

SAN BERNARDINO COUNTY ECONOMIC FORECAST

San Bernardino County is the largest county in the nation in terms of total land area. The county, along with its neighbor to the south, Riverside County comprise the Inland Empire, one of the fastest growing metro areas of the state and nation from 1997 to 2006. However, because the real estate and labor market declines have been pronounced in the area, the economic fallout has been severe over the last three years.

San Bernardino County has a population of 2 million people, with over 590,000 wage and salary jobs. The per capita income in San Bernardino County is \$29,848 the average salary per worker is \$50,767.

The economic contraction was severe in Southern California between 2008 and 2010, with particularly acute losses in the Inland Empire. Last year 11,200 total jobs were lost in San Bernardino County, representing a decline of -1.9 percent. The unemployment rate increased to 14.3 percent in 2010.

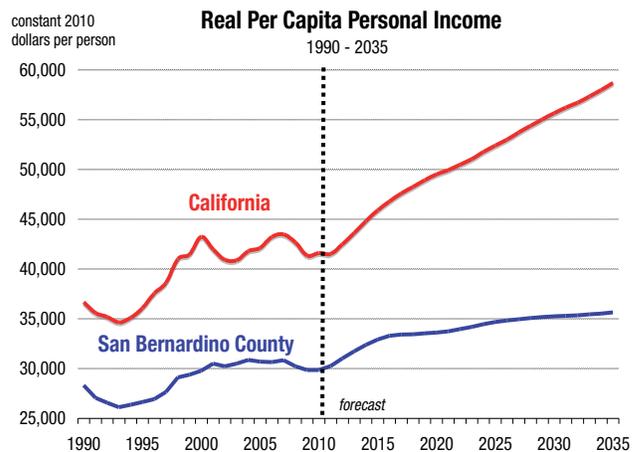
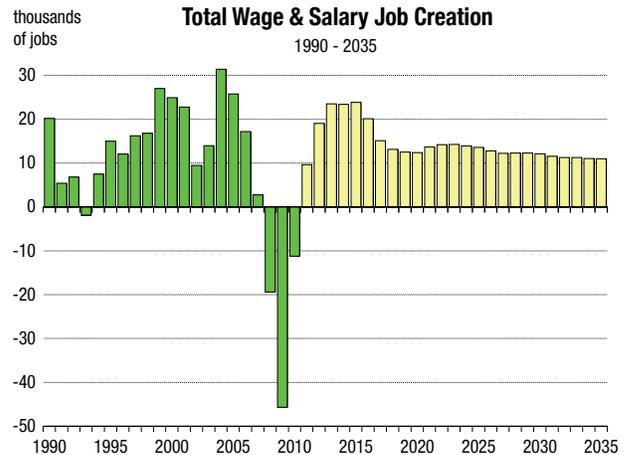
Employment in the construction sector fell by 3,400 workers, and is now 49 percent below the 2006 peak. The contraction was due primarily to a decline in new home production (down 90 percent from the peak in 2004). Other sectors with large declines in employment included manufacturing (-2,300 jobs), government (-1,800 jobs), and professional services (-1,600 jobs). The only sectors to record positive job creation were education and health services and information.

The population growth rate was just 0.7 percent in San Bernardino County in 2010, one of the slowest growth rates on record. Net out-migration over the past 4 years has limited population growth in a county that generally attracts strong migration.

San Bernardino County and the entire Inland Empire economy are expected to expand in 2011 but general economic growth will be muted until 2012 and 2013. Over the longer-term forecast, the Inland Empire will experience greater growth than the coastal counties, due largely to the availability of land at lower cost.

FORECAST HIGHLIGHTS

- Employment is forecast to increase in 2011 by 1.6 percent. From 2011 to 2016, the annual growth rate is expected to average 3.4 percent per year.
- Average salaries adjusted for inflation are currently below the California state average, and will remain so over the foreseeable future. Real average salaries are forecast to rise an average of 0.6 percent per year from 2011 to 2016.
- From 2011 to 2016, the momentum for employment growth is broad based. Manufacturing, professional and business services, transportation, construction, leisure services, and wholesale trade all grow over 15 percent.

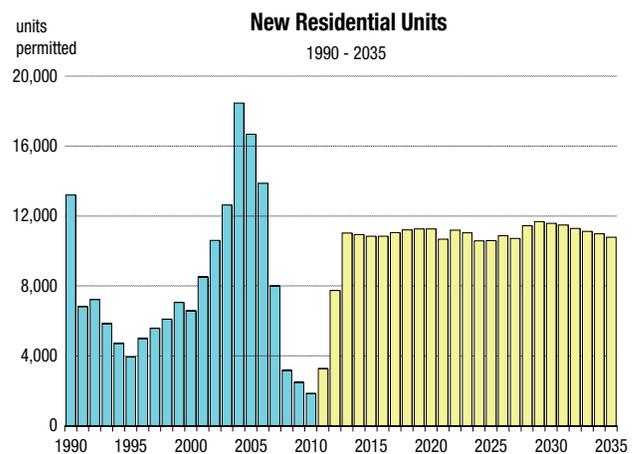
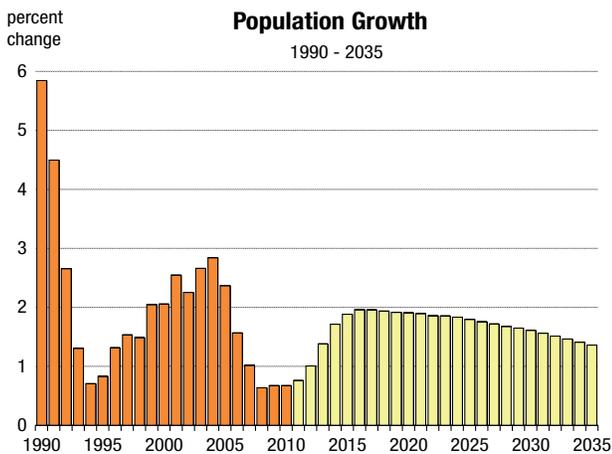


- Population growth averages 1.6 percent from 2011 to 2016, compared to 0.9 percent over the previous five years.
- The County is forecast to experience net out-migration in 2011, before rebounding over the long-term forecast. From 2011 to 2016 net migration is forecast to average 9,400 people per year.
- Real per capita incomes are expected to rise 1.3 percent in 2011. During the 2011 to 2016 period real per capita incomes are forecast to average 1.9 percent growth per year.
- Total taxable sales, adjusted for inflation, are expected to increase by an average of 5.5 percent per year from 2011 to 2016.
- Industrial production will rise 2.2 percent in 2011, with nearly all the gain coming in the transportation, warehousing and utilities sector. From 2011 to 2016, the growth rate of industrial production is expected to average 4.1 percent per year.
- Farm production is forecast to decline by 1.5 percent per year between 2011 and 2016. The principal crop in the county is dairy products.

San Bernardino County Economic Forecast

2006-2010 History, 2011-2040 Forecast

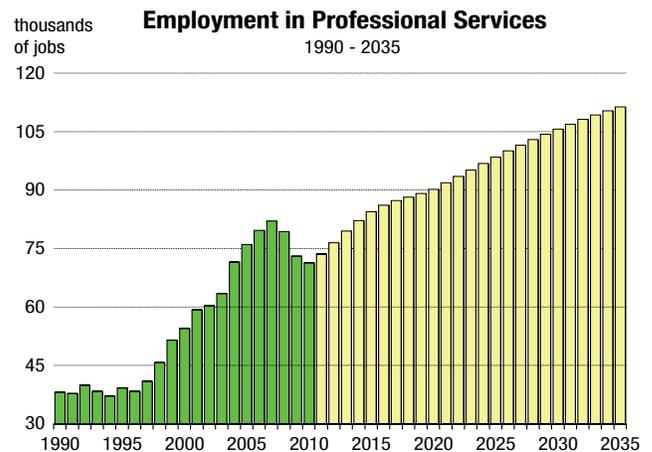
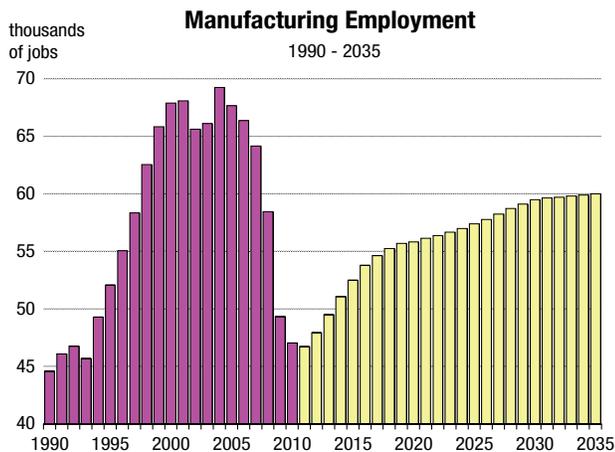
| | Population (people) | Net Migration (people) | Registered Vehicles (millions) | Households (thousands) | New Homes Permitted (homes) | Total Taxable Sales (billions) | Personal Income (billions) | Real Per Capita Income (dollars) | Inflation Rate (% change in CPI) | Real Farm Crop Value (millions) | Real Industrial Production (billions) | Unemployment Rate (percent) |
|------|---------------------|------------------------|--------------------------------|------------------------|-----------------------------|--------------------------------|----------------------------|----------------------------------|----------------------------------|---------------------------------|---------------------------------------|-----------------------------|
| 2006 | 1,978,258 | 9,399 | 1.69 | 584 | 13,872 | \$31.3 | \$56.5 | \$30,644 | 4.3 | 468 | 16.9 | 4.8 |
| 2007 | 1,998,413 | -2,673 | 1.67 | 597 | 8,004 | \$30.5 | \$59.3 | \$30,840 | 3.3 | 595 | 16.7 | 5.6 |
| 2008 | 2,011,163 | -10,021 | 1.64 | 606 | 3,182 | \$27.8 | \$60.5 | \$30,215 | 3.5 | 550 | 16.7 | 8.0 |
| 2009 | 2,024,760 | -7,051 | 1.63 | 610 | 2,495 | \$23.7 | \$59.7 | \$29,859 | -0.8 | 360 | 16.1 | 13.0 |
| 2010 | 2,038,448 | -6,139 | 1.64 | 613 | 1,857 | \$24.8 | \$60.8 | \$29,848 | 1.2 | 409 | 15.9 | 14.3 |
| 2011 | 2,053,974 | -4,371 | 1.66 | 615 | 3,271 | \$26.6 | \$63.6 | \$30,245 | 2.3 | 357 | 16.3 | 13.0 |
| 2012 | 2,074,668 | 239 | 1.71 | 618 | 7,751 | \$28.7 | \$67.3 | \$31,007 | 2.3 | 348 | 16.8 | 11.6 |
| 2013 | 2,103,331 | 7,586 | 1.76 | 625 | 11,037 | \$30.9 | \$71.6 | \$31,740 | 2.5 | 342 | 17.5 | 10.1 |
| 2014 | 2,139,410 | 14,421 | 1.82 | 635 | 10,947 | \$33.6 | \$76.3 | \$32,384 | 2.7 | 338 | 18.3 | 8.9 |
| 2015 | 2,179,778 | 18,248 | 1.88 | 644 | 10,851 | \$36.5 | \$81.3 | \$32,932 | 2.8 | 340 | 19.0 | 7.5 |
| 2016 | 2,222,528 | 20,176 | 1.93 | 654 | 10,857 | \$39.7 | \$86.3 | \$33,302 | 2.9 | 331 | 19.9 | 6.8 |
| 2017 | 2,266,045 | 20,457 | 1.97 | 664 | 11,056 | \$42.8 | \$90.7 | \$33,412 | 2.8 | 325 | 20.9 | 6.7 |
| 2018 | 2,309,963 | 20,471 | 2.00 | 674 | 11,211 | \$46.1 | \$95.0 | \$33,441 | 2.7 | 319 | 21.8 | 6.5 |
| 2019 | 2,354,247 | 20,736 | 2.03 | 684 | 11,270 | \$49.5 | \$99.6 | \$33,538 | 2.5 | 312 | 22.7 | 6.3 |
| 2020 | 2,399,219 | 21,430 | 2.06 | 694 | 11,271 | \$52.1 | \$104.1 | \$33,613 | 2.3 | 315 | 23.5 | 6.2 |
| 2021 | 2,444,696 | 21,962 | 2.09 | 704 | 10,684 | \$54.9 | \$108.7 | \$33,727 | 2.2 | 321 | 24.4 | 6.2 |
| 2022 | 2,490,137 | 21,856 | 2.12 | 714 | 11,192 | \$57.6 | \$114.0 | \$33,954 | 2.3 | 312 | 25.3 | 6.2 |
| 2023 | 2,536,304 | 22,239 | 2.15 | 724 | 11,045 | \$60.4 | \$119.5 | \$34,183 | 2.2 | 304 | 26.2 | 6.2 |
| 2024 | 2,582,880 | 22,396 | 2.19 | 734 | 10,585 | \$63.5 | \$125.3 | \$34,445 | 2.2 | 295 | 27.1 | 6.2 |
| 2025 | 2,629,334 | 22,064 | 2.22 | 744 | 10,601 | \$66.9 | \$131.2 | \$34,676 | 2.2 | 287 | 28.1 | 6.2 |
| 2026 | 2,675,496 | 21,731 | 2.25 | 753 | 10,875 | \$70.3 | \$136.9 | \$34,820 | 2.2 | 284 | 29.2 | 6.2 |
| 2027 | 2,721,538 | 21,564 | 2.27 | 763 | 10,727 | \$73.8 | \$142.8 | \$34,960 | 2.1 | 282 | 30.3 | 6.2 |
| 2028 | 2,767,222 | 21,289 | 2.30 | 773 | 11,446 | \$77.5 | \$148.9 | \$35,070 | 2.2 | 277 | 31.5 | 6.2 |
| 2029 | 2,812,858 | 21,299 | 2.33 | 783 | 11,688 | \$81.4 | \$155.0 | \$35,162 | 2.2 | 273 | 32.7 | 6.2 |
| 2030 | 2,858,202 | 21,076 | 2.36 | 793 | 11,592 | \$85.3 | \$161.4 | \$35,243 | 2.2 | 279 | 34.0 | 6.2 |
| 2031 | 2,902,922 | 20,495 | 2.38 | 804 | 11,496 | \$89.4 | \$167.8 | \$35,306 | 2.2 | 284 | 35.2 | 6.2 |
| 2032 | 2,946,887 | 19,791 | 2.41 | 814 | 11,300 | \$93.8 | \$174.4 | \$35,348 | 2.2 | 272 | 36.5 | 6.2 |
| 2033 | 2,990,013 | 19,021 | 2.43 | 824 | 11,131 | \$98.3 | \$181.3 | \$35,433 | 2.2 | 262 | 37.9 | 6.2 |
| 2034 | 3,032,247 | 18,201 | 2.46 | 834 | 10,987 | \$103.0 | \$188.5 | \$35,521 | 2.3 | 253 | 39.2 | 6.2 |
| 2035 | 3,073,596 | 17,413 | 2.48 | 844 | 10,788 | \$107.9 | \$196.0 | \$35,641 | 2.2 | 252 | 40.6 | 6.2 |
| 2036 | 3,114,067 | 16,631 | 2.51 | 854 | 10,602 | \$113.1 | \$203.7 | \$35,772 | 2.2 | 239 | 42.1 | 6.2 |
| 2037 | 3,153,735 | 15,895 | 2.53 | 863 | 10,414 | \$118.5 | \$211.7 | \$35,922 | 2.2 | 233 | 43.6 | 6.2 |
| 2038 | 3,192,687 | 15,208 | 2.56 | 873 | 10,259 | \$124.1 | \$220.1 | \$36,106 | 2.2 | 242 | 45.1 | 6.2 |
| 2039 | 3,230,977 | 14,550 | 2.58 | 882 | 10,123 | \$130.0 | \$228.9 | \$36,311 | 2.2 | 235 | 46.7 | 6.1 |
| 2040 | 3,268,673 | 13,925 | 2.61 | 891 | 9,954 | \$136.1 | \$237.9 | \$36,531 | 2.1 | 229 | 48.5 | 6.1 |

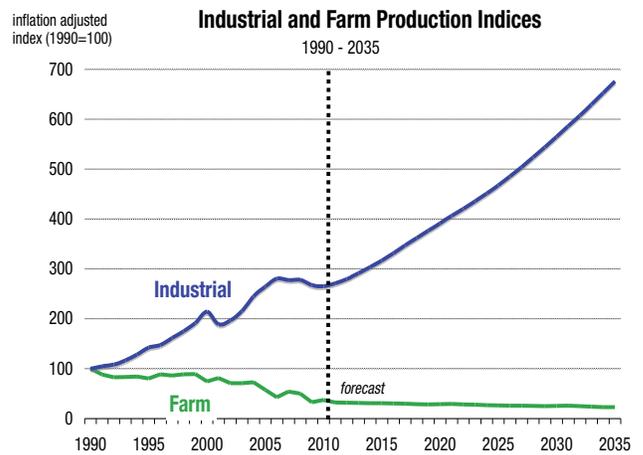
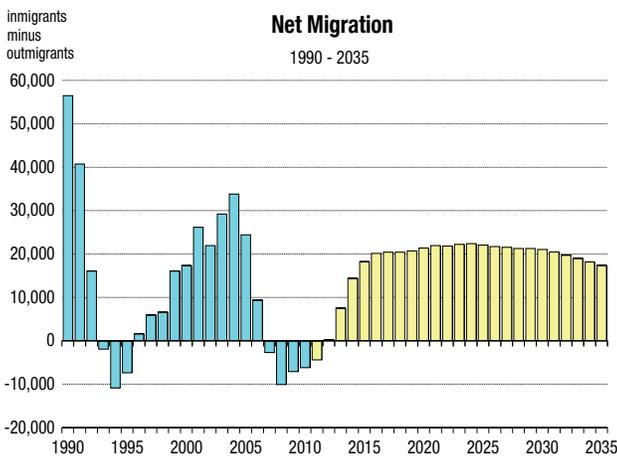
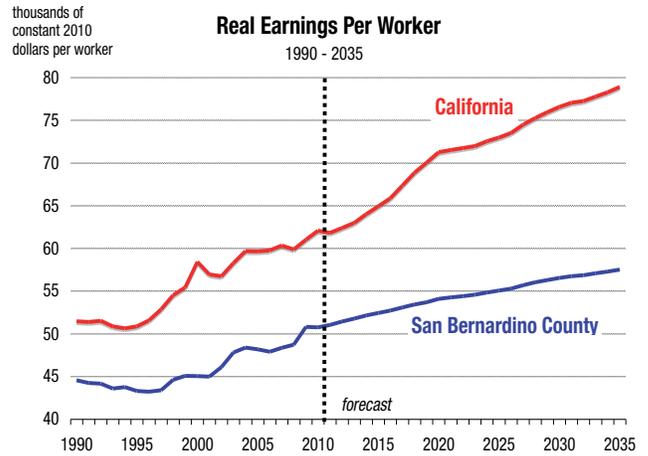
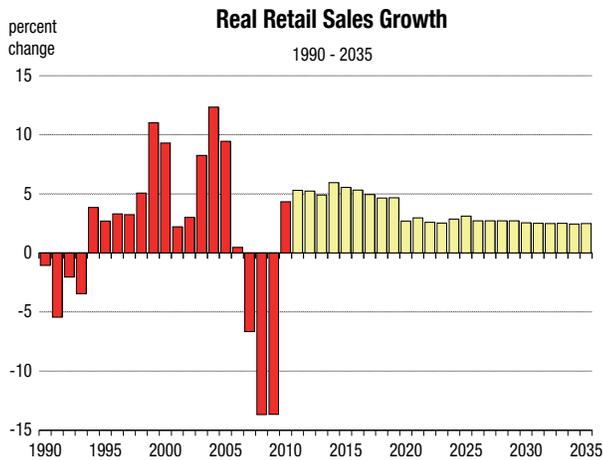


San Bernardino County Employment Forecast

2006-2010 History, 2011-2040 Forecast

| | Total Wage & Salary | Farm | Construction | Manufacturing | Transportation & Utilities | Wholesale & Retail Trade | Financial Activities | Professional Services | Information | Health & Education | Leisure | Government |
|--|---------------------|------|--------------|---------------|----------------------------|--------------------------|----------------------|-----------------------|-------------|--------------------|---------|------------|
| -----employment (thousands of jobs)----- | | | | | | | | | | | | |
| 2006 | 664.4 | 3.06 | 46.8 | 66.4 | 46.8 | 120.9 | 28.1 | 79.7 | 7.6 | 68.6 | 56.2 | 117.6 |
| 2007 | 667.1 | 3.45 | 43.6 | 64.2 | 48.0 | 123.5 | 27.2 | 82.1 | 7.6 | 70.1 | 58.8 | 116.5 |
| 2008 | 647.7 | 2.83 | 36.0 | 58.5 | 49.0 | 117.5 | 24.4 | 79.4 | 7.2 | 73.3 | 58.2 | 119.3 |
| 2009 | 602.1 | 2.03 | 27.2 | 49.3 | 46.8 | 106.2 | 22.8 | 73.0 | 7.5 | 74.7 | 54.9 | 118.0 |
| 2010 | 590.8 | 2.03 | 23.8 | 47.1 | 46.6 | 105.4 | 22.0 | 71.4 | 7.9 | 74.8 | 54.1 | 116.2 |
| 2011 | 600.5 | 1.96 | 23.1 | 46.7 | 48.1 | 109.9 | 22.6 | 73.6 | 7.9 | 76.2 | 55.4 | 115.0 |
| 2012 | 619.6 | 1.90 | 24.9 | 47.9 | 50.1 | 115.3 | 23.3 | 76.5 | 8.0 | 77.6 | 57.2 | 115.8 |
| 2013 | 643.2 | 1.84 | 29.1 | 49.5 | 52.4 | 121.5 | 23.9 | 79.5 | 8.1 | 79.2 | 59.0 | 117.1 |
| 2014 | 666.6 | 1.78 | 32.8 | 51.1 | 55.1 | 127.7 | 24.3 | 82.2 | 8.2 | 80.8 | 61.2 | 118.3 |
| 2015 | 690.4 | 1.74 | 36.6 | 52.5 | 57.7 | 133.6 | 24.6 | 84.5 | 8.2 | 82.8 | 63.8 | 120.1 |
| 2016 | 710.6 | 1.70 | 39.5 | 53.8 | 60.1 | 138.7 | 25.2 | 86.1 | 8.2 | 84.4 | 66.0 | 121.6 |
| 2017 | 725.7 | 1.66 | 41.3 | 54.6 | 62.2 | 141.7 | 25.7 | 87.3 | 8.2 | 85.9 | 67.9 | 123.2 |
| 2018 | 738.9 | 1.61 | 42.4 | 55.3 | 64.6 | 143.9 | 26.0 | 88.2 | 8.3 | 87.4 | 69.2 | 125.5 |
| 2019 | 751.4 | 1.57 | 43.0 | 55.7 | 67.3 | 145.8 | 26.4 | 89.2 | 8.3 | 89.3 | 70.0 | 128.0 |
| 2020 | 763.9 | 1.54 | 43.5 | 55.8 | 69.9 | 147.7 | 26.5 | 90.2 | 8.3 | 91.4 | 70.6 | 130.8 |
| 2021 | 777.6 | 1.52 | 43.5 | 56.1 | 72.4 | 149.8 | 26.8 | 91.9 | 8.3 | 94.2 | 71.7 | 133.3 |
| 2022 | 791.8 | 1.50 | 43.9 | 56.4 | 74.9 | 151.9 | 26.9 | 93.5 | 8.3 | 97.2 | 72.9 | 135.8 |
| 2023 | 806.1 | 1.47 | 44.4 | 56.7 | 77.3 | 153.8 | 27.2 | 95.2 | 8.3 | 100.2 | 74.0 | 138.1 |
| 2024 | 820.1 | 1.43 | 44.9 | 57.0 | 79.7 | 155.8 | 27.5 | 96.8 | 8.3 | 103.0 | 75.1 | 140.3 |
| 2025 | 833.7 | 1.40 | 45.1 | 57.4 | 82.0 | 157.9 | 28.1 | 98.5 | 8.4 | 105.6 | 76.2 | 142.4 |
| 2026 | 846.5 | 1.36 | 45.4 | 57.8 | 84.2 | 159.9 | 28.7 | 100.1 | 8.4 | 107.9 | 77.3 | 144.3 |
| 2027 | 858.8 | 1.33 | 45.2 | 58.3 | 86.2 | 161.9 | 29.4 | 101.5 | 8.4 | 110.3 | 78.5 | 146.1 |
| 2028 | 871.1 | 1.30 | 45.1 | 58.7 | 88.3 | 163.8 | 30.1 | 102.9 | 8.4 | 112.5 | 79.6 | 147.9 |
| 2029 | 883.4 | 1.27 | 45.3 | 59.1 | 90.4 | 165.7 | 30.7 | 104.3 | 8.4 | 114.7 | 80.8 | 149.5 |
| 2030 | 895.6 | 1.25 | 45.6 | 59.5 | 92.6 | 167.5 | 31.2 | 105.7 | 8.5 | 117.0 | 82.1 | 151.1 |
| 2031 | 907.2 | 1.25 | 45.8 | 59.6 | 94.8 | 169.3 | 31.5 | 106.9 | 8.5 | 119.2 | 83.3 | 152.6 |
| 2032 | 918.5 | 1.23 | 45.8 | 59.7 | 97.0 | 171.1 | 31.9 | 108.1 | 8.5 | 121.5 | 84.6 | 154.1 |
| 2033 | 929.8 | 1.20 | 45.9 | 59.8 | 99.1 | 172.9 | 32.3 | 109.3 | 8.5 | 123.8 | 85.9 | 155.5 |
| 2034 | 940.9 | 1.16 | 45.9 | 59.9 | 101.3 | 174.6 | 32.6 | 110.4 | 8.5 | 126.2 | 87.3 | 156.9 |
| 2035 | 951.9 | 1.14 | 45.8 | 60.0 | 103.4 | 176.4 | 32.9 | 111.3 | 8.6 | 128.5 | 88.7 | 158.2 |
| 2036 | 962.9 | 1.10 | 45.8 | 60.1 | 105.6 | 178.1 | 33.3 | 112.4 | 8.6 | 130.9 | 90.1 | 159.6 |
| 2037 | 974.2 | 1.06 | 45.7 | 60.2 | 107.7 | 179.8 | 33.6 | 113.4 | 8.6 | 133.3 | 91.6 | 161.0 |
| 2038 | 985.7 | 1.04 | 45.7 | 60.3 | 109.9 | 181.5 | 34.1 | 114.4 | 8.6 | 135.8 | 93.1 | 162.4 |
| 2039 | 997.4 | 1.01 | 45.7 | 60.4 | 112.0 | 183.2 | 34.6 | 115.4 | 8.7 | 138.3 | 94.7 | 163.9 |
| 2040 | 1,009.3 | 0.99 | 45.8 | 60.5 | 114.2 | 184.8 | 35.1 | 116.5 | 8.7 | 140.8 | 96.3 | 165.5 |





County Economic and Demographic Indicators

Projected Economic Growth (2011-2016)

| | |
|----------------------------------|--------------|
| Expected retail sales growth: | 30.1 % |
| Expected job growth: | 18.3 % |
| Fastest growing jobs sector: | Construction |
| Expected personal income growth: | 19.1 % |

| | |
|--|--------|
| Expected population growth: | 13.4 % |
| Net migration to account for: | 36.0 % |
| Expected growth in number of vehicles: | 16.3 % |

Demographics (2011)

| | |
|---|--------|
| Unemployment rate (June 2011): | 14.0 % |
| County Rank* in California (58 counties): | 33rd |
| Working age (16-64) population: | 65.0 % |

| | |
|--|-----------|
| Population with B.A. Degree or higher: | 18.4 % |
| Median Home Selling Price: | \$155,000 |
| Median Household Income: | \$52,131 |

Quality of Life

| | |
|---|-------------------------|
| Violent Crime rate (2009): | 487 per 100,000 persons |
| County Rank* in California (58 counties): | 42nd |
| Average Commute Time to work (2011): | 30.7 minutes |

| | |
|-----------------------------------|--------|
| High School drop out rate (2009): | 21.6 % |
| Households at/below poverty line: | 12.4 % |

* The county ranked 1st corresponds to the lowest rate in California