment in 2013 than to report reduced operations spending.

However, companies with out-of-state operations were far more likely to report increasing spending in 2013 than to report decreasing operations investment.

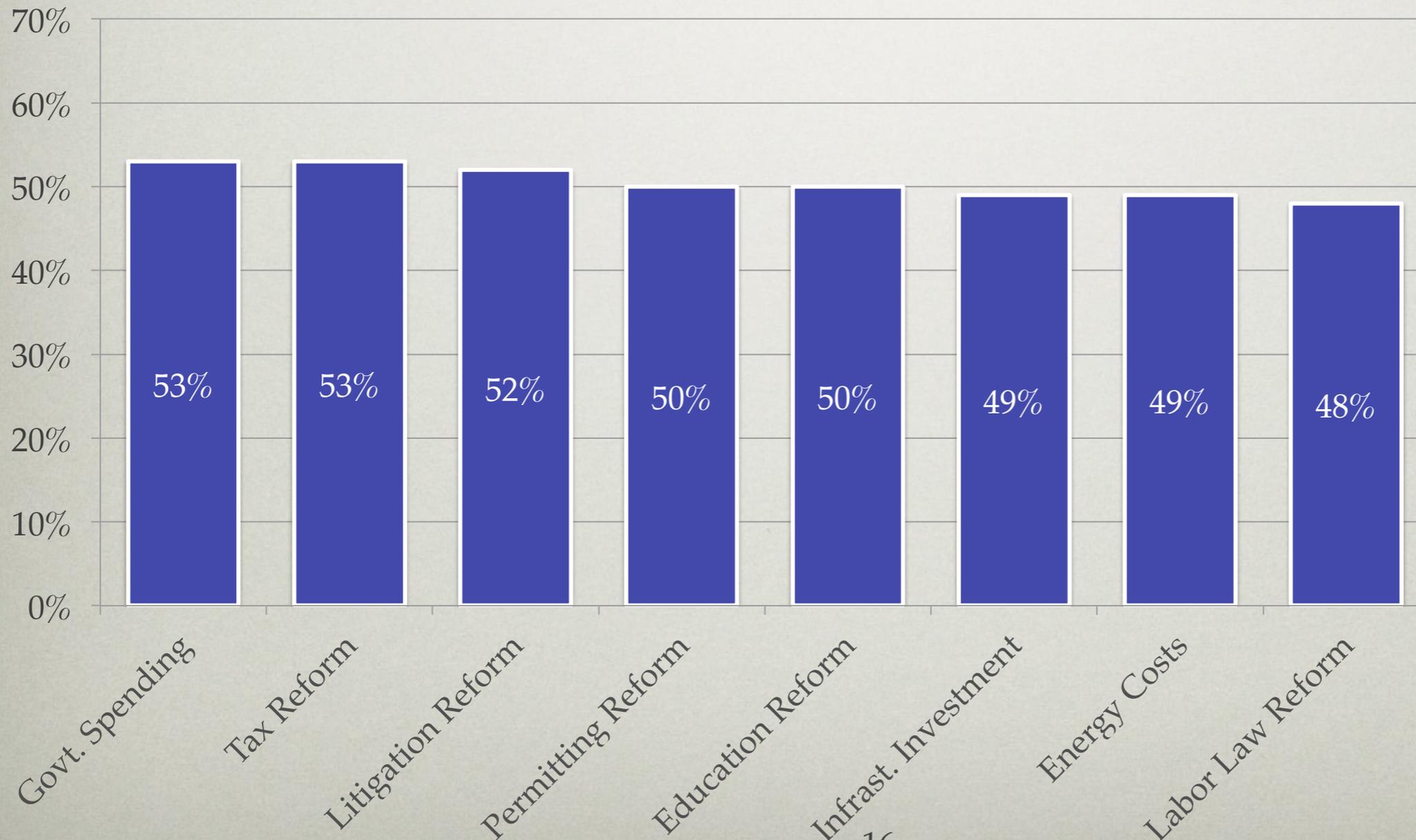
GROWTH OUTLOOK BREAKDOWN

- Business Leaders from companies with 100 to 999 employees were most positive about their prospects in 2013, while companies with less than 99 employees or greater than 1000 employees, were more likely to report a combined prediction of “worse” or “about the same” when asked about the 2013 company outlook.
- Businesses outside of California were also more bullish about 2013 (54% expect to do “better” in 2013) compared with California-only businesses (just 39% expect to do “better” in 2013).

ECONOMIC REFORMS

TOP REFORM INTERESTS

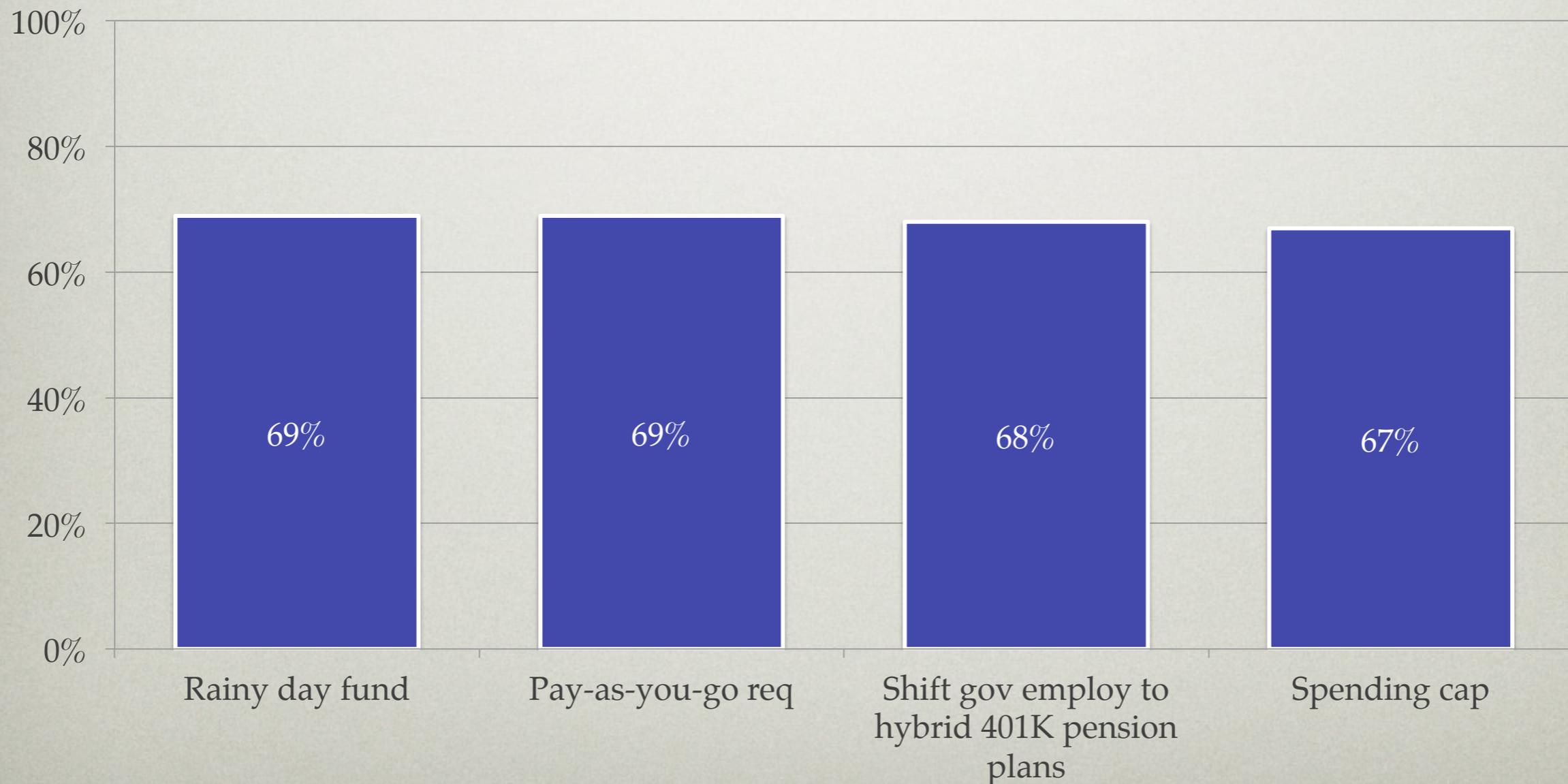
Business Leaders believe government spending reform, tax reform, and litigation reform would have a positive impact on the state's overall economic climate.



Please indicate whether the following broad areas will have a positive impact, a negative impact or no impact at all on California's overall economic climate...

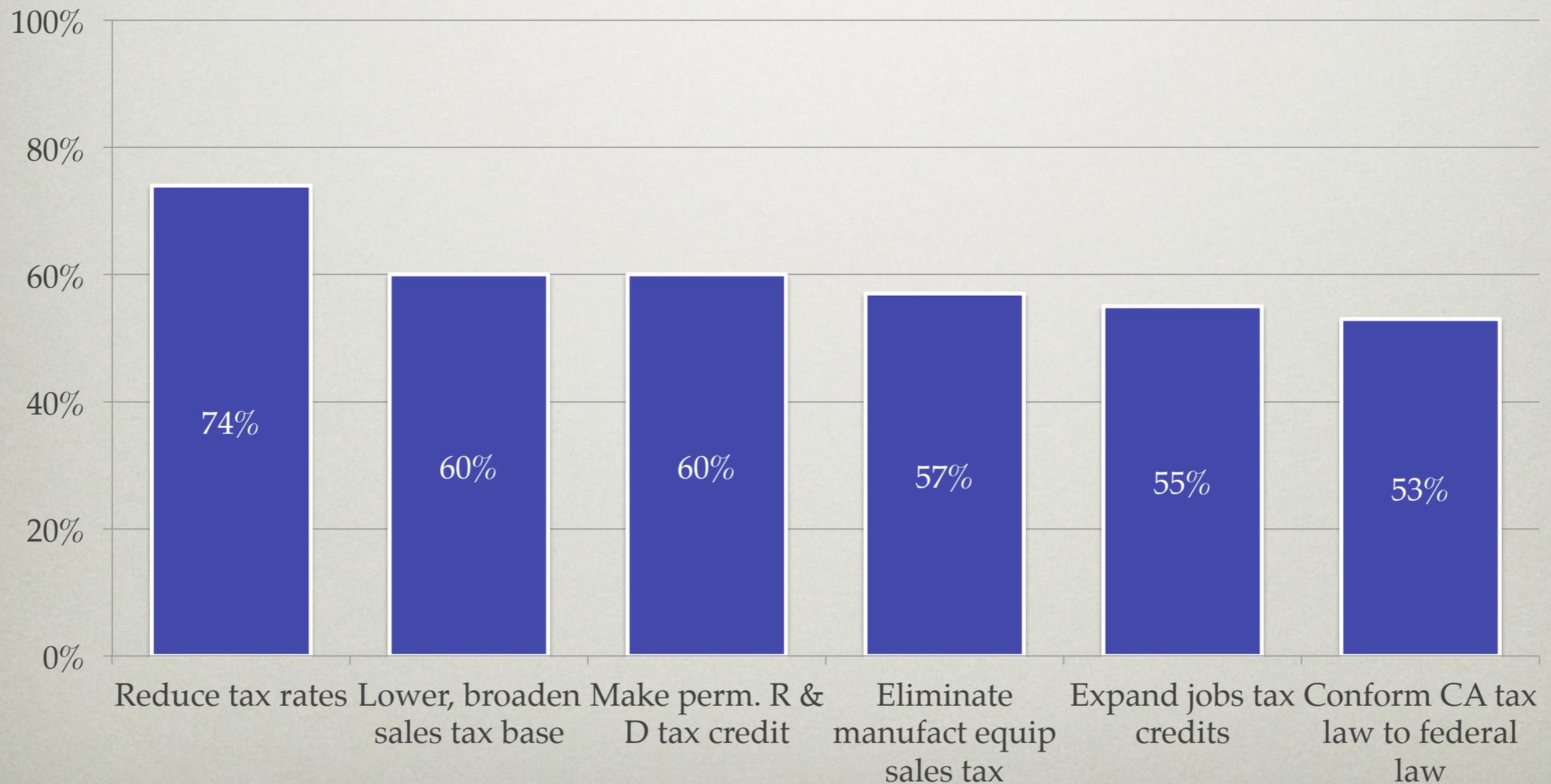
GOVERNMENT SPENDING REFORM PRIORITIES

Business Leaders would most like to see a rainy day fund and pay-as-you-go spending requirements.



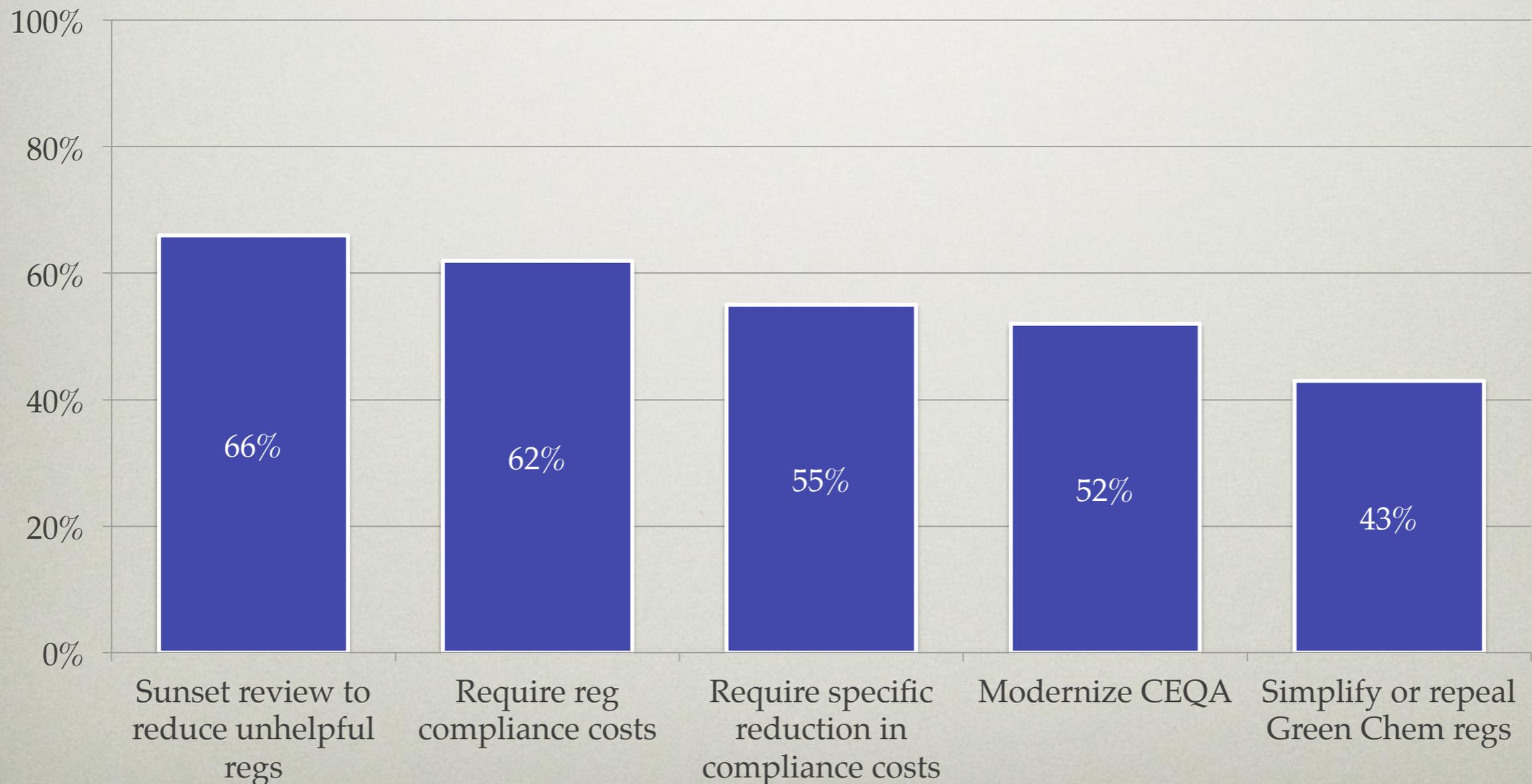
TAX POLICY PRIORITIES

Business Leaders see the strongest value in general tax rate reduction, plus specific actions on growth-enabling tax credits.



REGULATORY REFORM PRIORITIES

Business Leaders would most like to see a sunset review to reduce unhelpful regulations as well as reducing regulation compliance costs.



METHODOLOGY

PROJECT METHODOLOGY

- 1,142 California Business Leaders completed the survey from November 7 through December 26 of 2012.
- For this study, “Business Leaders” are defined as chief executive officers, chief operating officers, chief financial officers, business owners, and partner-level management.
- Qualified participants were invited to participate in a survey on “helping to shape the future of our state.” The survey was conducted online.
- The participant sample was weighted by industry, geography, business size, and minority ownership to reflect the California business community.