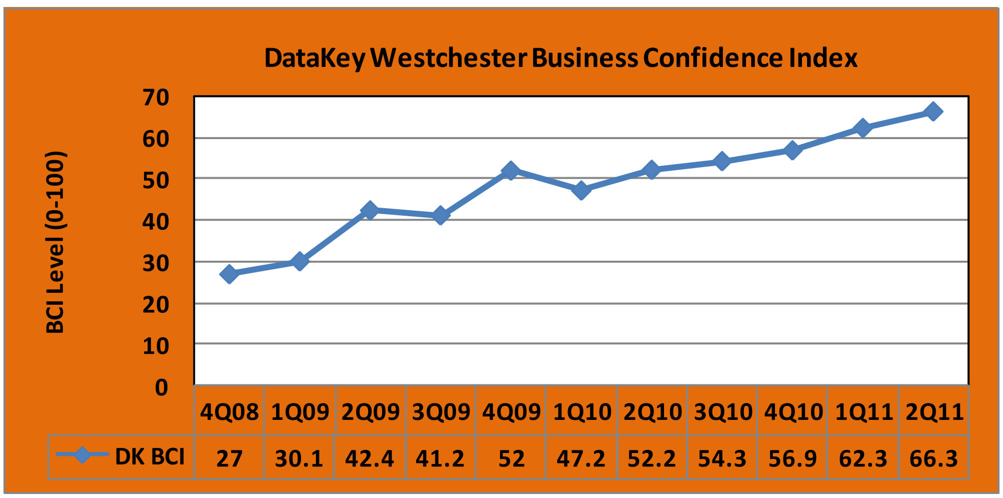
DataKey Westchester Business Confidence Index

The DataKey Business Confidence Index focuses on key business metrics, such as trends in staffing levels, top line revenues, bottom line profits, capital spending budgets, and other industry performance data. Critical data was captured and analyzed against comparison points of one quarter and one year ago.

The DataKey Westchester Business Confidence Index for 2*Q 2011 scored a 66.3 (scale of 1 to 100)*.



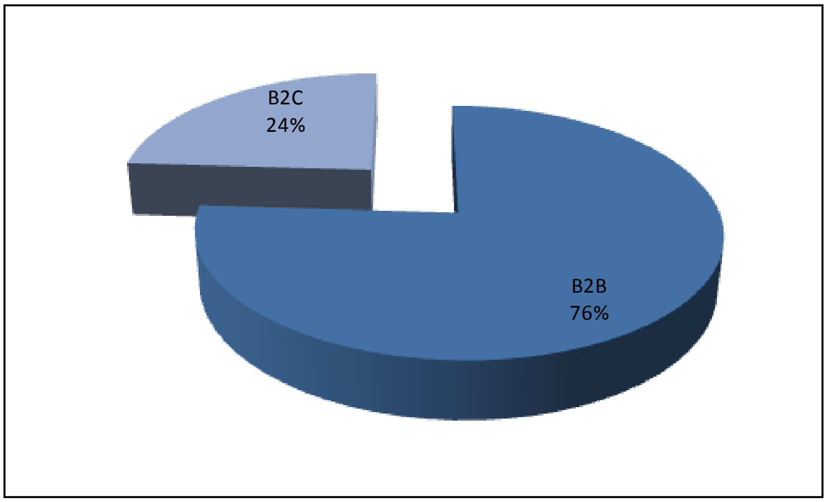
	4Q08	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11
DK BCI	27	30.1	42.4	41.2	52	47.2	52.2	54.3	56.9	62.3	66.3

The 2Q 2011 DataKey Business Confidence Index reading is 66.3; it represents the fifth consecutive highest recorded level since the inception of the index.

(Note: a score of 50 means an equal number of businesses are optimistic about the future as are pessimistic)

Key takeaway/s – The DK BCI continues to increase; despite a slight increase in uncertainty regarding industry performance, individual businesses in Westchester are feeling more confident and the number of respondents that report decreased confidence compared to 3 months ago fell dramatically (66% decrease compared to 1Q 2011). Per Bloomberg, fewer Americans than forecast filed applications for unemployment benefits for the week ending May 14 (Jobless claims declined by 29,000 to 409,000). Declining firings and gains in hiring helped to sustain consumer spending, which accounts for about 70 percent of the economy, even as food and fuel costs increased over this same period.

Q1. Is your company primarily B2B (Business to Business) or B2C (Business to Consumer)?



Q2. Is the number of new job openings (not counting replacements) at your company less, the same or more compared to last quarter?

- 26% of companies responding to the survey have more job openings compared to last quarter
  - A 15% decrease from 1Q 2011
  - Still 30% higher than the 4Q 2010 figure of 20%

- 61% of companies have the same number of job openings
  - Static result since the 4Q 2010 survey
  - 13% have fewer job openings than last quarter
    - Slight increase over the 10% of 1Q 2011respondents that indicated less hiring

Key takeaway/s – A majority of respondents have not added or reduced job openings. Despite a small shift towards less hiring by a small portion of respondents, there is no indication that Westchester unemployment (last measured in March 2011 at 6.7%) as a whole will increase. According to the New York State Department of Labor, the state's economy grew by 43,800 private sector jobs, or 0.6%, in April 2011 on a seasonally adjusted basis. *This is the state's largest monthly increase since September 2000.*

Q3. Is your capital spending budget for the next 6 months lower, the same, or higher compared to 3 months ago and 1 year ago?

- 82% of responding companies plan to lower, or keep their capital spending budget the same, compared to 3 months ago
    - 4% increase over the 1Q 2011 result
    - 18% plan to increase their capital spending budget, compared to 3 months ago
        - 6% increase over 1Q 2011

- 66% say they plan to lower, or keep their capital spending budget the same, compared to 1 year ago
    - Same result as 1Q 2011
    - 34% plan to increase spending compared to 1 year ago
        - 13% increase over 1Q 2011

Key takeaway/s – Westchester business owners have a lower level of uncertainty and it is translating into an uptick in capital spending.

Q4. What is your expected percent change in revenue for your company over the next 6 months compared to 3 months ago and 1 year ago?

- 84% of company respondents anticipate static or increasing revenue over the next 6 months compared to 3 months ago
    - 15% increase over 1Q 2011
    - 71% expect increasing revenue compared to 3 months ago
        - **42% increase since last quarter!**
    - The same 71% expect increasing revenue compared to 1 year ago
        - 15% increase since last quarter

An owner of a small IT services firm remarks:

"Business is picking up."

Key takeaway/s – Westchester Business owners are starting to really put some of the bleak days behind them. Just as many respondents expect increased revenue compared to 3 months ago, as do compared to 1 year ago, when the economy was in worse shape.

Q5. What is your expected change in profit over the next 6 months compared to the projections 1 quarter ago?

Revenue projections, well managed budgets and business expenses, continue to have a positive impact on Westchester business profitability.

- 87% of companies respondents anticipate the same, or more profit, over the next 6 months compared to 1 quarter ago
  - 9% increase over 1Q 2011, and a continuation of the quick upward trend that began in the 2Q 2010 survey
  - 58% expect increasing profit, 29% expect static profit
    - 16% increase in those respondents that expect increasing profit

Key takeaway/s – Despite anticipated increases in the capital budget, Westchester Business owner's revenue outlook, potentially bolstered by receding oil prices, are pointing towards additional margins and their resulting increased profits.

Q6. What is your expected change in the performance of your industry over the next 6 months compared to 3 months ago?

- 71% of companies say they expect the performance of their industry to remain the same, or increase, over the next 6 months compared to 3 months ago
  - 12% decrease since last quarter

- 13% of respondents expect their industry's performance to fall compared to 3 months ago
  - A small uptick from the 10% of respondents that expected a fall during 1Q 2011, yet still lower than the 15% reported in 4Q 2010, however the number of respondents that "Don't Know" has doubled from 5% to 10%

- The number of respondents that indicated that they "Don't Know" has increased over the last 3 quarters from 5% in 4Q 2010, to 10% in 1Q 2011, to 16% this quarter

Key takeaway/s – 71% of respondent companies foresee an *increase,* or *no change*, in their *industry performance*. Previously, this figure remained fairly constant since 3Q 2010. Given the further increase in respondents indicating "Don't Know", it now *appears more likely that recent world events with political implications, and their corresponding effects, are shedding at least some doubt on industry performance at a macro level.*

Q7. Has your confidence in your business declined, stayed the same or improved compared to 3 months ago and 1 year ago?

- 47% report increased confidence in their business compared to 3 months ago, and 58% report increased confidence compared to 1 year ago
  - A slight increase when compared to last quarter and 1 year ago

- 3% report decreased confidence compared to 3 months ago
    - 66% decrease compared to 1Q 2011 results

Key takeaway/s – Overall confidence remains steady despite any industry concerns. Most notably, the number of respondents that report decreased confidence compared to 3 months ago fell dramatically. Although this drop did not equate to a bump for those with increased confidence, those indicating the same confidence compared to 3 months ago did rise. During an economic recovery this shift is potentially more important during better times; although overall confidence may not be up as much as one would like, the indication that it is not eroding further can be equally as important.

Q8. How do you expect Westchester County's economic condition to fair relative to other NY, NJ and CT state counties over the next 6 months compared to 3 months ago and 1 year ago?

2/3rd of all respondents feel that there will be no change to Westchester's economic condition relative to the rest of the tri-state area over the next 6 months compared to 3 months ago.

- 11% of respondent companies anticipate a decline when *compared to 3 months* ago, versus 13% who expect a better economic condition
    - 12% expected a decline, and 23% expected a better economic condition when surveyed in 1Q 2011; meanwhile just over half expected no change
    - 44% decline in the number of respondents that anticipate a better economic condition compared to 3 months ago

- 16% anticipate a decline when *compared to 1 year ago*, versus 24% who expect a better economic condition
    - 11% expected a decline, and 30% expected a better economic condition when surveyed in 1Q 2011

Key takeaway/s – The majority sentiment is that Westchester will hold its ground against the rest of the Tri-State area. However, on the fringes, the sentiment is turning more negative as there appears to be a shift towards a belief of decreasing Westchester performance relative to its neighbors.

A portion of the blame is once again focused on the high costs surrounding Westchester personal and professional living.

The mid-level manager at a financial services company remarks:

"Cost to live here is too high for many to consider working here. Keeping talent is hard. For those young and trying to start out, virtually impossible. Customers are leaving to go to less expensive cost of living areas. I am trying to keep their loyalty and have had to pay for several out-of-state licenses recently. (These are annual costs, too, which make working here even more expensive.)

The owner of a realty company with revenue over $1M states:

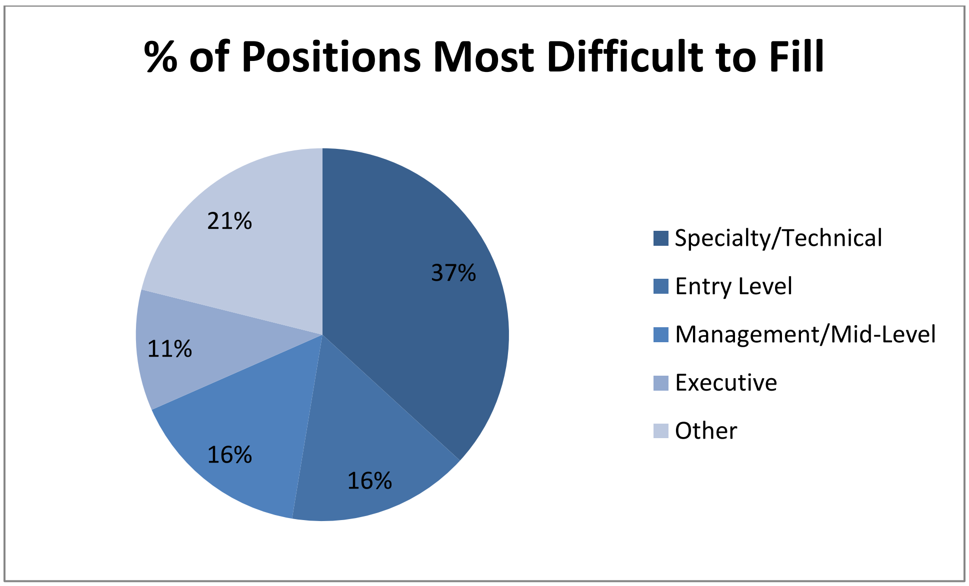
"Real estate taxes too high. Too tough to make deals with all the various community board requirements."

Meanwhile, the owner of a marketing services firm believes:

"Westchester County has been slow to react to the requirements for fostering business growth."

This quarter's survey on the state of the Westchester workforce showed that as the local economy begins to rebound, *Westchester businesses are reflecting improved confidence.* While many businesses are still concerned about keeping current employees busy over the coming months, quite a few are actively looking to hire. Even with a mass of unemployed skilled workers willing to commit to lower paying positions, many companies are still reporting difficulty finding workers with the right combination of skills, and this may evolve into a much larger issue as Baby Boomers head towards retirement. As a result, many companies are investing in flexible working arrangements to retain their top performers as long as possible.

Q1. In your opinion, which role is the most difficult for your company to fill? Why?

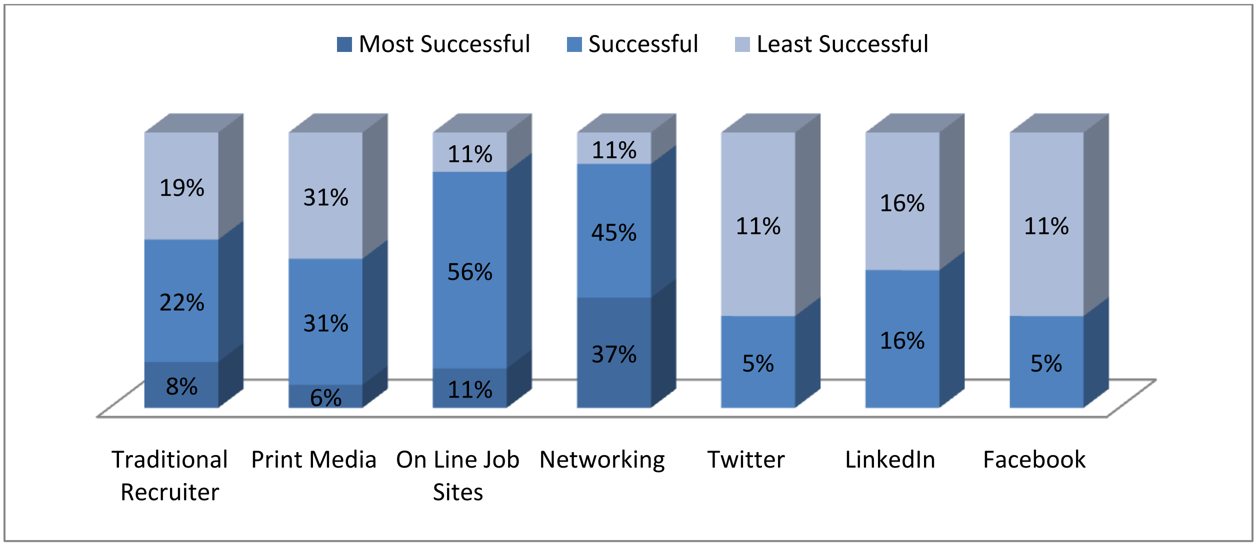


Key takeaway/s – 50% of respondents cited difficulty finding qualified candidates with the right combination of experience, skills, and personality/culture "fit." This holds especially true for positions requiring special certifications or technical/industry knowledge. 10% of respondents also reported that being located in Westchester can be a barrier to finding the best hires due to the high cost of living and suburban lifestyle.

As an owner of a professional services company explains,

"It's very difficult to attract young 30ish MBA grads from top notch schools that are willing to work in Westchester. Most want to live in NYC."

Q2. Which methods does your company use to find new employees? How successful have these methods been?



Key takeaway/s – Compared to social media, more traditional recruiting methods of networking, online job postings, print media, and recruiters were used most often by respondents, as 84.2% of respondents had not used Facebook or Twitter to find employees and 67.6% had not tried LinkedIn. Of the methods that were used most often, Print Media was rated to be the least useful by 31% of respondents.

Q3. What attributes are most important when hiring a new employee?

Respondents rated communication skills as the most important skill they look for when hiring a new employee (25%), followed closely by drive/initiative (22%) and cultural fit (19%).

Strategic Focus, emotional intelligence and the ability to lead were all rated as important skills with 57% of the respondents vote for important attributes when hiring a new employee.

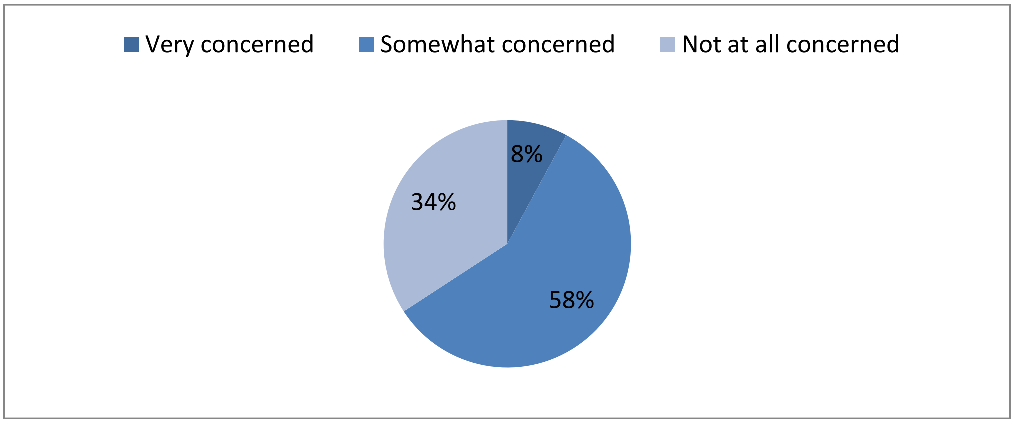
Q4. How important are the following factors for ATTRACTING top talent to your company?

30 % of Westchester business professionals who responded to the survey believe that *quality of life and high quality co-workers* are the *most important* factors for attracting top talent. Also offering salary increases that link to individual performance as well as competitive benefits and a collaborative environment were rated as key factors for attracting employees to their businesses.

Q5. How important are the following factors for RETAINING top talent in your company?

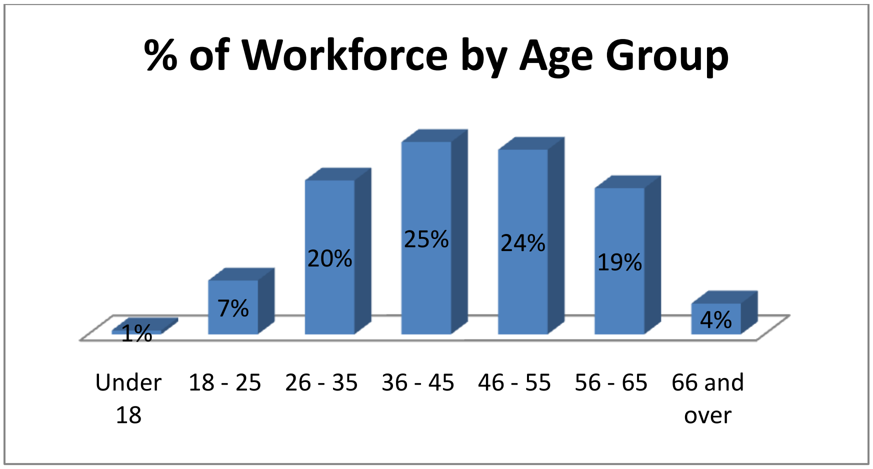
Over half of the respondents identified *company culture* as the *most important* factor to retaining top talent. Challenging work and professional development opportunities were also cited as important ways to keep employees from moving on.

Q6. Studies suggest that the number of aging adults (born between 1946 and 1964) in the US will grow dramatically. How concerned are you about this "aging workforce"?



Key takeaway/s – Respondents who are unconcerned about the aging workface cite older employees' hardworking nature and valuable experience as reasons they are happy to keep older employees around as long as possible. Respondents who have concerns about the aging workforce worry about a potential lack of fresh ideas, the health effects of the physical demands placed on older employees, and the eventual loss of knowledge when older employees retire.

Q7. What % of your workforce falls into the following age groups?



Q8. Does your company employ non-traditional workers such as remote, on-demand, or part-time workers?

- No, full-time in-office employees only – 13.5%
- Yes, we have part-time arrangements with our employees – 62.2%
- Yes, we have employee/s who are on-demand or as needed – 45.9%
- Yes, we have employee/s who work remotely – 40.5%

Q9. What workforce trends are you seeing in your company?

Key takeaway/s – 1 *in 4 respondents mentioned that flexible work arrangements are becoming more common and often necessary to retain employees.* However, not everyone feels that this is a positive change. As one respondent laments, "Employees are beyond requesting flexible work arrangements, they are requiring it… Employees want to be highly compensated, have flexible work arrangements, yet have not logged the real world hours that it takes to be most effective." Other common responses included observations that higher skilled workers are willing to work at lower salaries, that qualified workers seem increasingly hard to find, and that employees need more training today than ever before to keep up with the quickly changing marketplace.

Q10. What is the biggest workforce challenge you will face in the next 24 months?

Key takeaway/s – *Over one quarter of respondents anticipate challenges in finding qualified new employees, while 18% of respondents are concerned about their ability to retain top talent as the economy picks up* but they are unable to afford salary raises or increased professional development opportunities. An additional 18% of respondents are also concerned about having enough work to keep their employees busy.