



PCA Index Survey Responses Third Quarter 2013

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Markets Project**

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I. About the Private Capital Access (PCA) Index

The Pepperdine Private Capital Access Index (PCA) is a quarterly indicator produced by the Graziadio School of Business and Management at Pepperdine University, and with the support of Dun & Bradstreet Credibility Corp. The index is designed to measure the demand for, activity, and health of the private capital markets. The purpose of the PCA Index is to gauge the demand of small and medium-sized businesses for financing needs, the level of accessibility of private capital, and the transparency and efficiency of private financing markets.

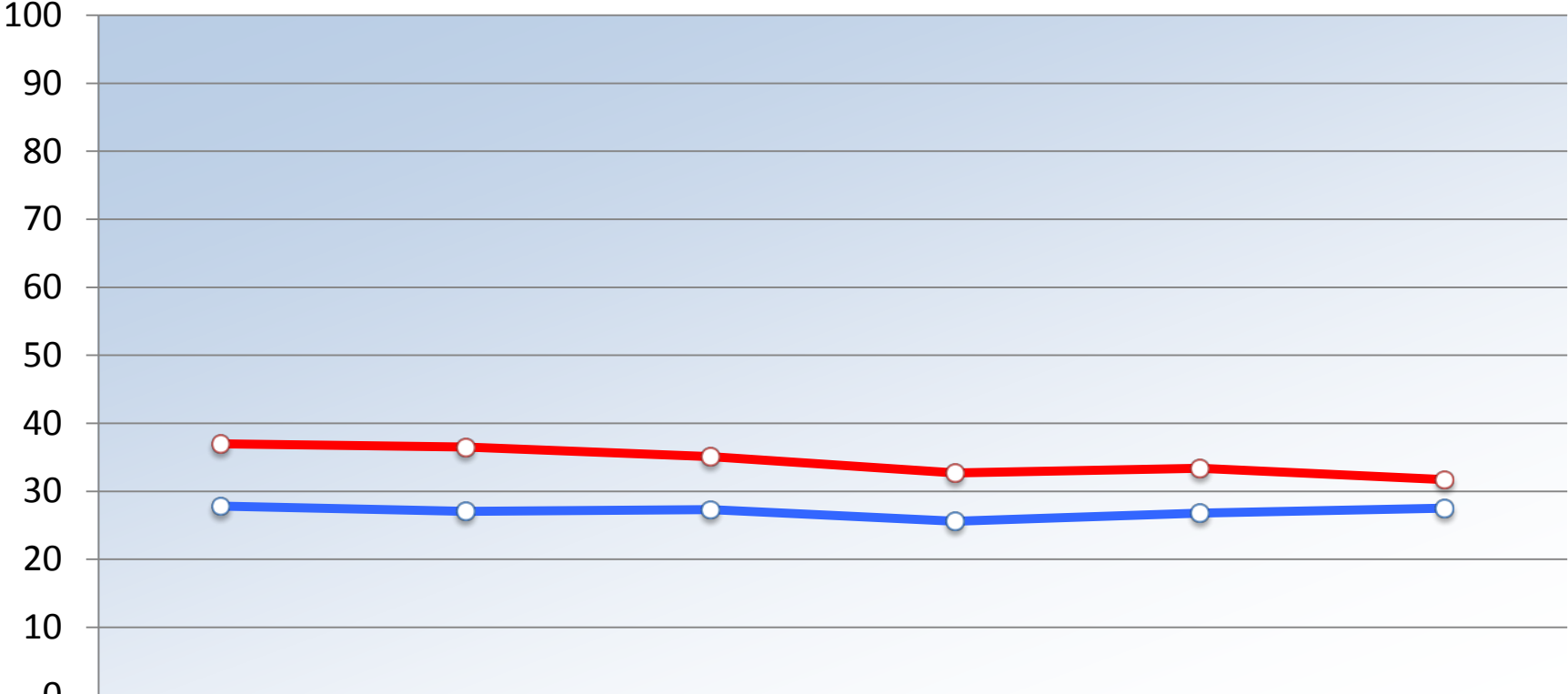
About the Q3 2013 Private Capital Access (PCA) Index Survey

- 30 questions
- Invite to participate distributed to sample from Dun & Bradstreet Credibility Corp.'s business database
- 1,577 completed responses
- Where relevant, responses are segmented by revenues sizes (<\$5 million; \$5 million to \$100 million)
- Responses collected from July 10 – July 24

Private Capital Access (PCA) and Private Capital Demand (PCD) Index Results – Whole Sample

Total Market	PCA Index	PCD Index
2012-Q2	27.8	37.0
2012-Q3	27.0	36.5
2012-Q4	27.3	35.1
2013-Q1	25.6	32.7
2013-Q2	26.8	33.4
2013-Q3	27.5	31.7
Change	0.7	-1.7
Pct. Change	2.6%	-5.1%

Private Capital Access (PCA) and Private Capital Demand (PCD) Index Results – Whole Sample

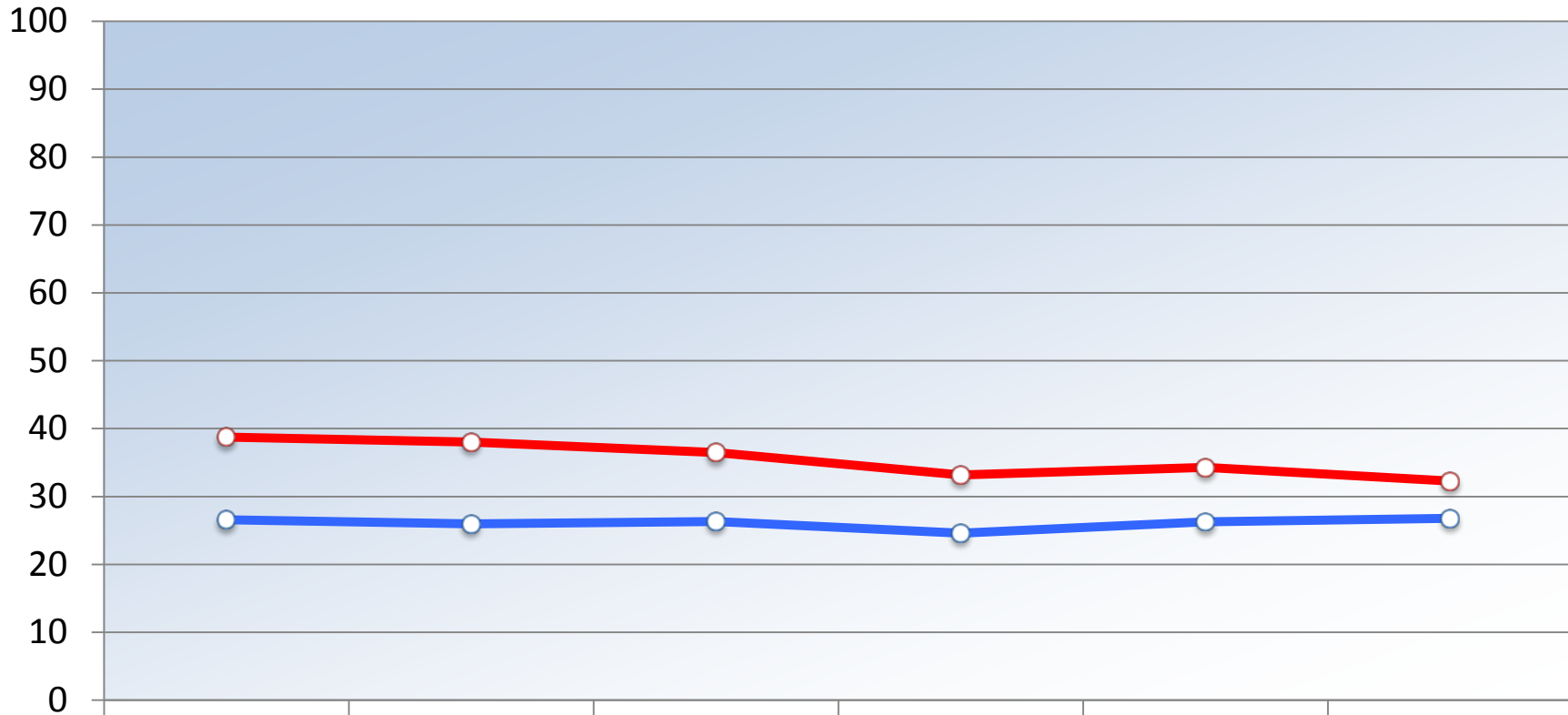


	2012-Q2	2012-Q3	2012-Q4	2013-Q1	2013-Q2	2013-Q3
PCA Index	27.8	27.0	27.3	25.6	26.8	27.5
PCD Index	37.0	36.5	35.1	32.7	33.4	31.7

Small Business PCA and PCD Index Results ($< \$5M$ in Revenues)

Total Market	PCA Index	PCD Index
2012-Q2	26.6	38.8
2012-Q3	26.0	38.0
2012-Q4	26.3	36.5
2013-Q1	24.6	33.2
2013-Q2	26.3	34.3
2013-Q3	26.8	32.3
Change	0.5	-2.0
Pct. Change	1.9%	-5.8%

Small Business PCA and PCD Index Results (< \$5M in Revenues)



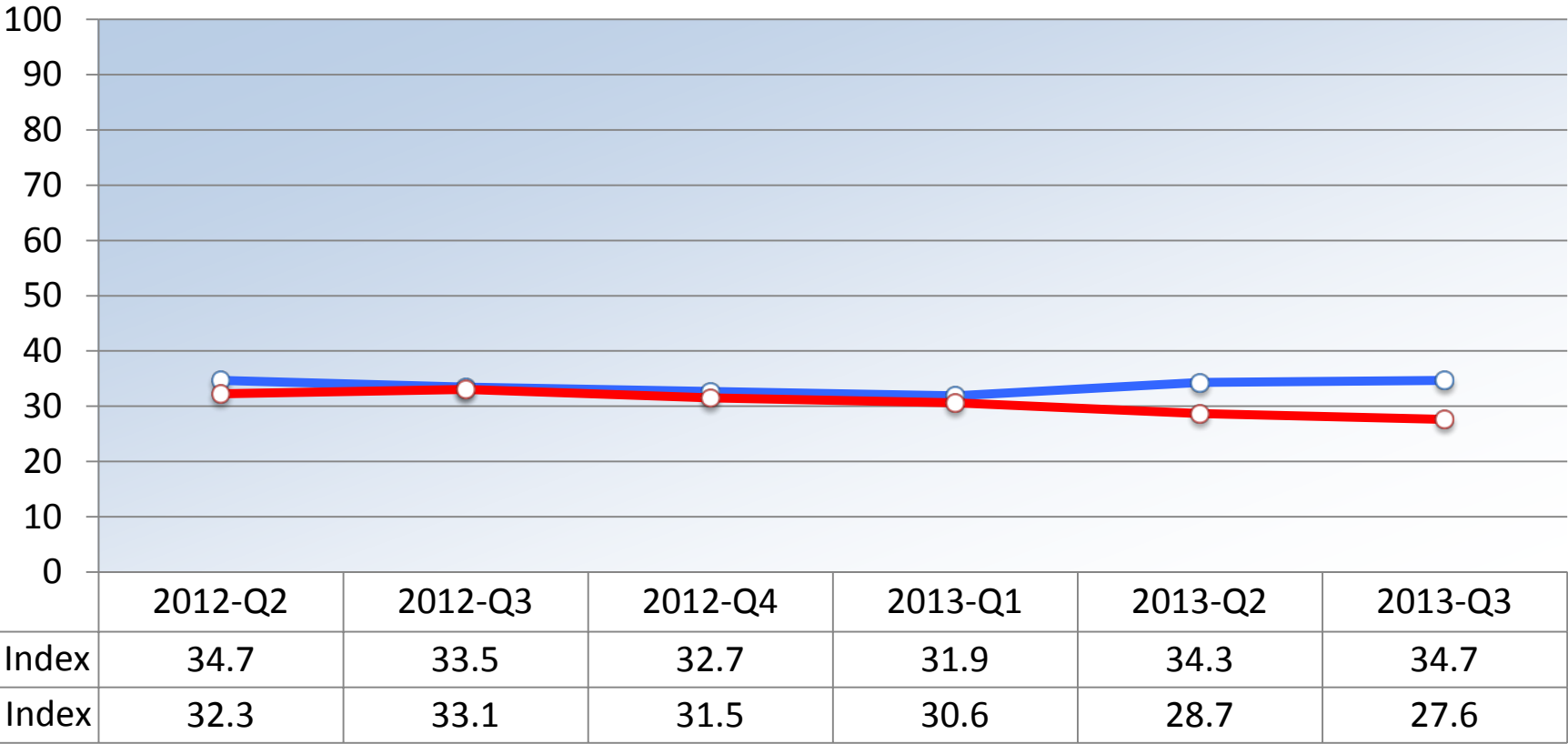
	2012-Q2	2012-Q3	2012-Q4	2013-Q1	2013-Q2	2013-Q3
PCA Index	26.6	26.0	26.3	24.6	26.3	26.8
PCD Index	38.8	38.0	36.5	33.2	34.3	32.3

Lower Middle Market PCA and PCD Index Results (\$5M – \$100M in Revenues)

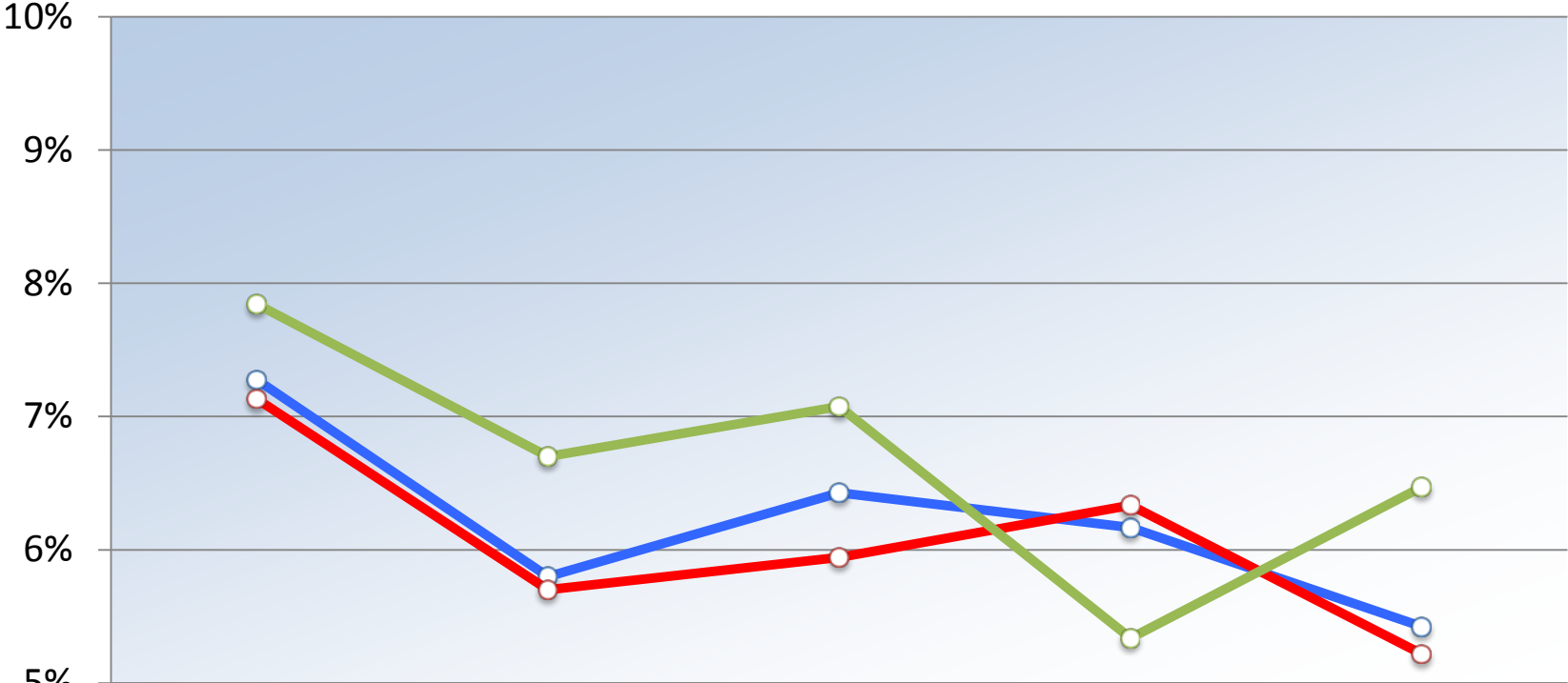
Total Market	PCA Index	PCD Index
2012-Q2	34.7	32.3
2012-Q3	33.5	33.1
2012-Q4	32.7	31.5
2013-Q1	31.9	30.6
2013-Q2	34.3	28.7
2013-Q3	34.7	27.6
Change	0.4	-1.1
Pct. Change	1.2%	-3.8%

Lower Middle Market PCA and PCD Index Results

(\$5M – \$100M in Revenues)



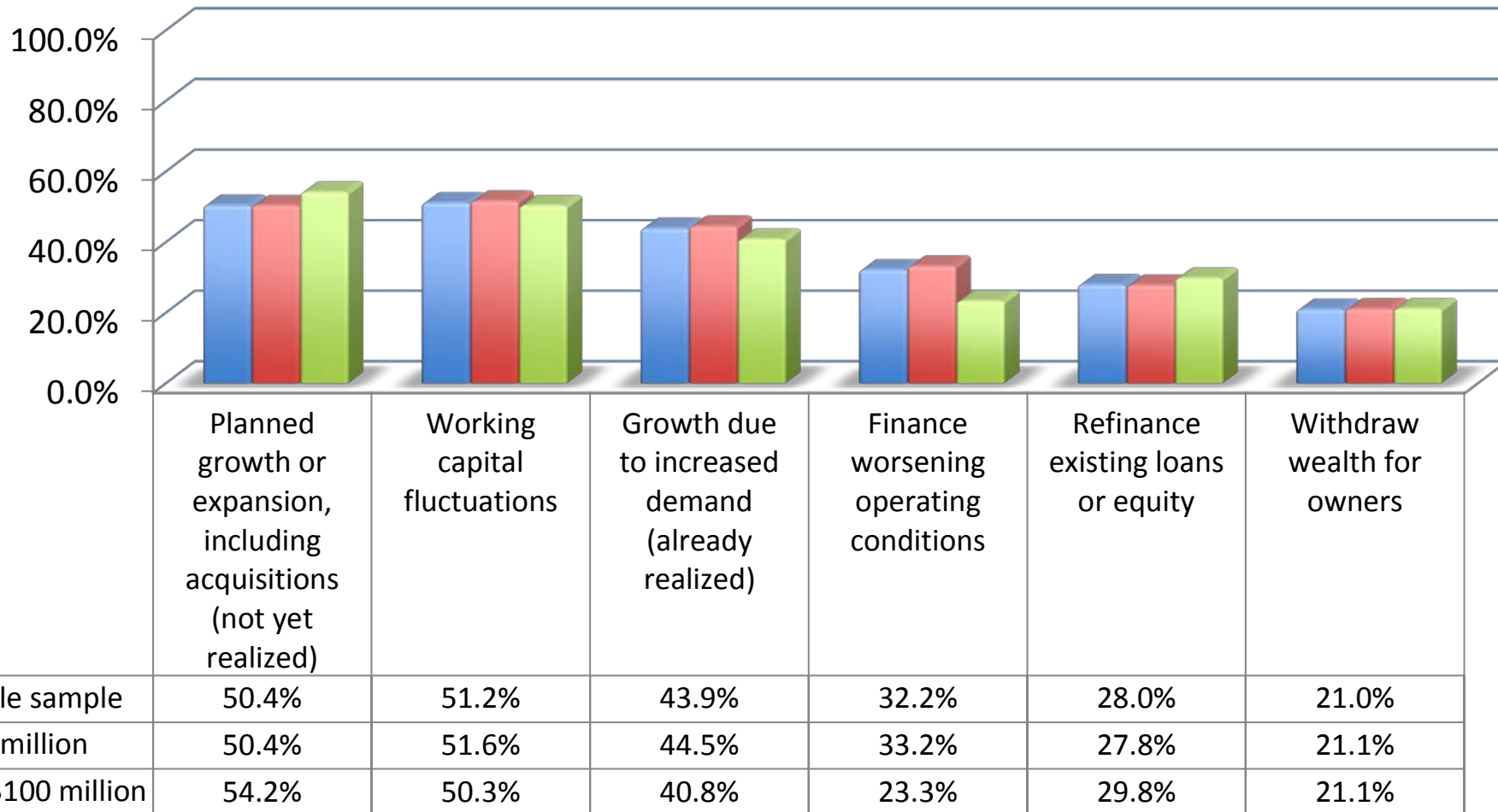
Annual Revenue Change Expectations by Revenue Size



	Q3, 2012	Q4, 2012	Q1, 2013	Q2, 2013	Q3, 2013
Whole sample	7.3%	5.8%	6.4%	6.2%	5.4%
< \$5 million	7.1%	5.7%	5.9%	6.3%	5.2%
\$5 - \$100 million	7.8%	6.7%	7.1%	5.3%	6.5%

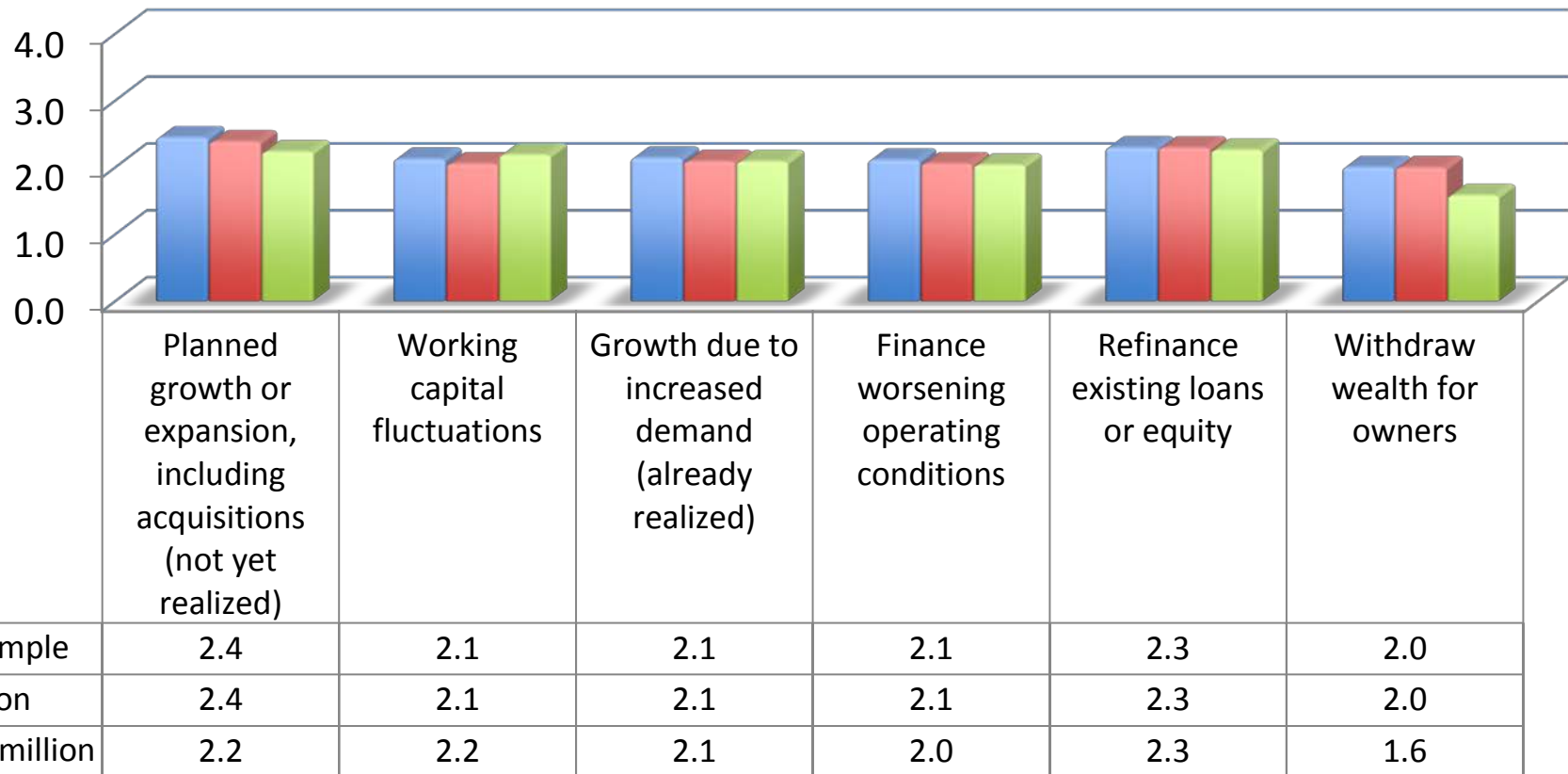
II. Demand for external financing

Demand for Financing by Purpose and Size (% with any need reported)

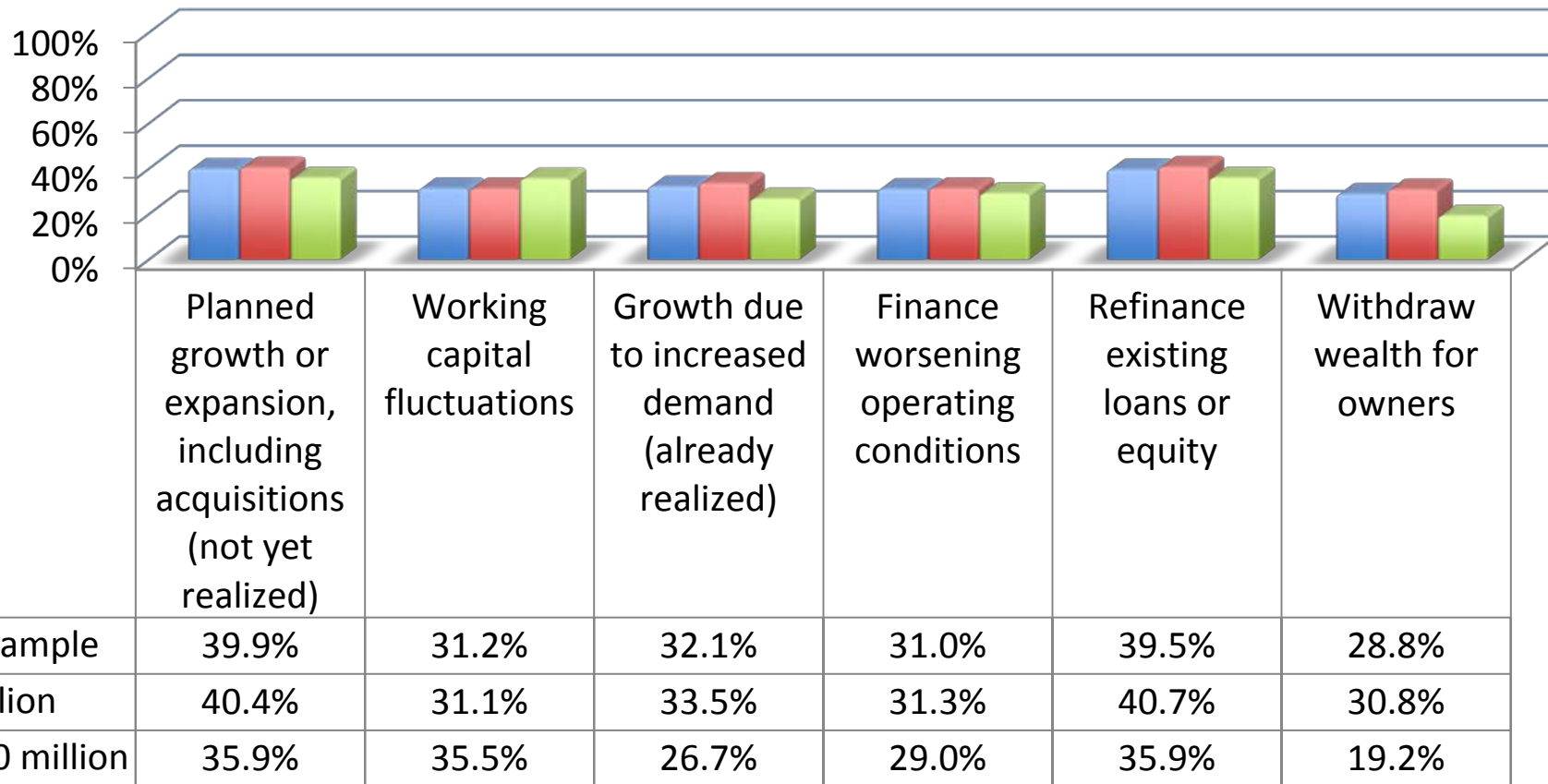


Strength of Demand for Financing (among those indicating demand)

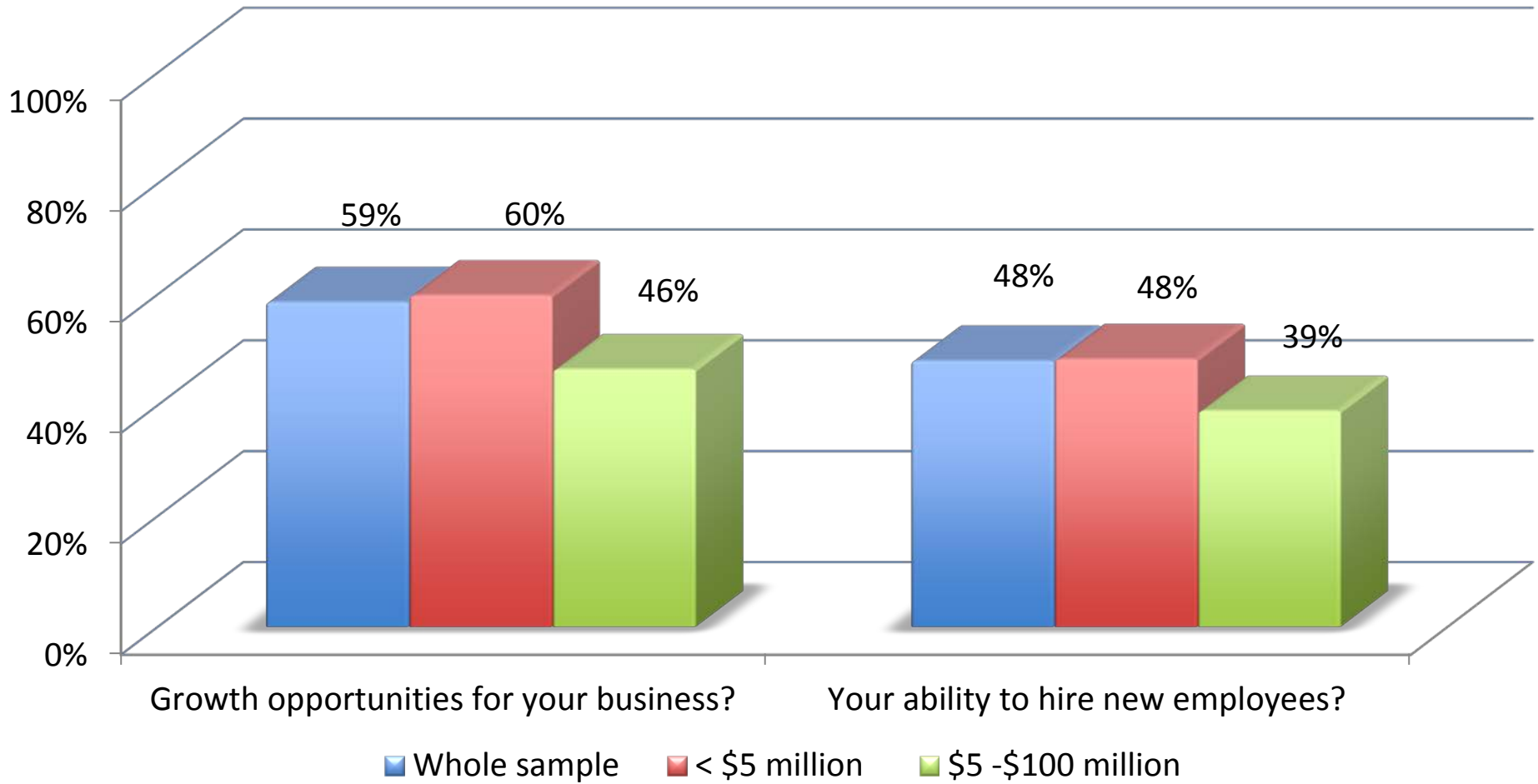
Scale 1-4: slight, moderate, high, extremely high need



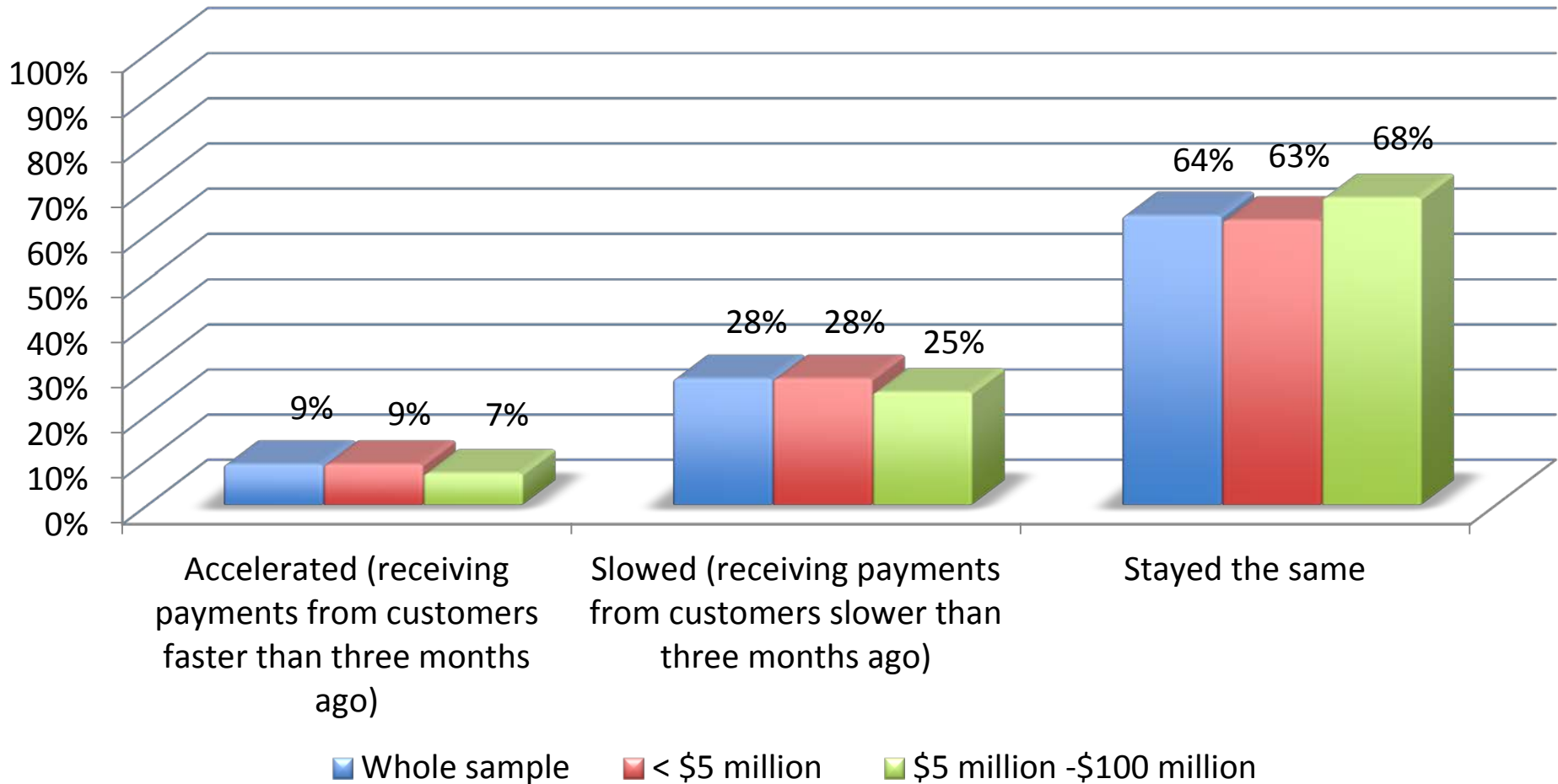
Respondents Indicating High and Extremely High Demand for Financing (among those indicating demand)



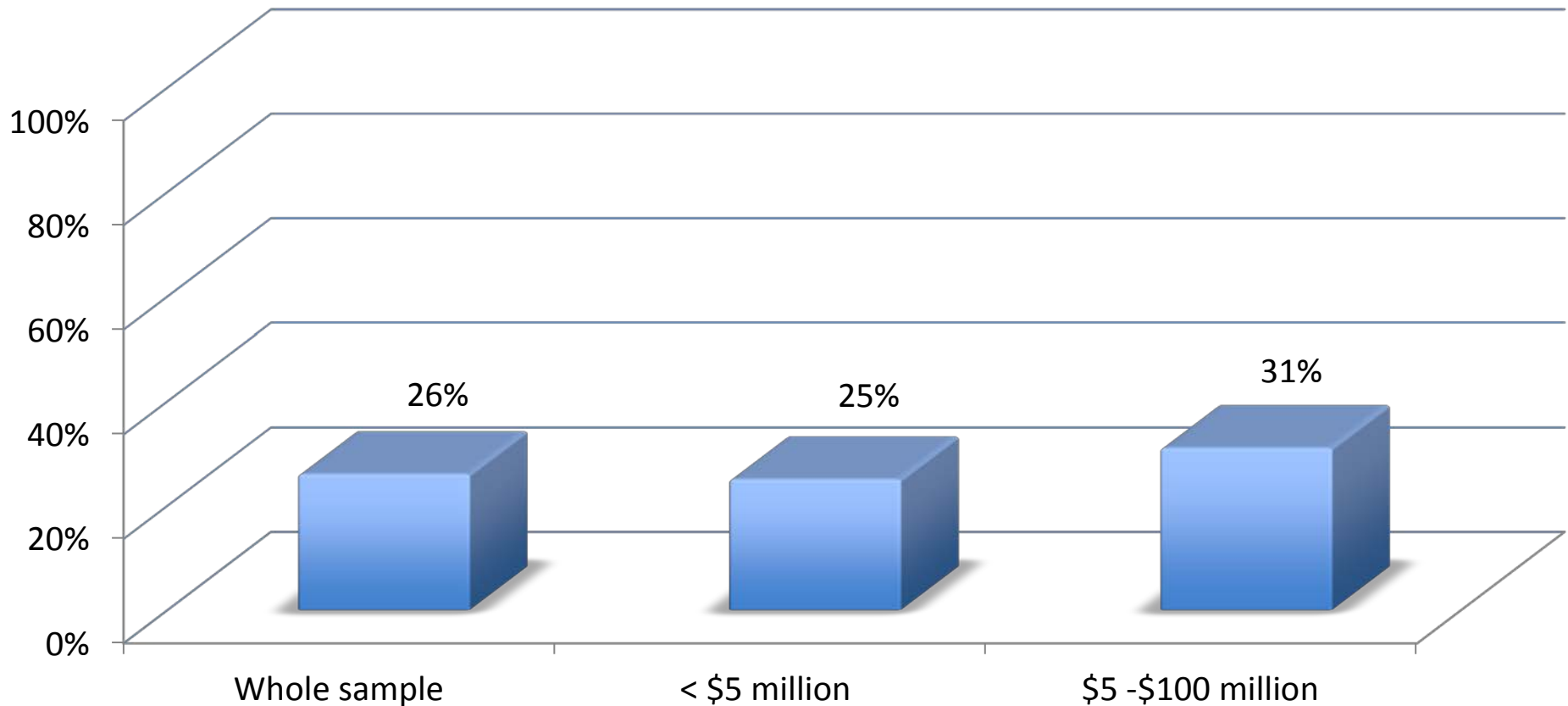
Percentage Indicating “Yes” to “Is the current business financing environment restricting...”



Trade Accounts (Accounts Receivable) Payment Period Trends Over the Past Three Months



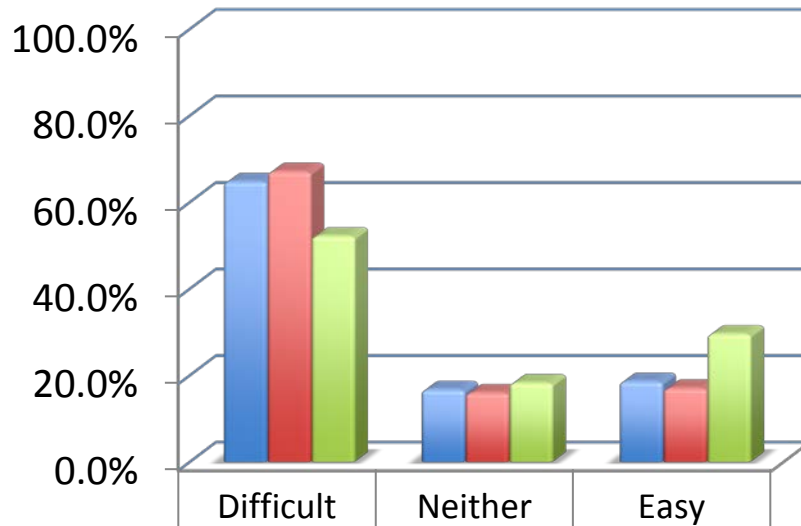
Percentage of Respondents Who Attempted to Raise Outside Financing in the Last Three Months



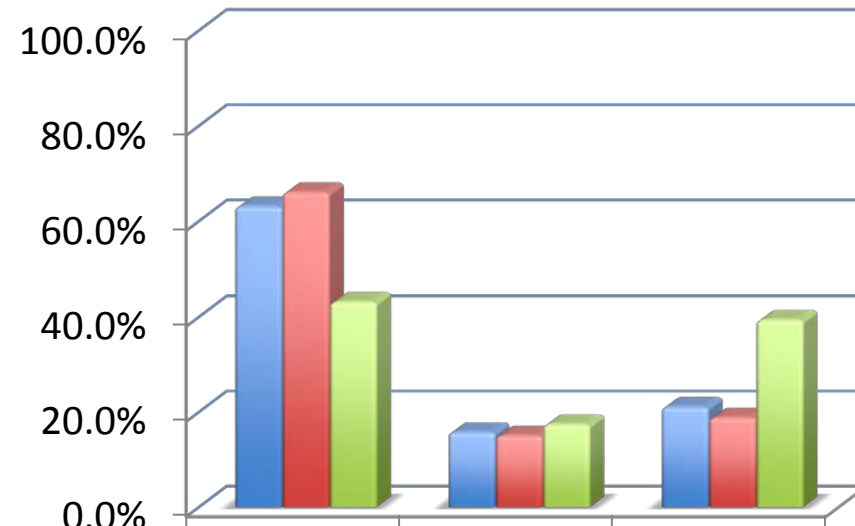
III. Accessibility/success rate

Is it Difficult or Easy to Raise New External Financing?

Equity financing



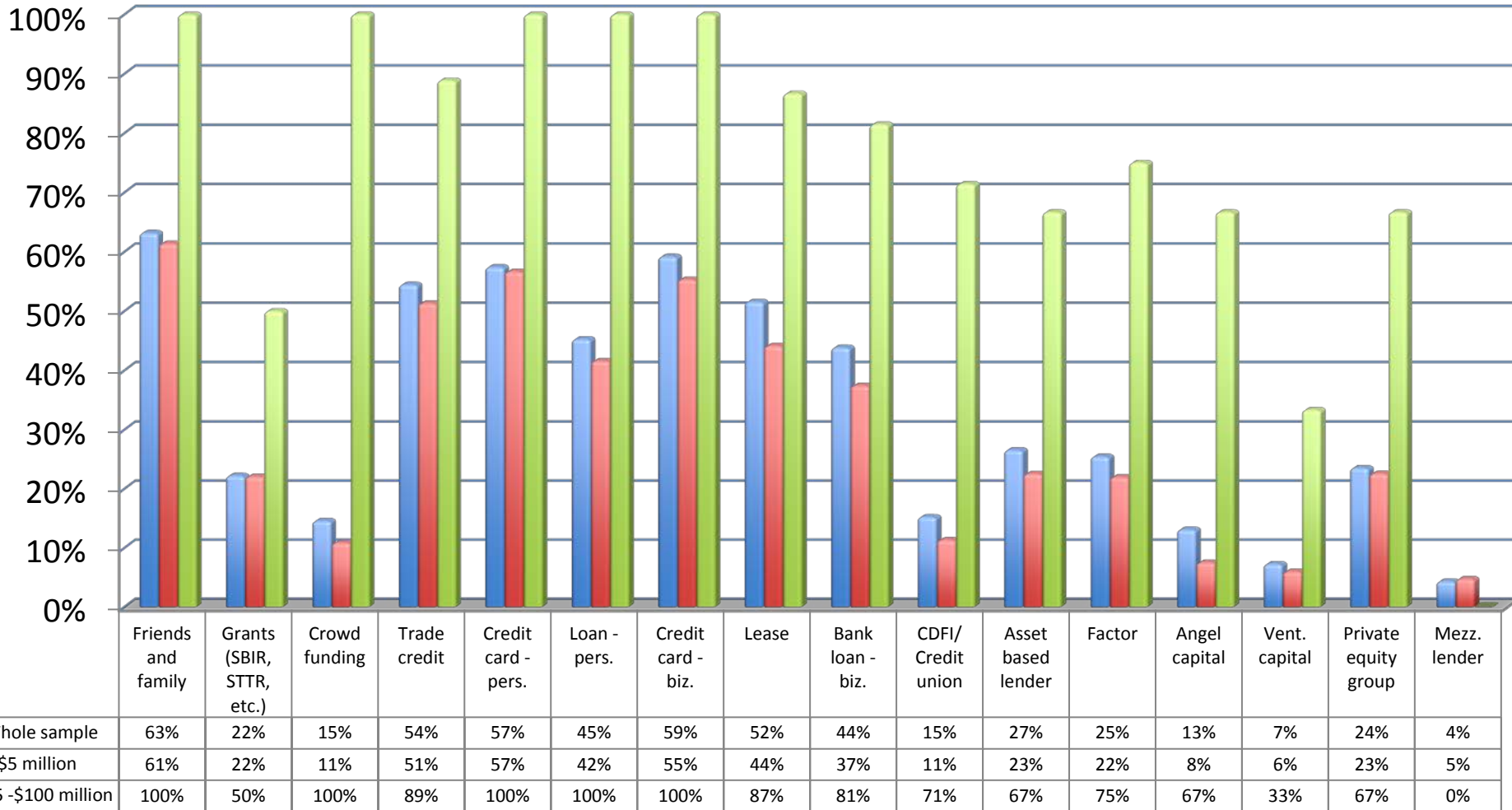
Debt financing



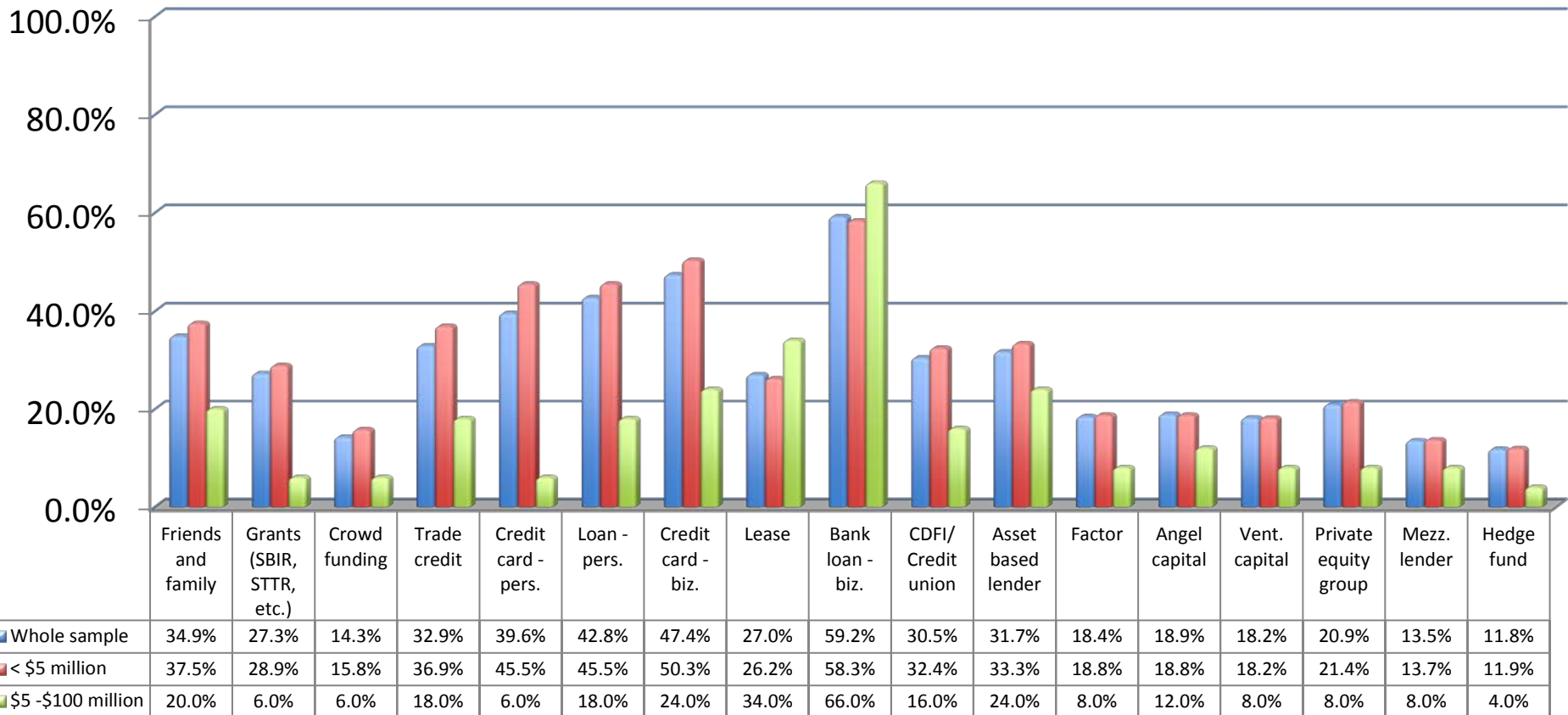
■ Whole sample	64.7%	16.7%	18.6%
■ < \$5 million	67.1%	15.9%	17.0%
■ \$5-\$100 million	52.2%	18.3%	29.6%

■ Whole sample	63.1%	15.8%	21.1%
■ < \$5 million	66.1%	15.1%	18.9%
■ \$5-\$100 million	43.2%	17.4%	39.4%

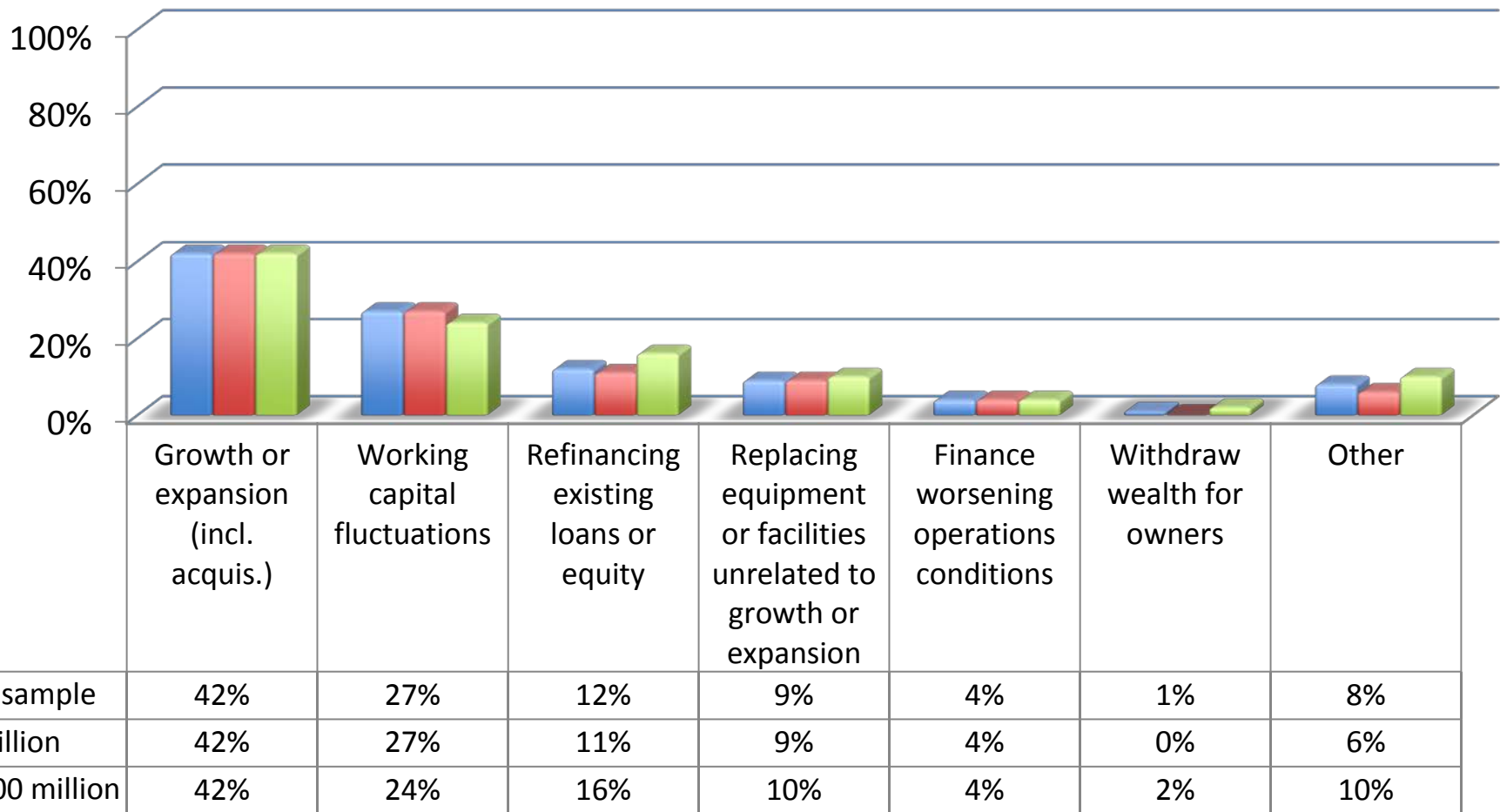
Financing Success Rates by Type and Business Size for Prior Three Months



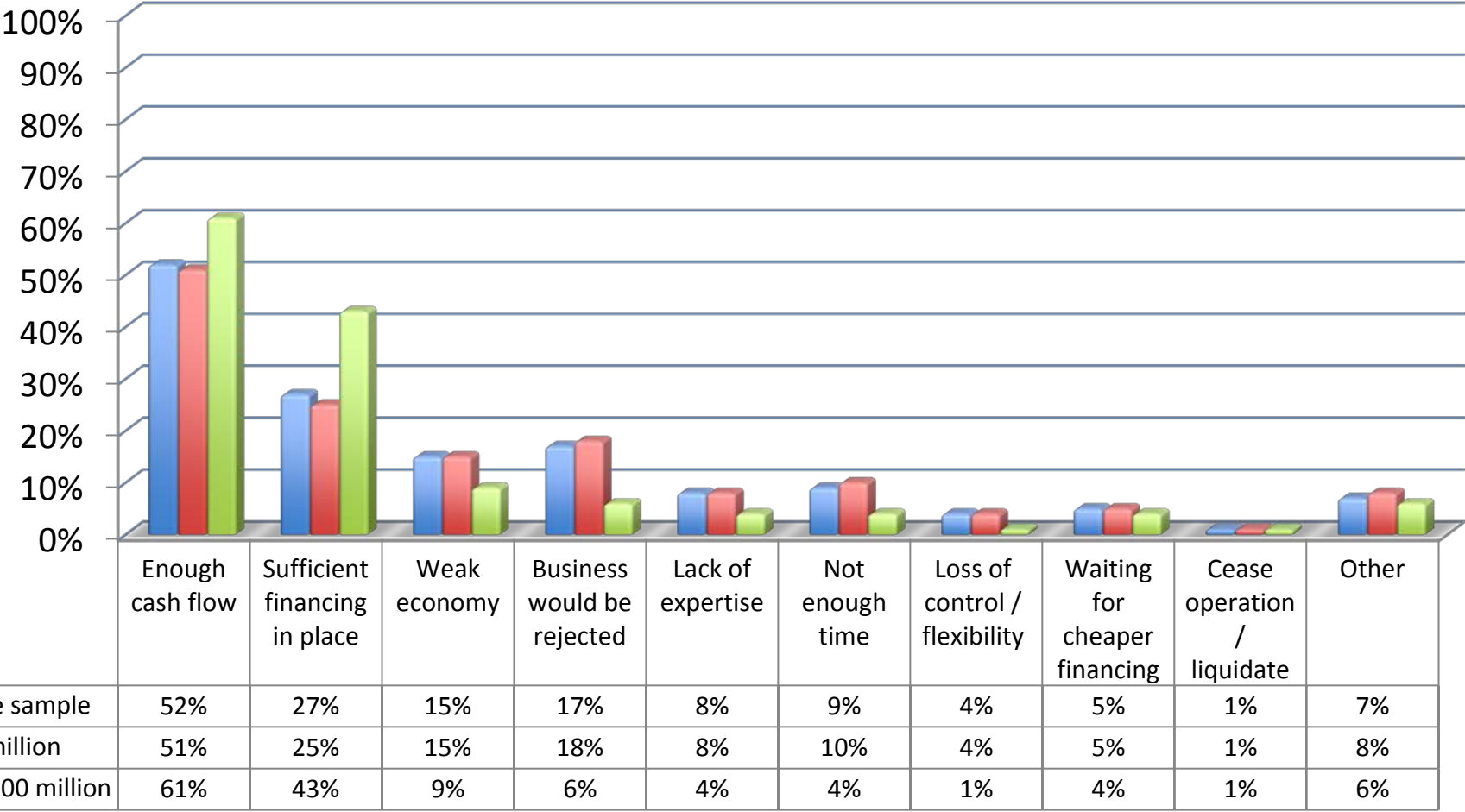
Percentage of Those Who Attempted to Raise Financing by Type of Financing for Prior Three Months



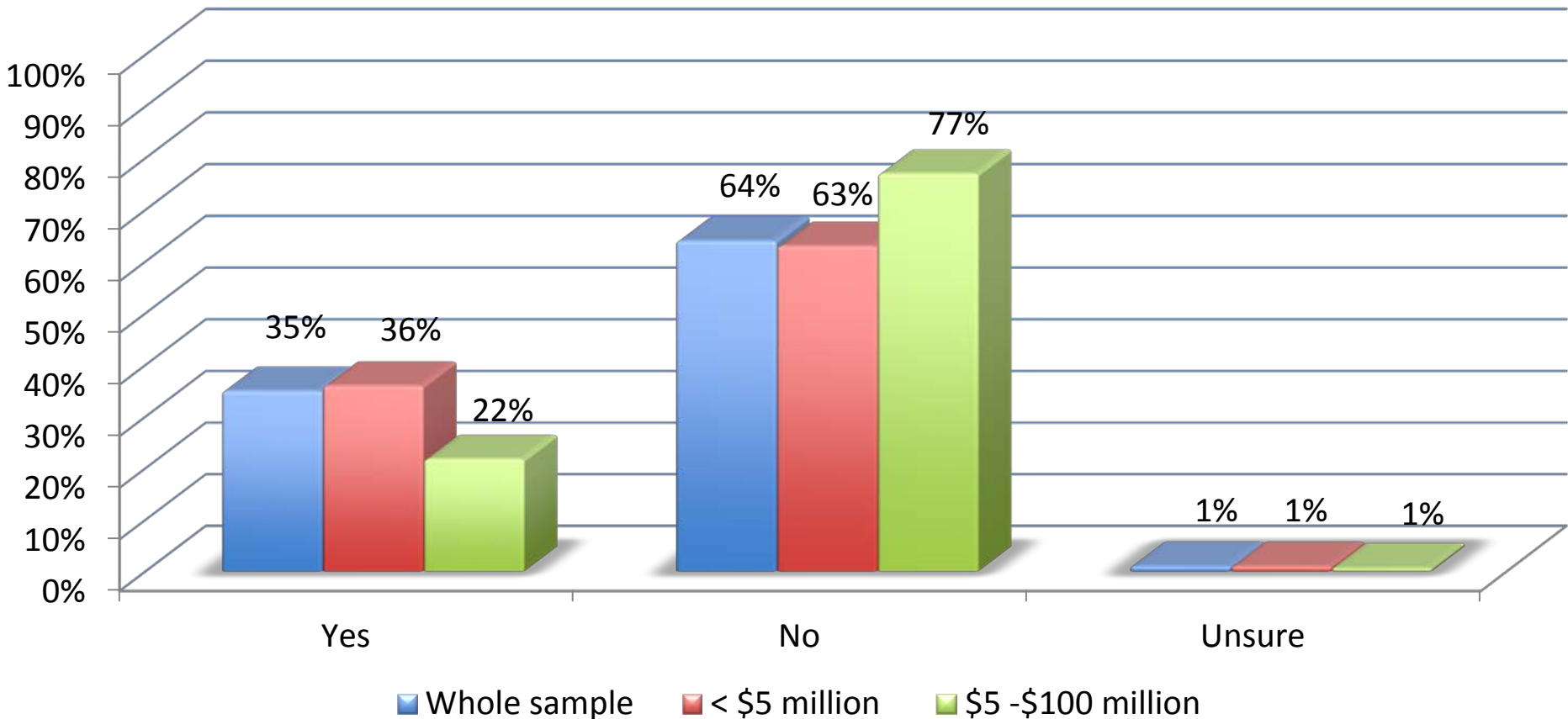
Main Purpose for Raising or Attempting to Raise Financing



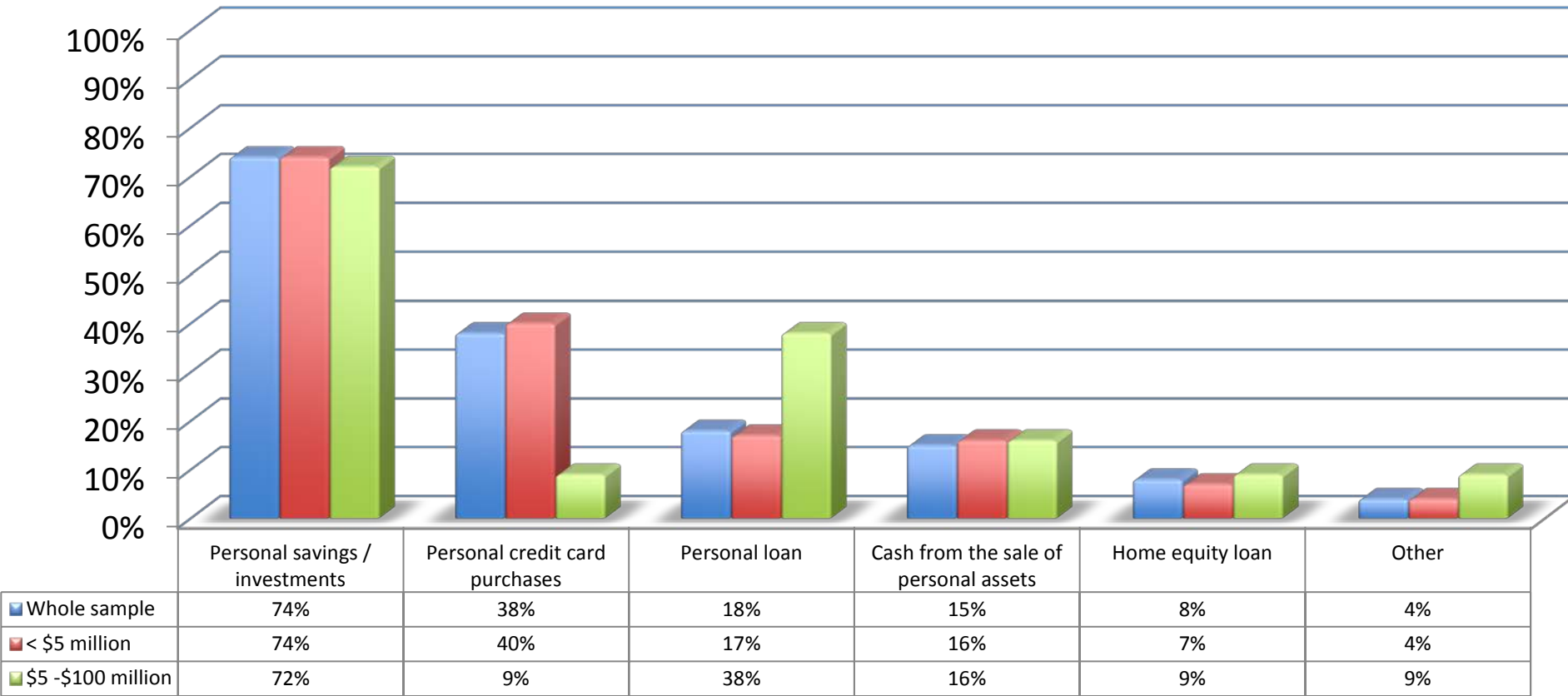
Reasons for Businesses Not Attempting to Raise External Financing (Multiple Selections)



Percentage of Owners Who Transferred Personal Assets to Business Over Prior Three Months

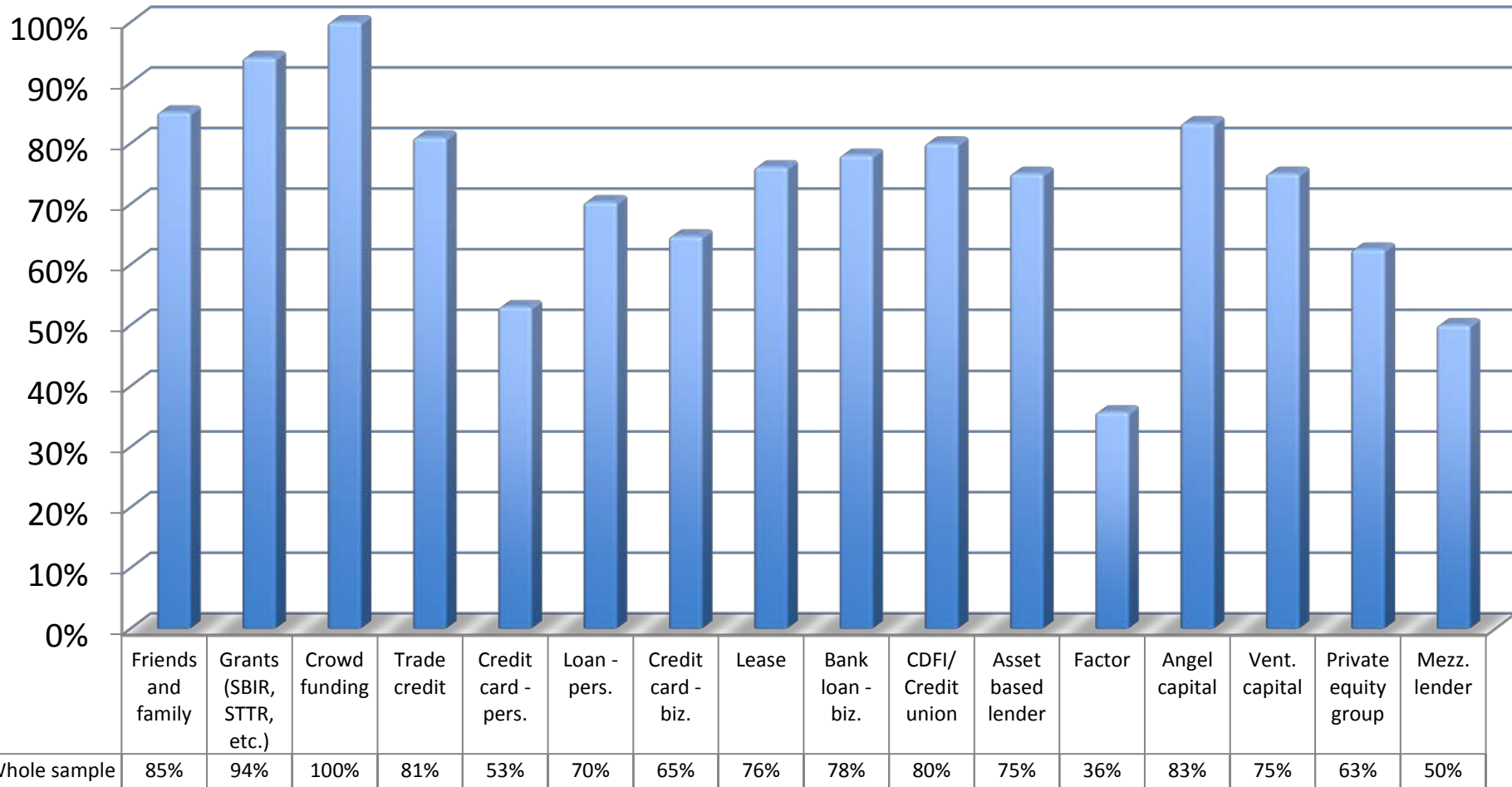


Types of Personal Assets Transferred to Business During Prior Three Months (Multiple Selections)

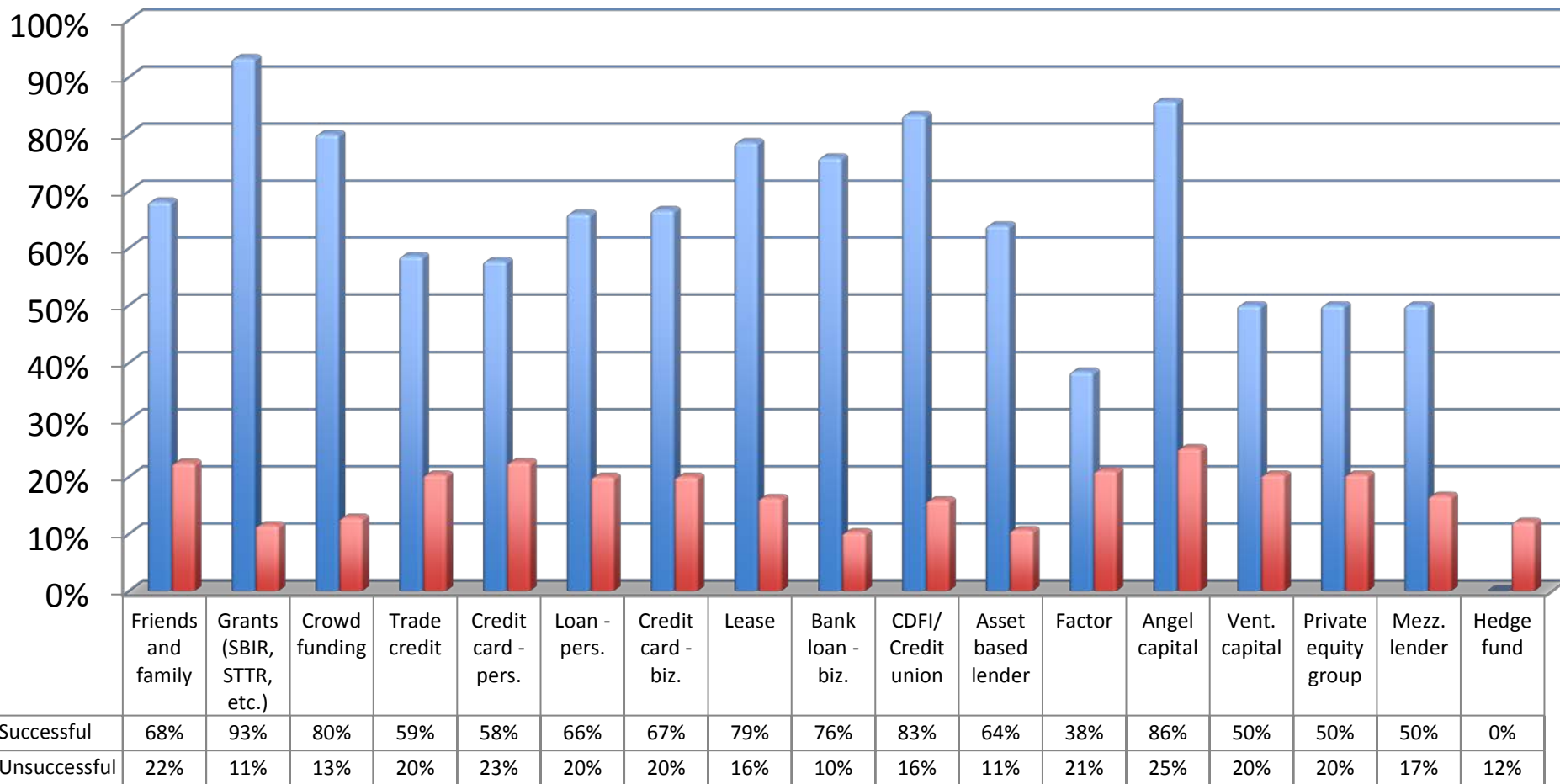


IV. Satisfaction rates

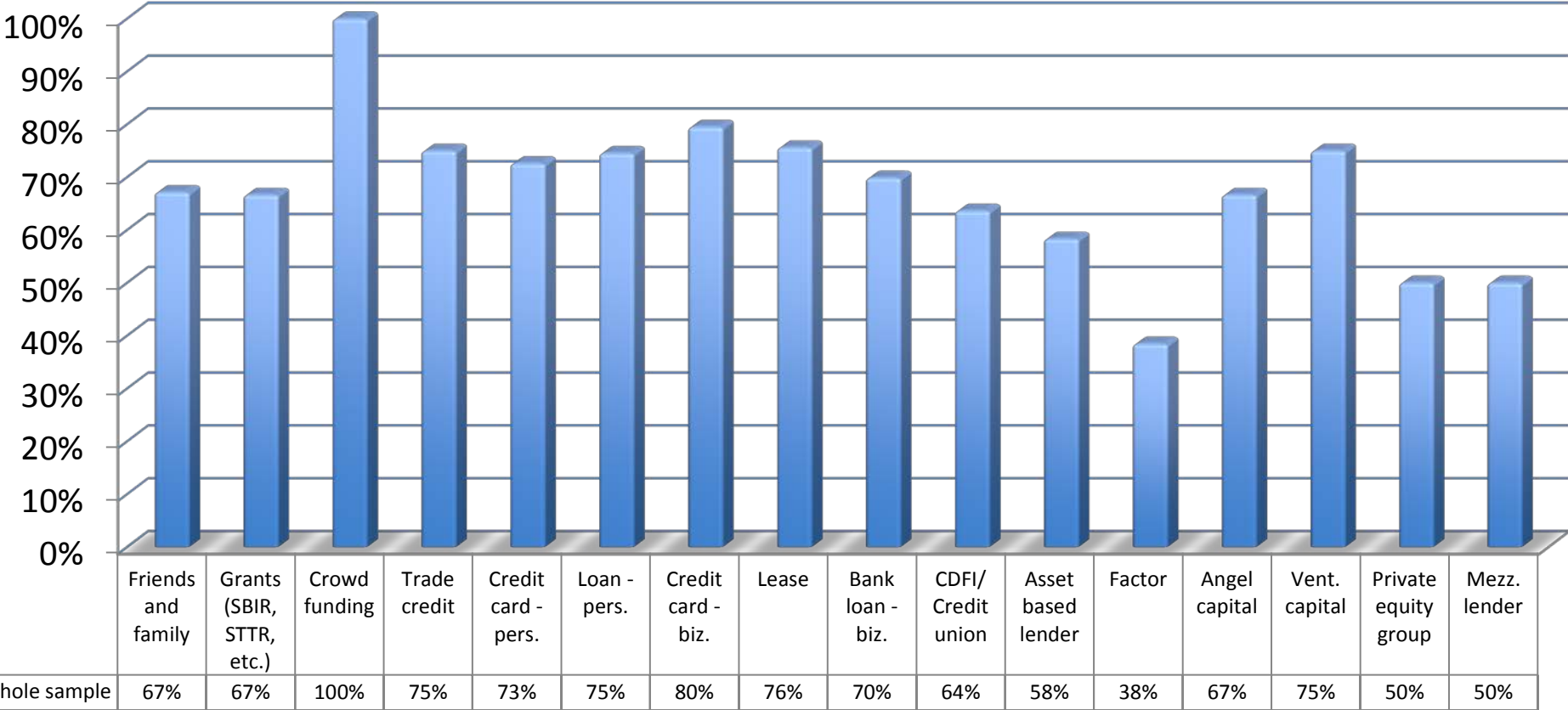
Pricing and Contract Terms Satisfaction Rates (for those with a successful raise)



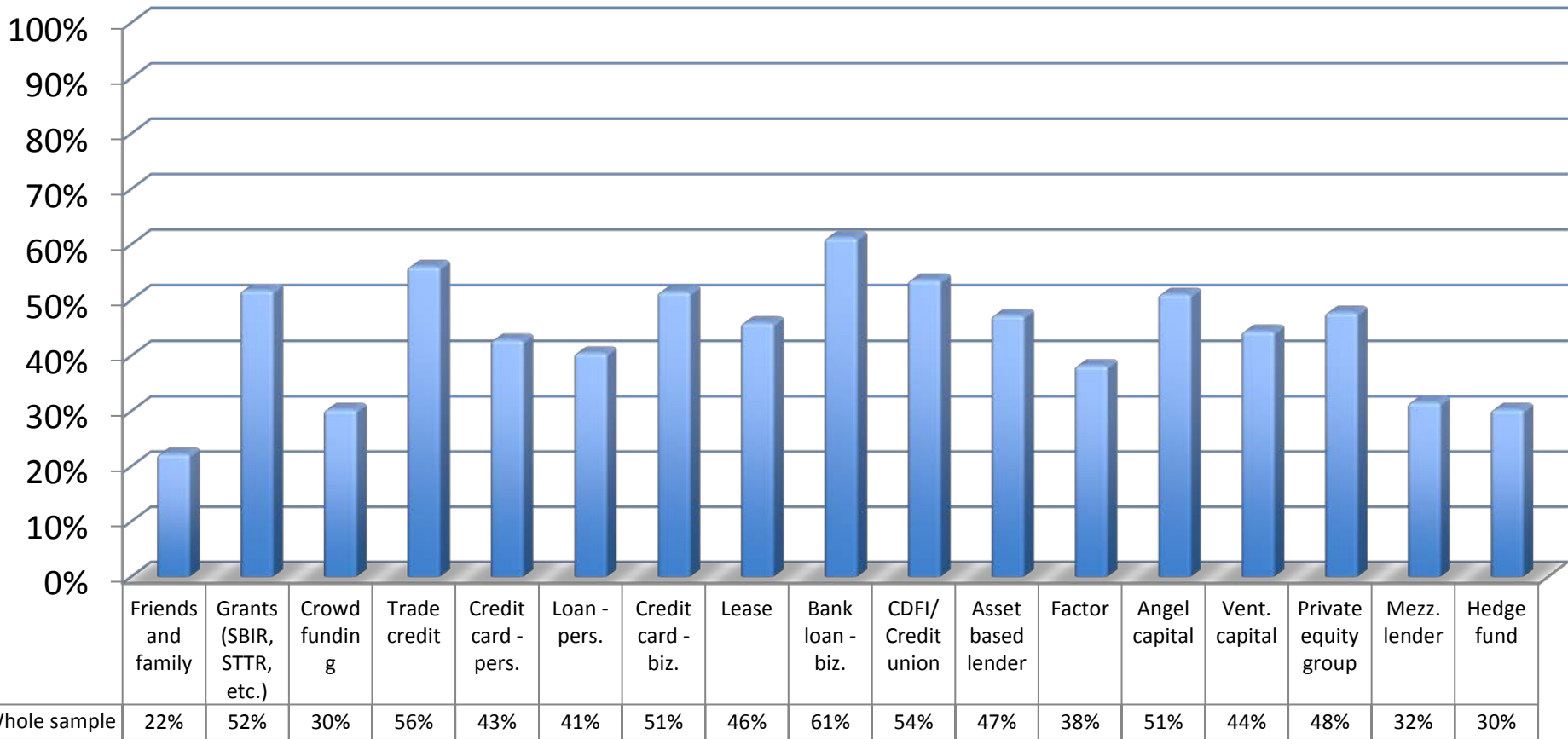
General Financing Process Satisfaction Rates (by Outcome)



Percentage of Those Satisfied with Time Elapsed from Point of First Contact until Funds Were Received (for those successful raises)

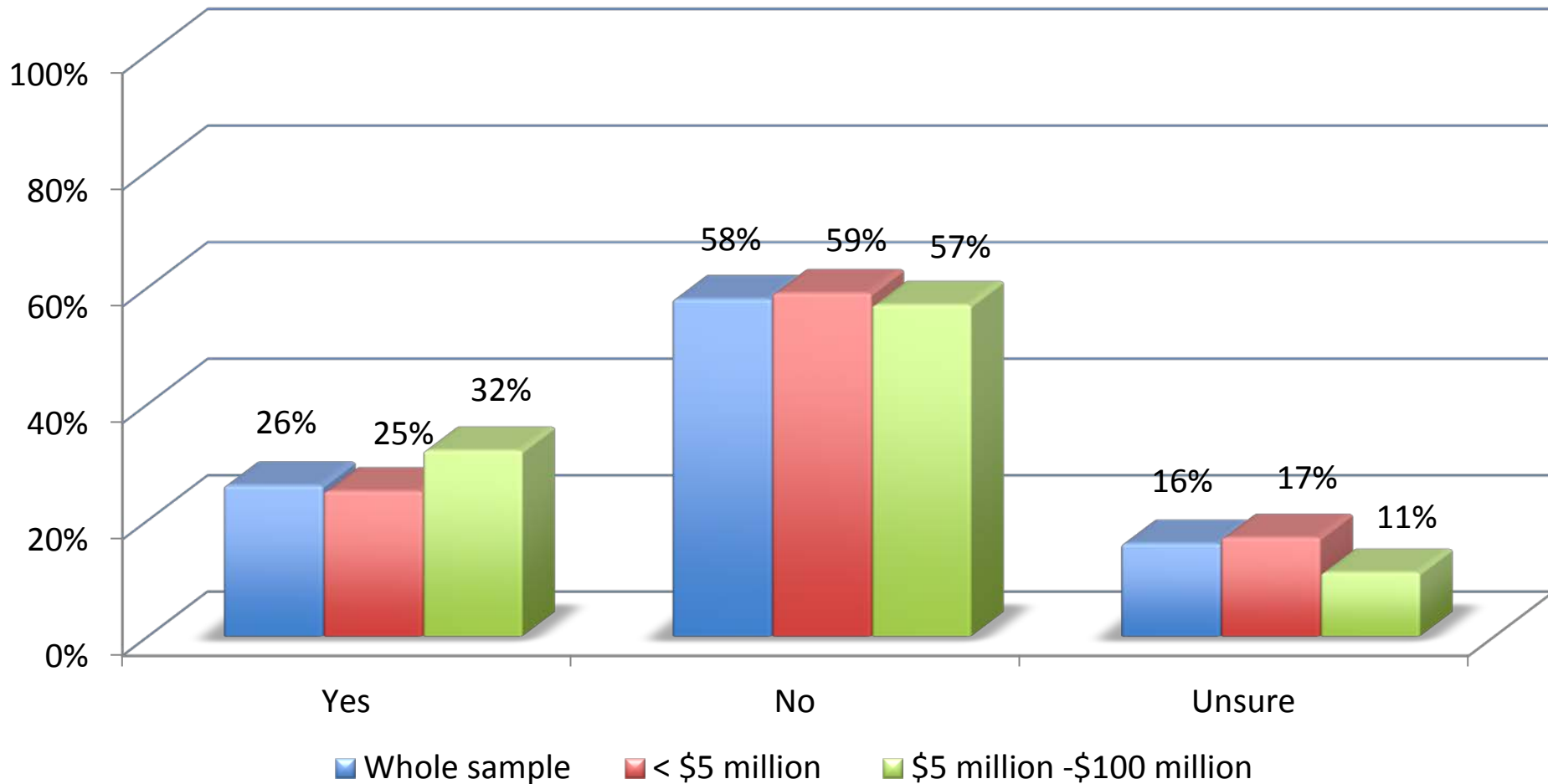


Percentage of Those Unsuccessful Who Feel the General Category of Financing is a Still a Good Fit for Their Business

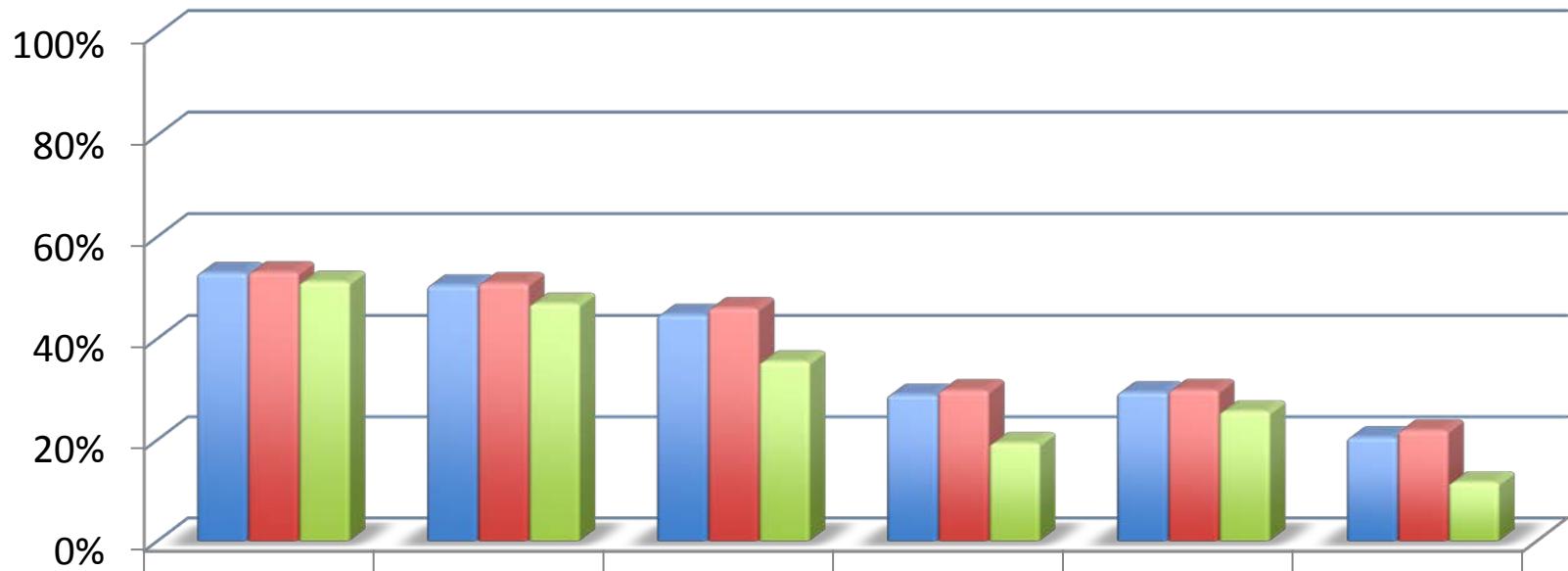


V. Expected demand for external financing

Percentage of Businesses Planning to Raise Financing in the Next Six Months



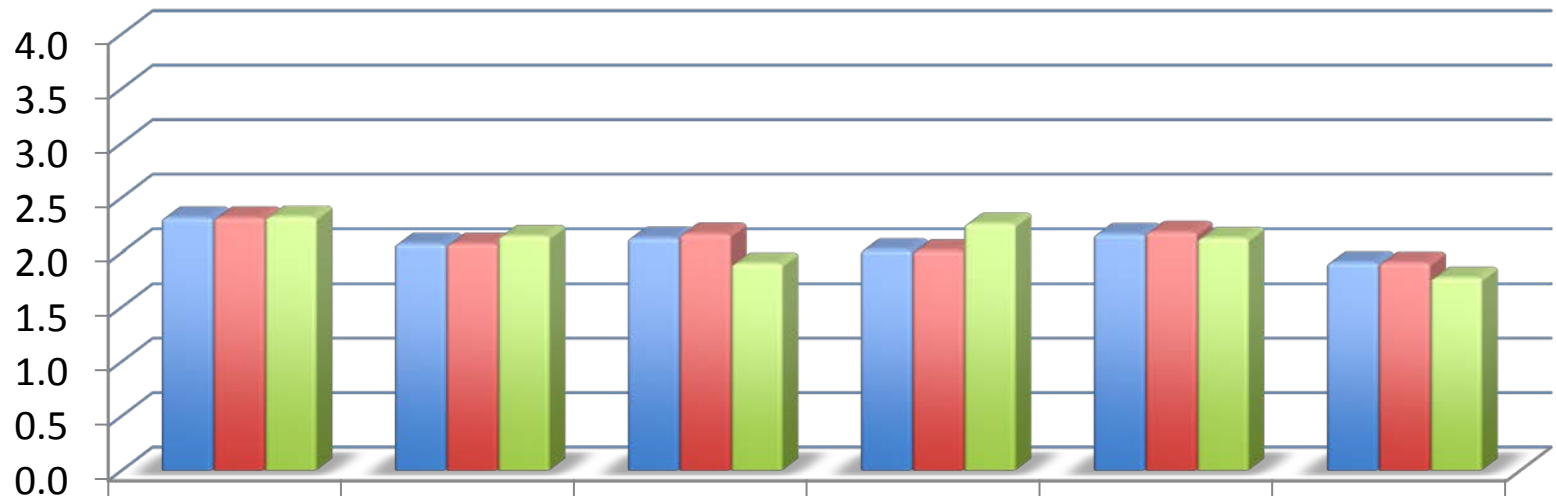
Percentage of Respondents Indicating Demand for New Financing in the Next Six Months



	Planned future growth or expansion	Expected working capital fluctuations	Growth due to expected increased demand	Expected worsening operating conditions	Refinance existing loans or equity	Withdraw wealth for owners
■ Whole sample	53%	50%	45%	29%	29%	20%
■ < \$5 million	53%	51%	46%	30%	30%	22%
■ \$5 million - \$100 million	51%	47%	35%	19%	26%	12%

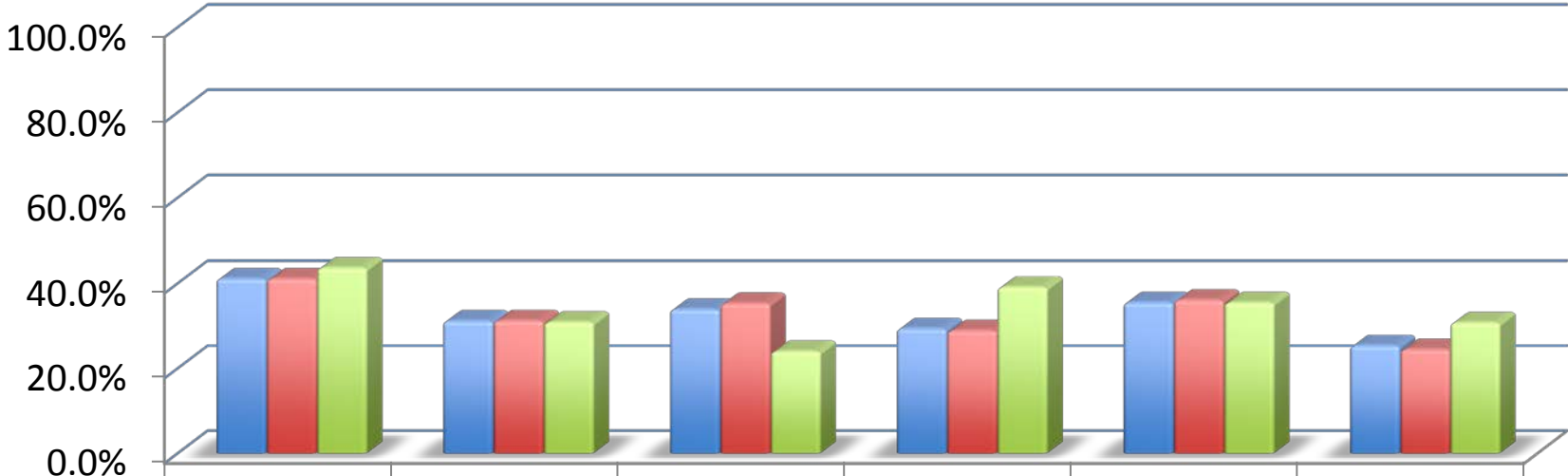
Strength of Expected Demand for New External Financing in the Next Six Months

(Scale 1-4: Slight, Moderate, High, Extremely High)



	Planned future growth or expansion	Expected working capital fluctuations	Growth due to expected increased demand	Expected worsening operating conditions	Refinance existing loans or equity	Withdraw wealth for owners
Whole sample	2.3	2.1	2.1	2.0	2.2	1.9
< \$5 million	2.3	2.1	2.2	2.0	2.2	1.9
\$5 million - \$100 million	2.3	2.1	1.9	2.3	2.1	1.8

Respondents Indicating High or Extremely High Expected Demand for New External Financing in the Next Six Months

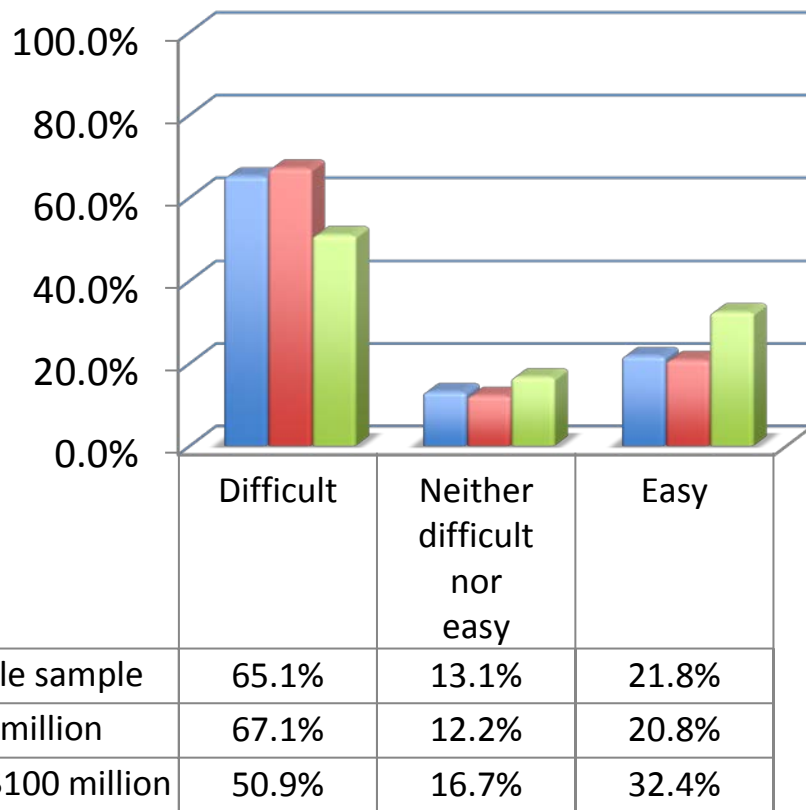


	Planned future growth or expansion	Expected working capital fluctuations	Growth due to expected increased demand	Expected worsening operating conditions	Refinance existing loans or equity	Withdraw wealth for owners
■ Whole sample	41.1%	31.2%	33.9%	29.4%	35.5%	25.4%
■ < \$5 million	41.1%	31.2%	35.3%	28.9%	36.1%	24.5%
■ \$5 million - \$100 million	43.7%	30.9%	24.0%	39.1%	35.5%	30.8%

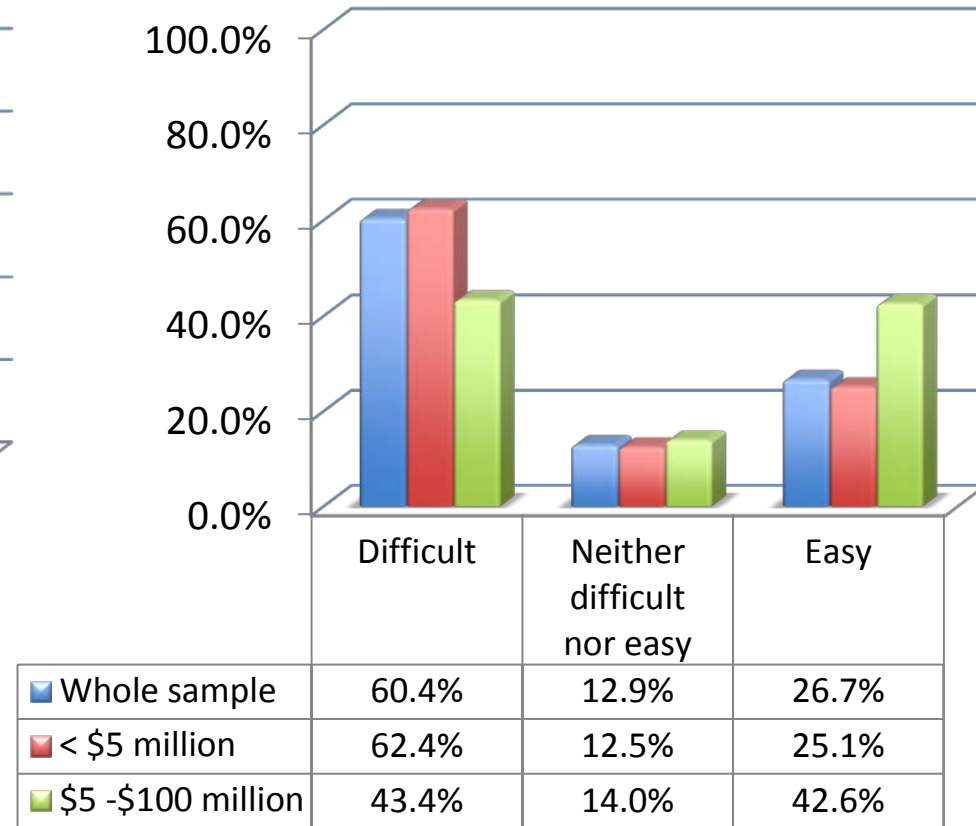
VI. Expected access rates

Do You Expect It Would Be Easy or Difficult to Raise New Financing in the Next Six Months?

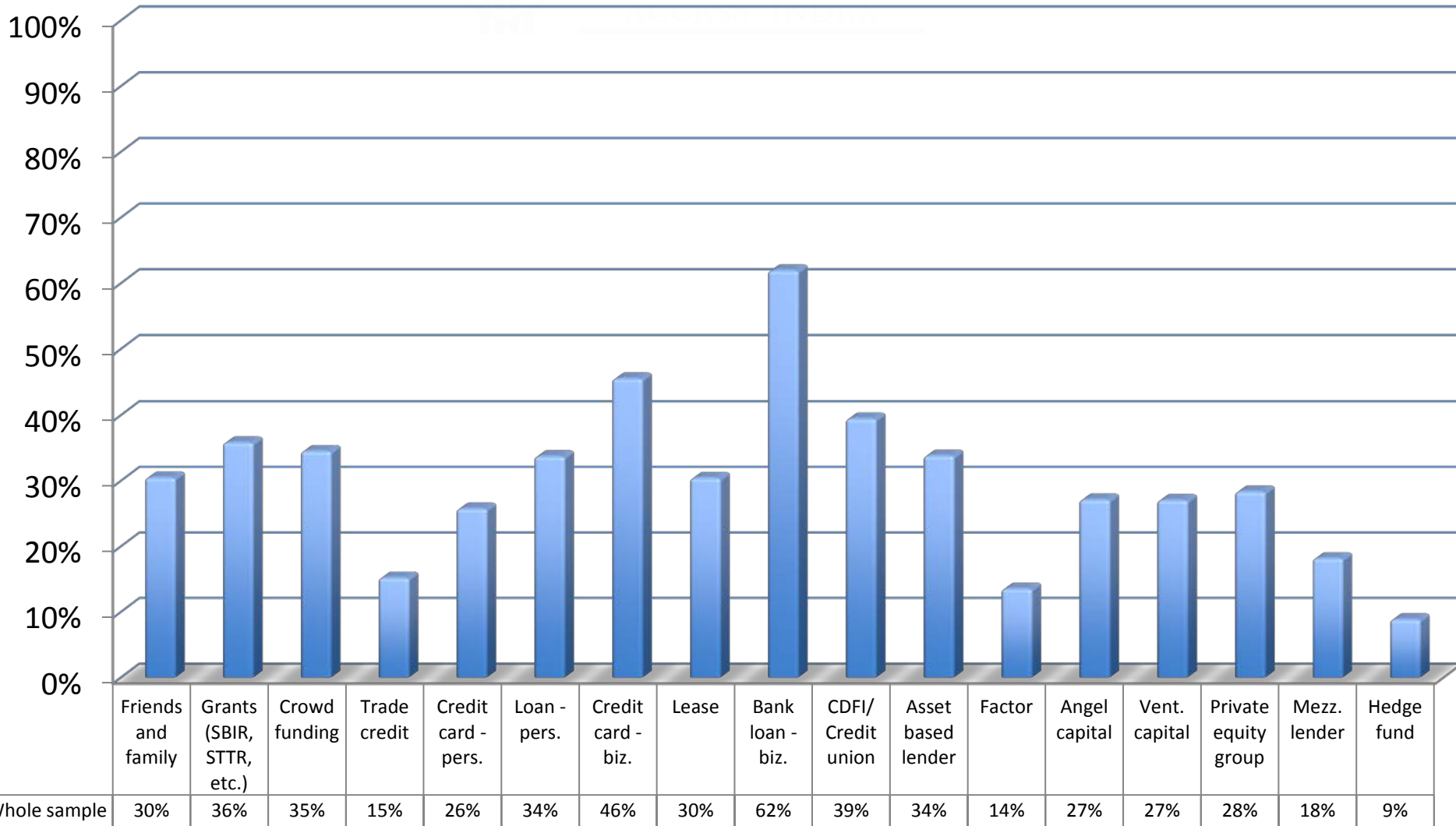
Equity financing



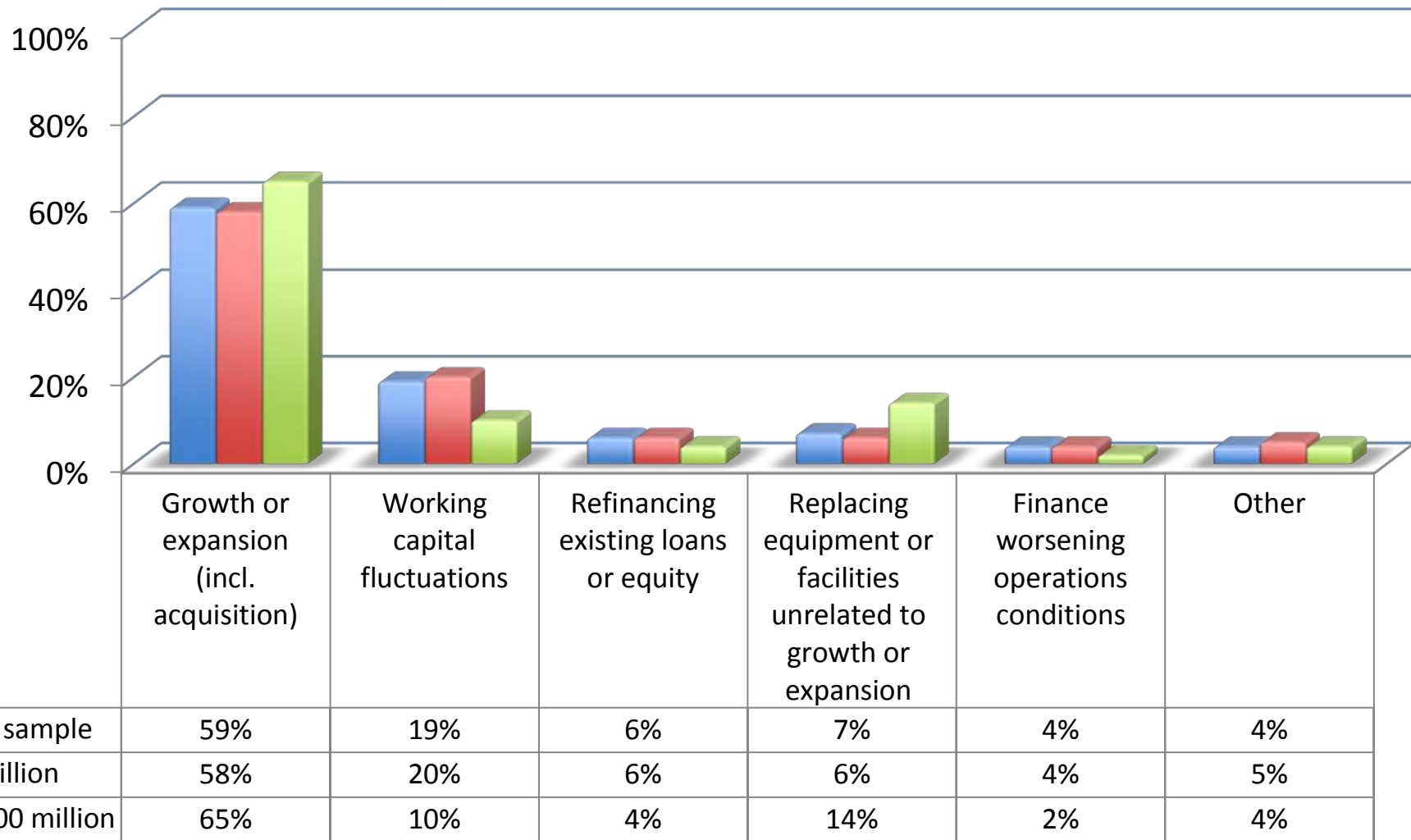
Debt financing



Likely Sources of Financing

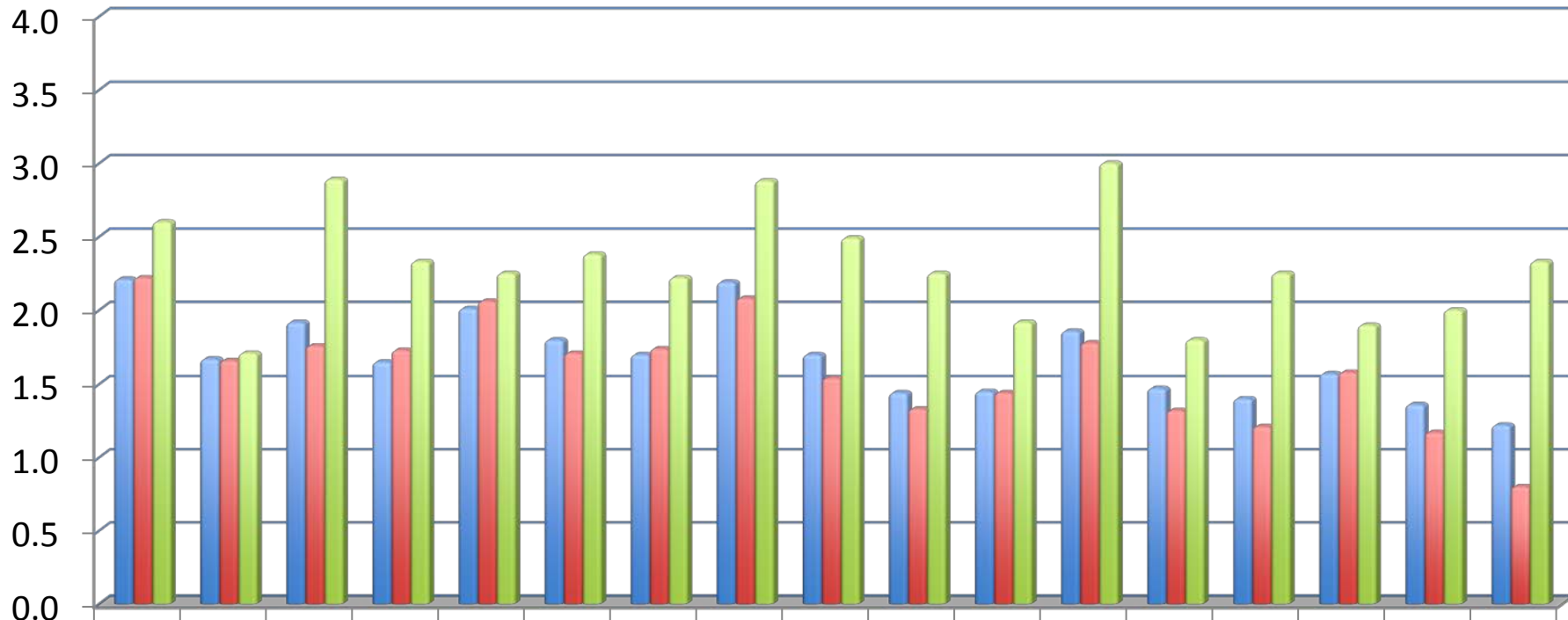


Main Purpose for Raising Expected Financing



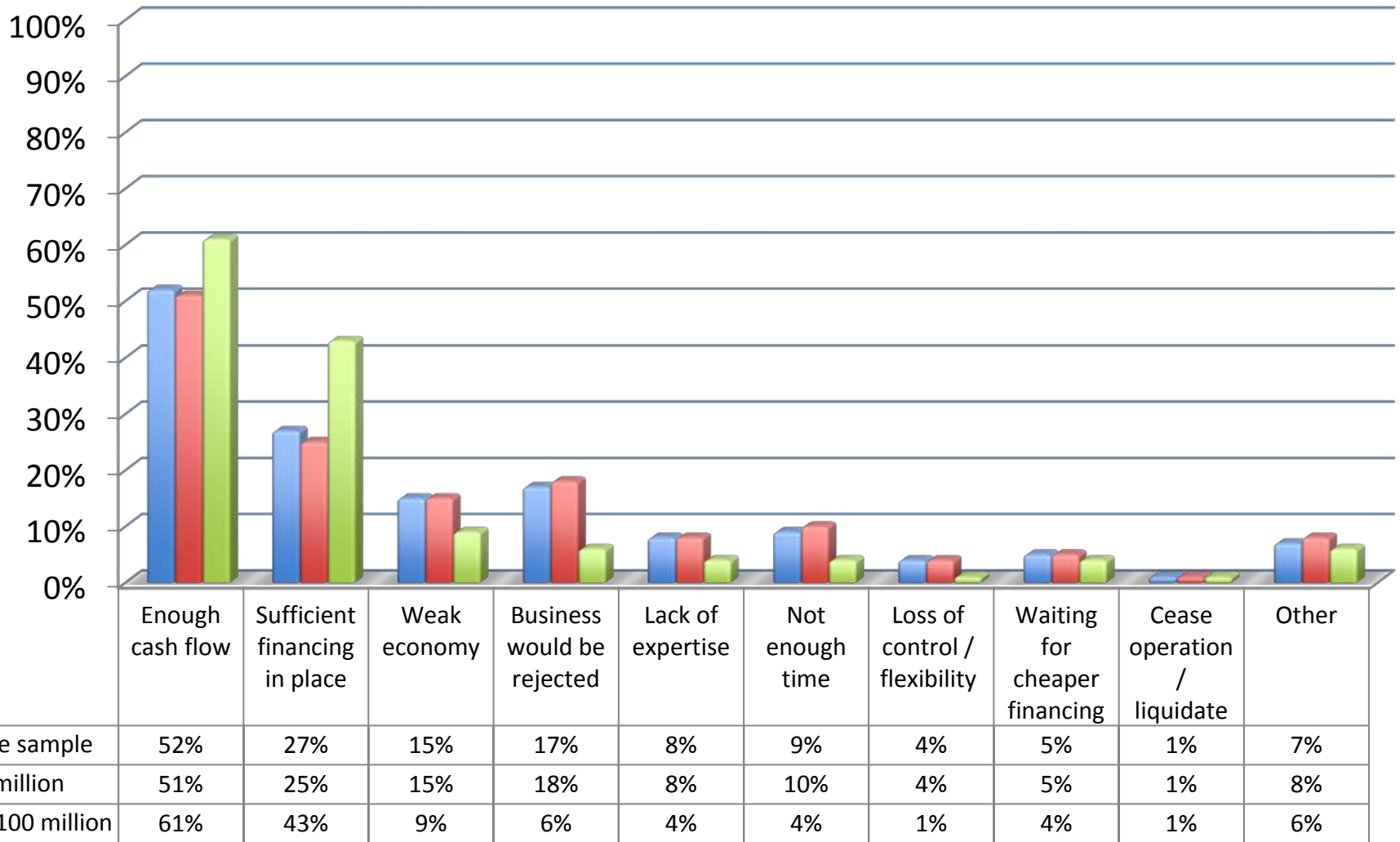
Level of Confidence for Successful Financing

(Scale 0-4: none; some; moderately; very; completely)



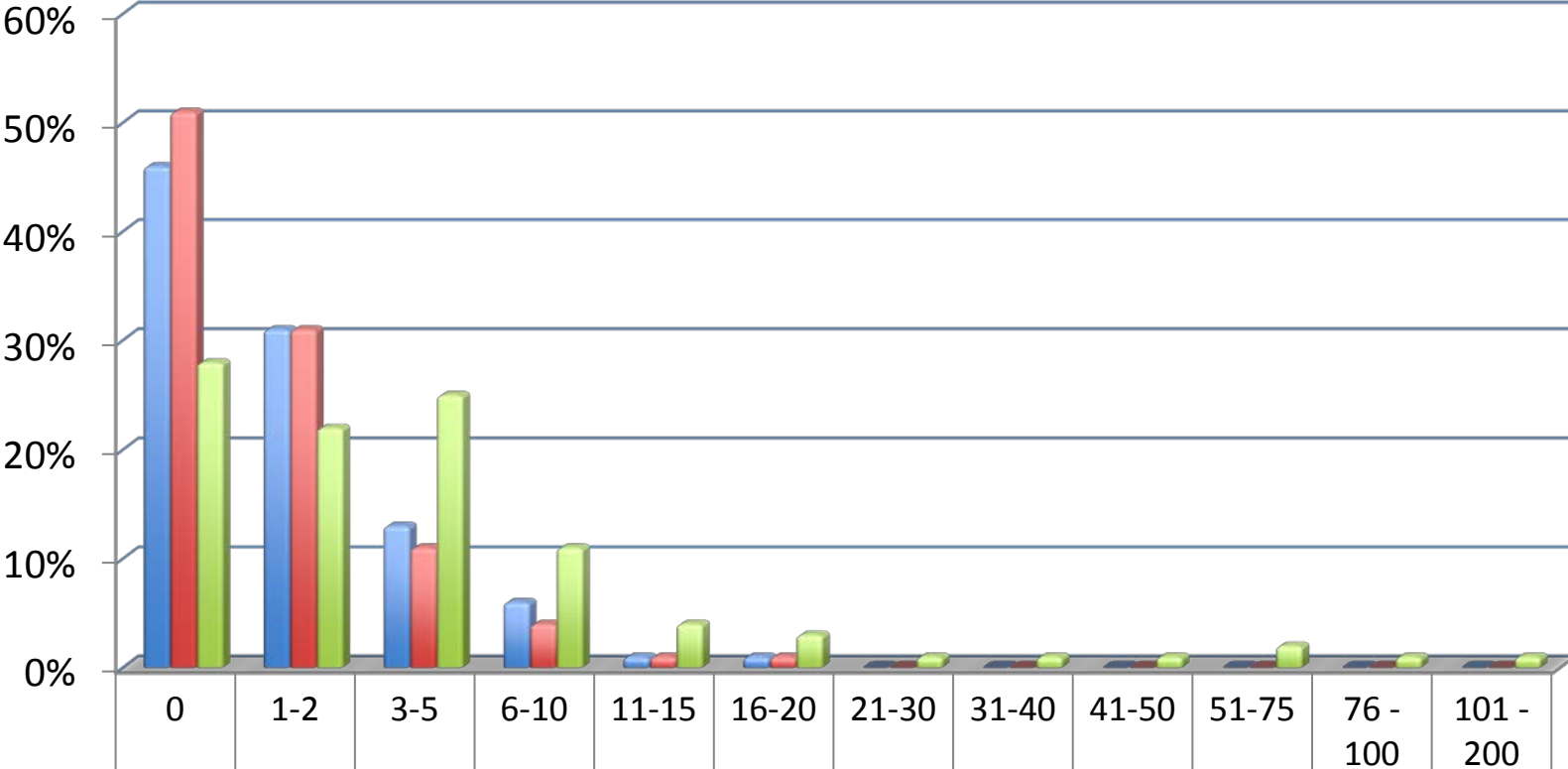
	Friends and family	Grants (SBIR, STTR, etc.)	Crowd funding	Trade credit	Credit card - pers.	Loan - pers.	Credit card - biz.	Lease	Bank loan - biz.	CDFI/ Credit union	Asset based lender	Factor	Angel capital	Vent. capital	Private equity group	Mezz. lender	Hedge fund
Whole sample	2.2	1.7	1.9	1.7	2.0	1.8	1.7	2.2	1.7	1.4	1.5	1.9	1.5	1.4	1.6	1.4	1.2
< \$5 million	2.2	1.7	1.8	1.7	2.1	1.7	1.7	2.1	1.5	1.3	1.4	1.8	1.3	1.2	1.6	1.2	0.8
\$5-\$100 million	2.6	1.7	2.9	2.3	2.3	2.4	2.2	2.9	2.5	2.3	1.9	3.0	1.8	2.3	1.9	2.0	2.3

Reasons for Not Planning on Raising Financing



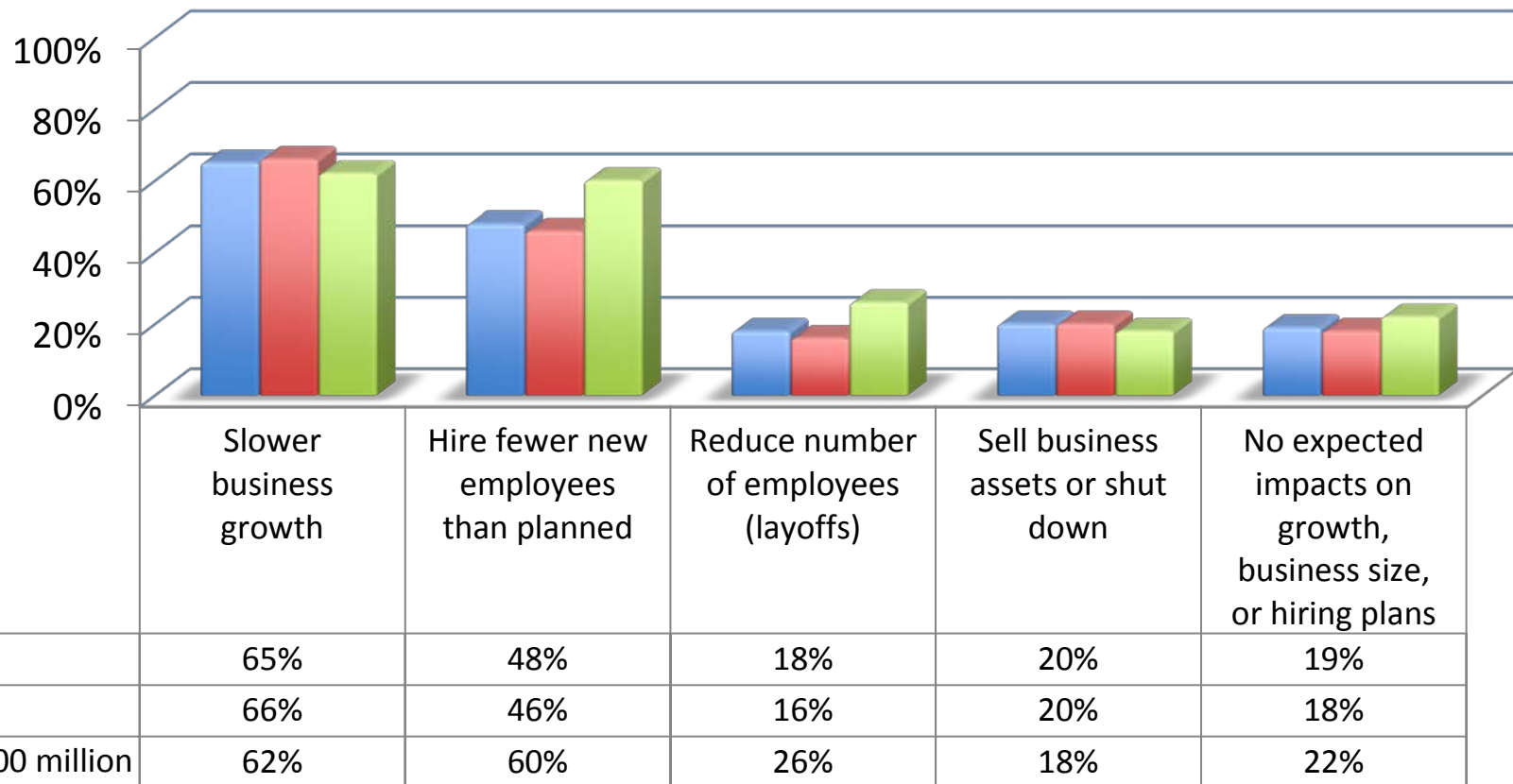
VII. Hiring / growth outlooks and financing failure impacts

Number of Employees Planned to Be Hired in the Next Six Months

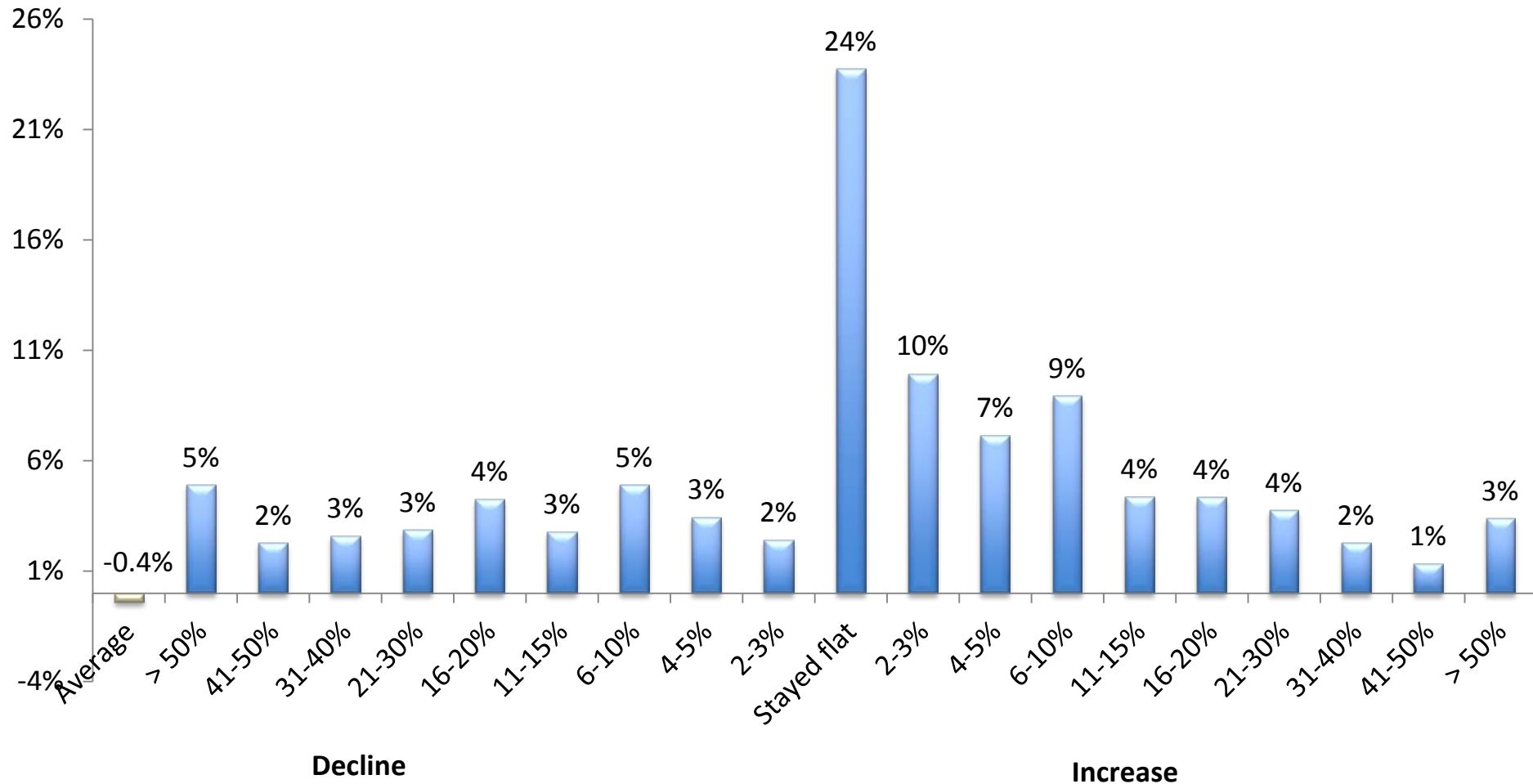


■ Whole sample	46%	31%	13%	6%	1%	1%	0%	0%	0%	0%	0%	0%
■ < \$5 million	51%	31%	11%	4%	1%	1%	0%	0%	0%	0%	0%	0%
■ \$5 million - \$100 million	28%	22%	25%	11%	4%	3%	1%	1%	1%	2%	1%	1%

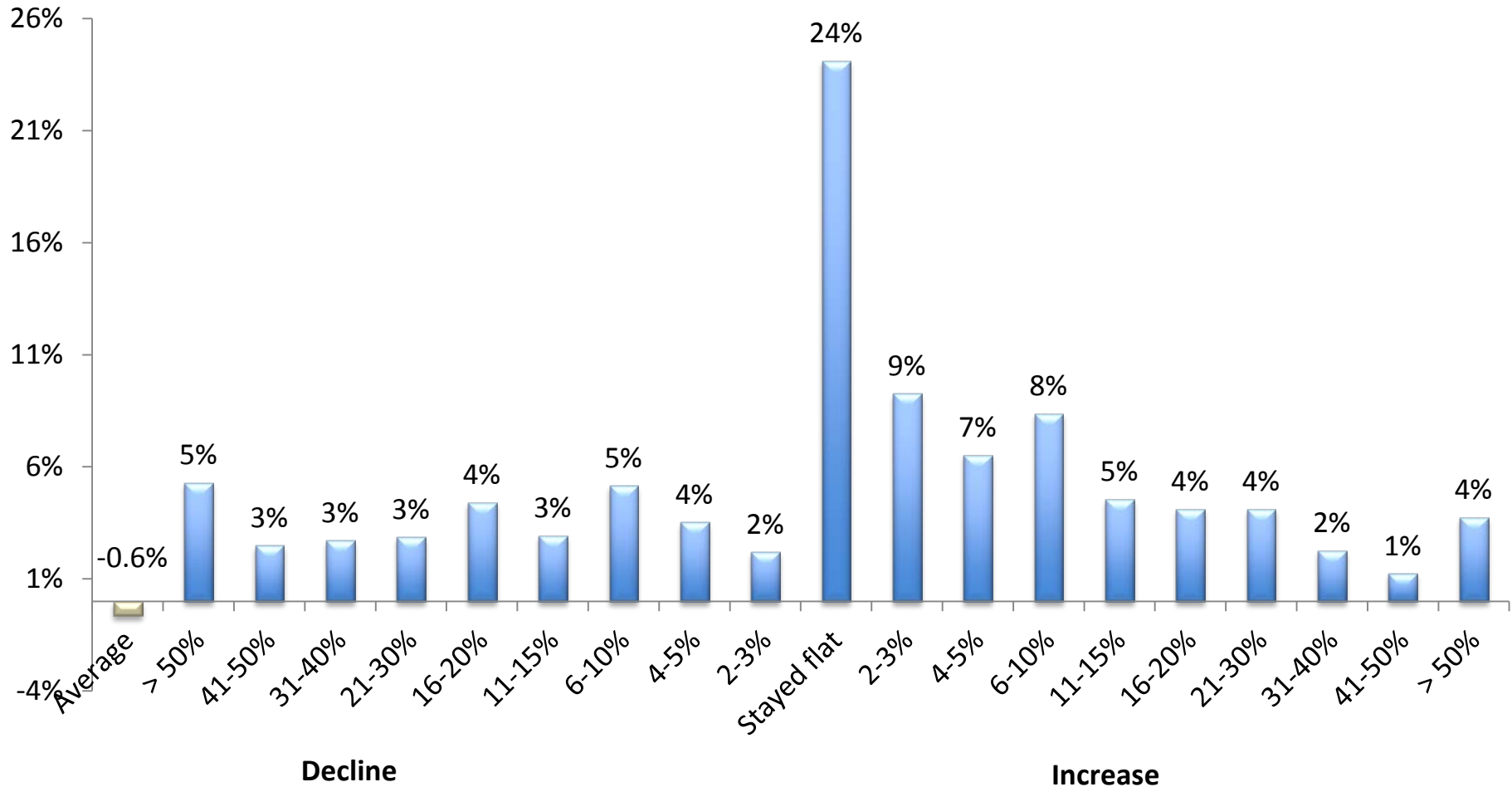
Impacts of Unsuccessful Financing Event in the Next Six Months for Those Planning to Raise Capital (Multiple selections)



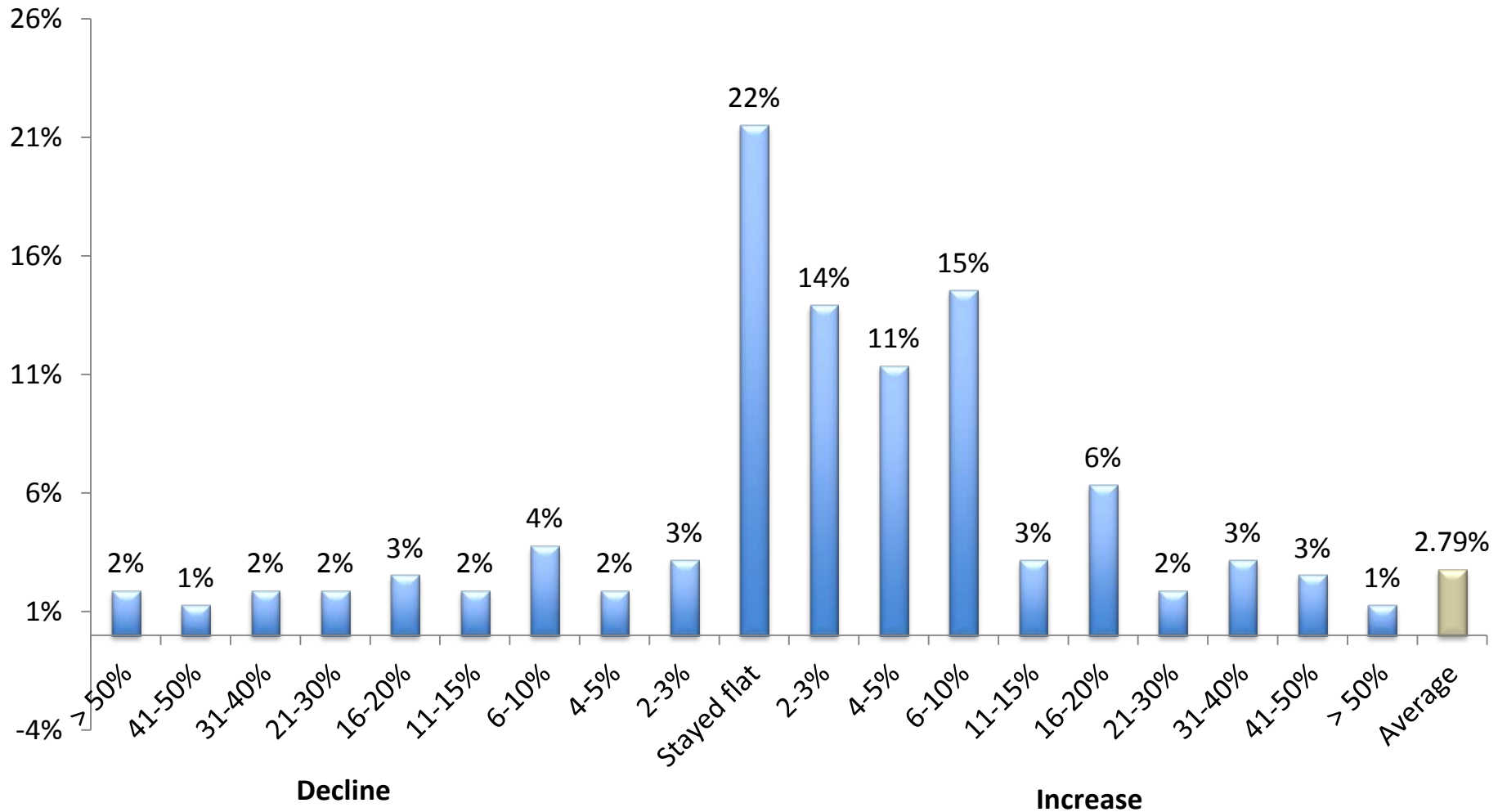
Annual Revenues Change for Last 12 Months: Whole Sample



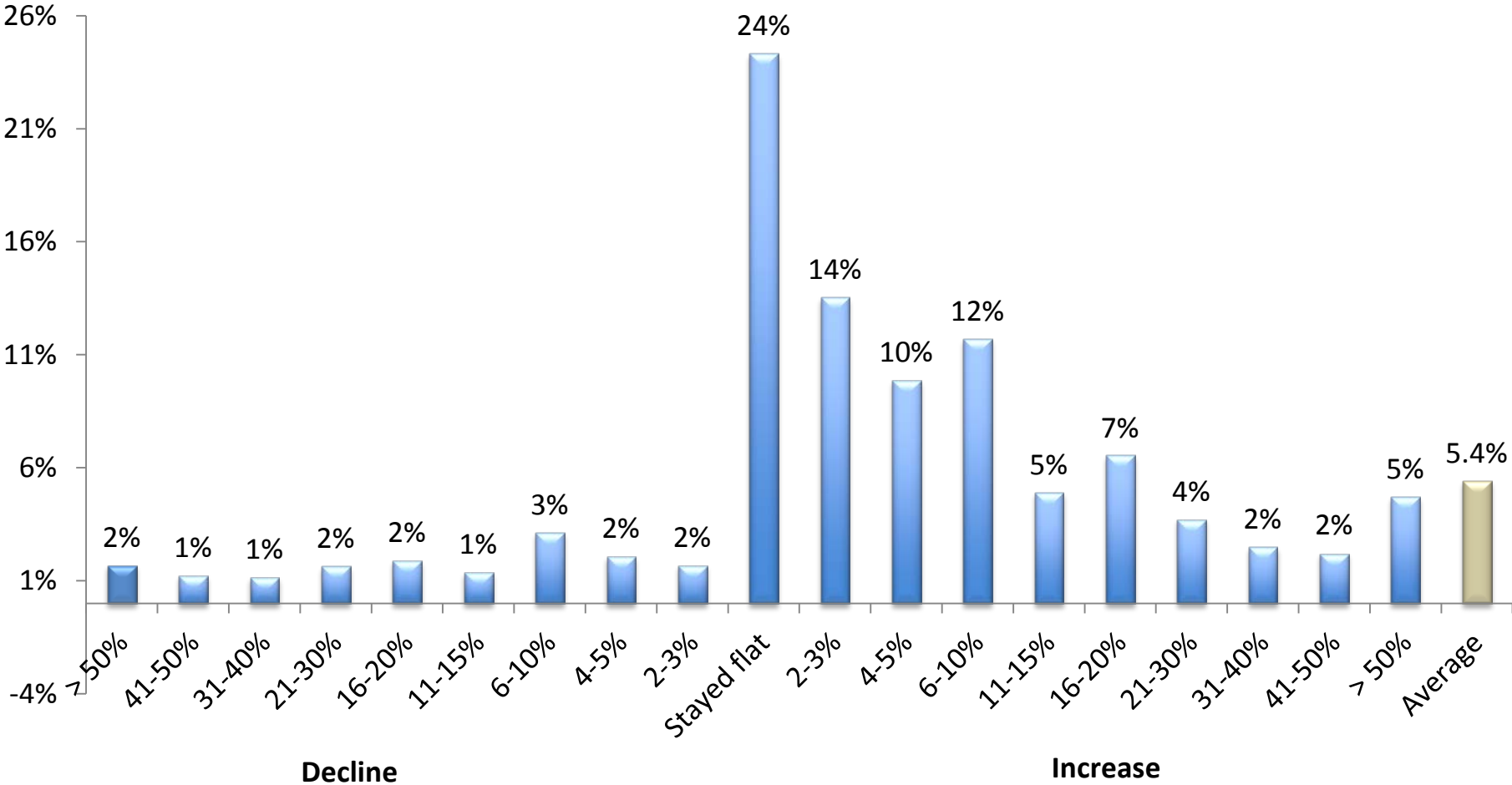
Annual Revenues Change for Last 12 Months : Revenues Under \$5M



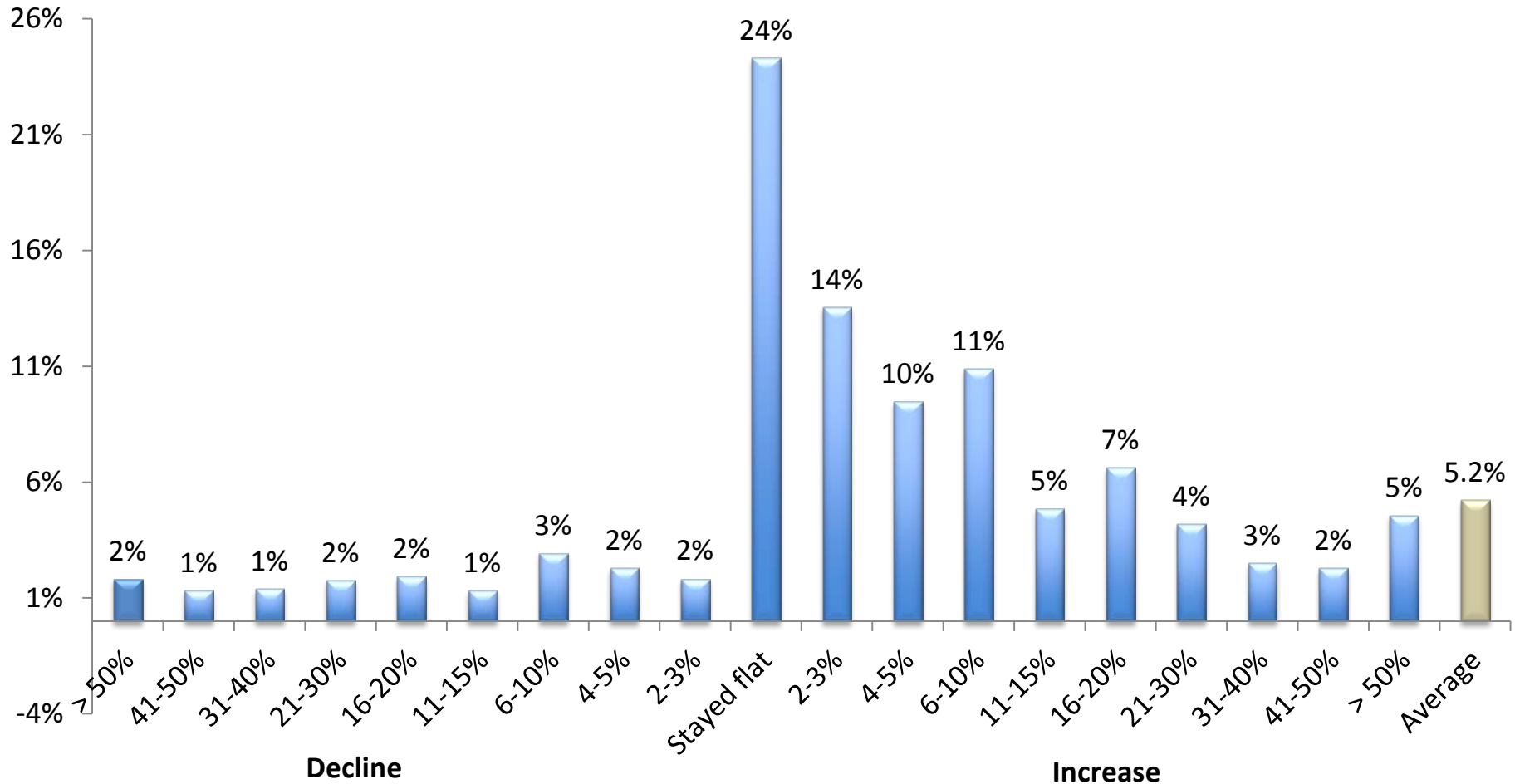
Annual Revenues Change for Last 12 Months : Revenues from \$5M to \$100M



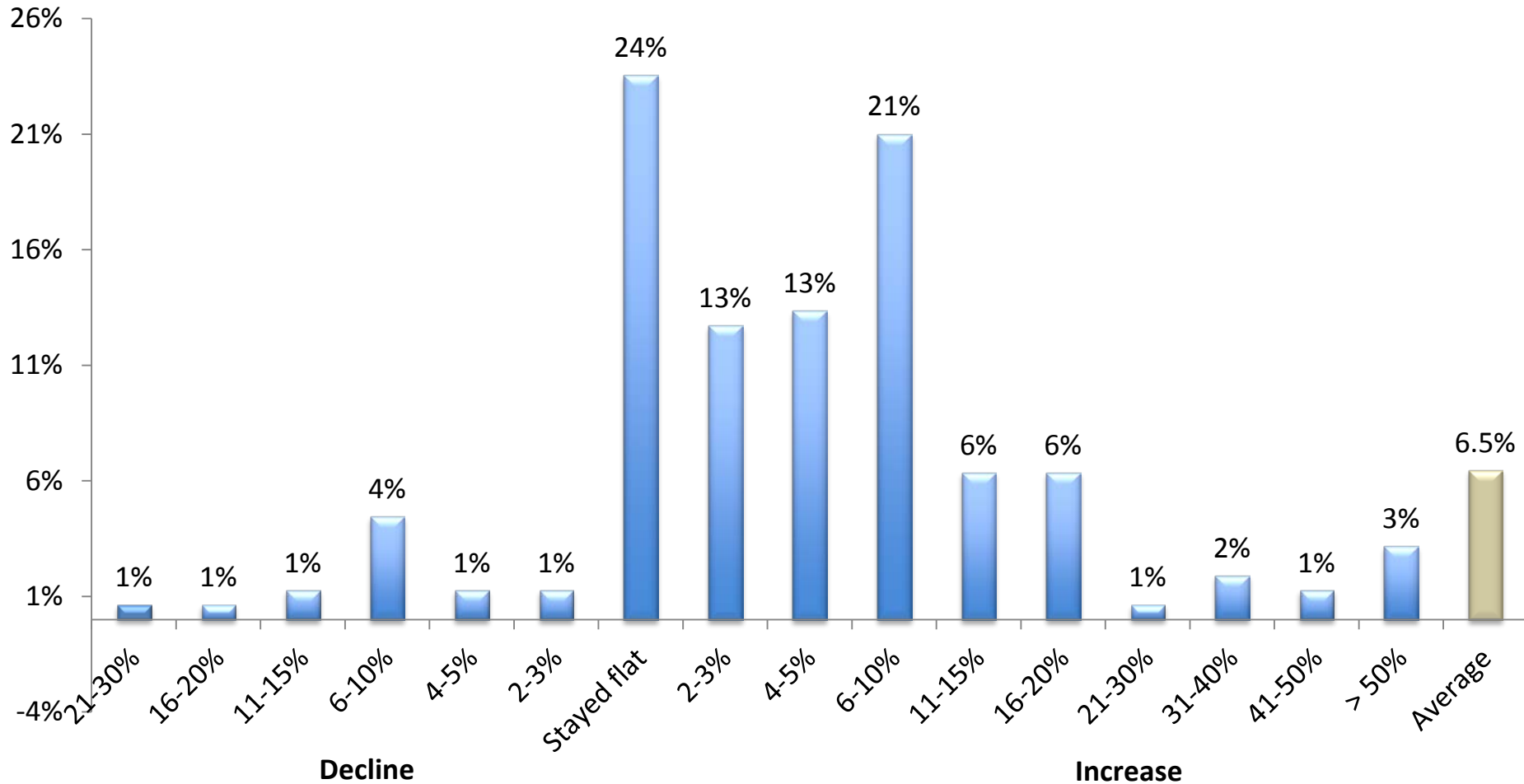
Annual Revenue Change Expectations (Next 12 Months): Whole Sample



Annual Revenue Change Expectations (Next 12 Months): Revenues Under \$5M



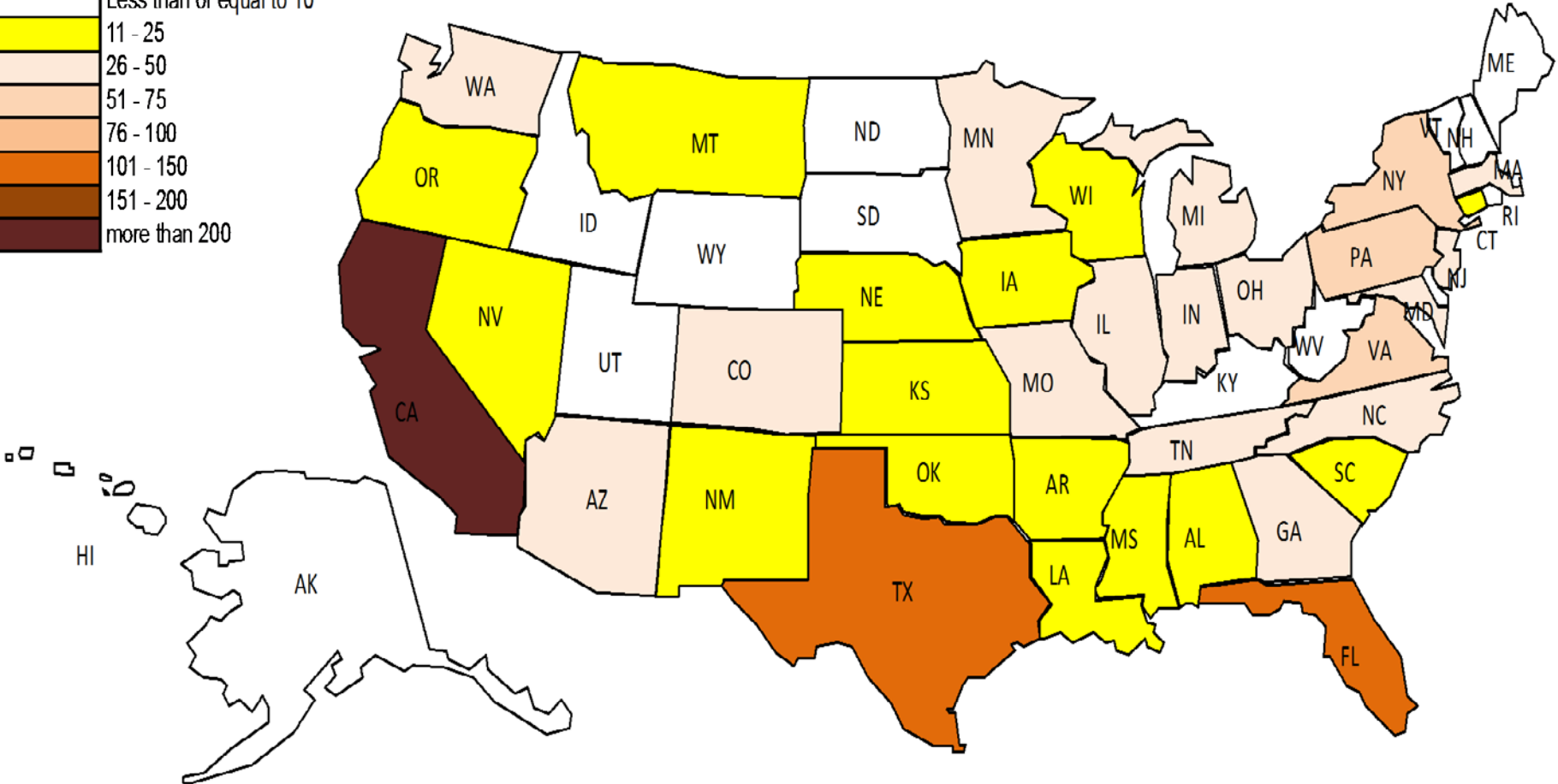
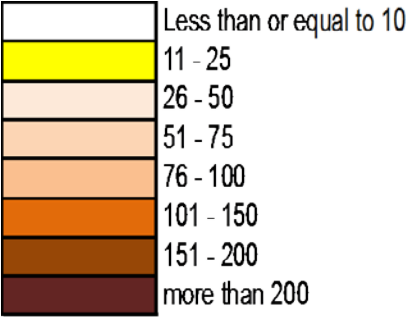
Annual Revenue Change Expectations (Next 12 Months): Revenues \$5M to \$100M



VIII. About the Respondents

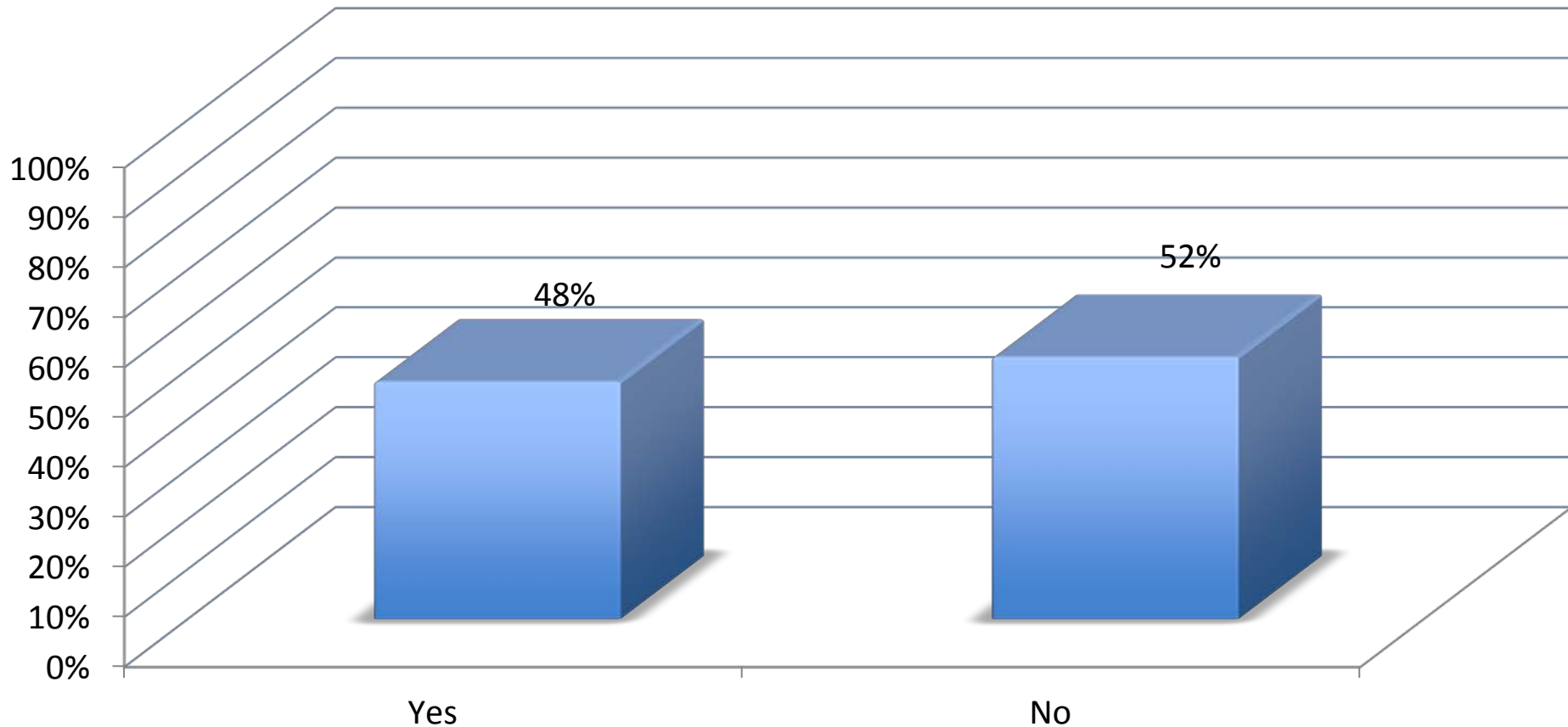
Details About the Respondents

Geographic Location



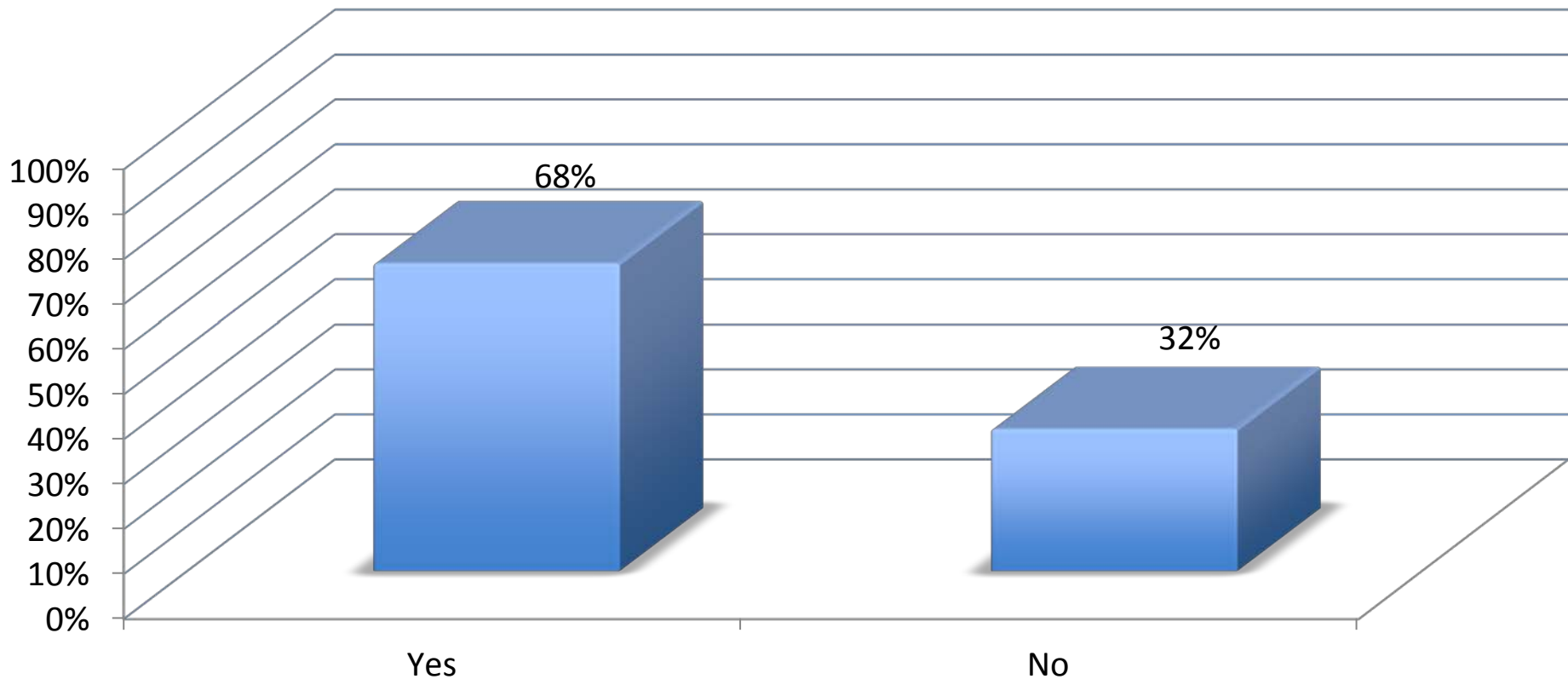
Details About the Respondents

Percentage of Respondents Who Feel Their State Supports Business Policies That Benefit Their Business



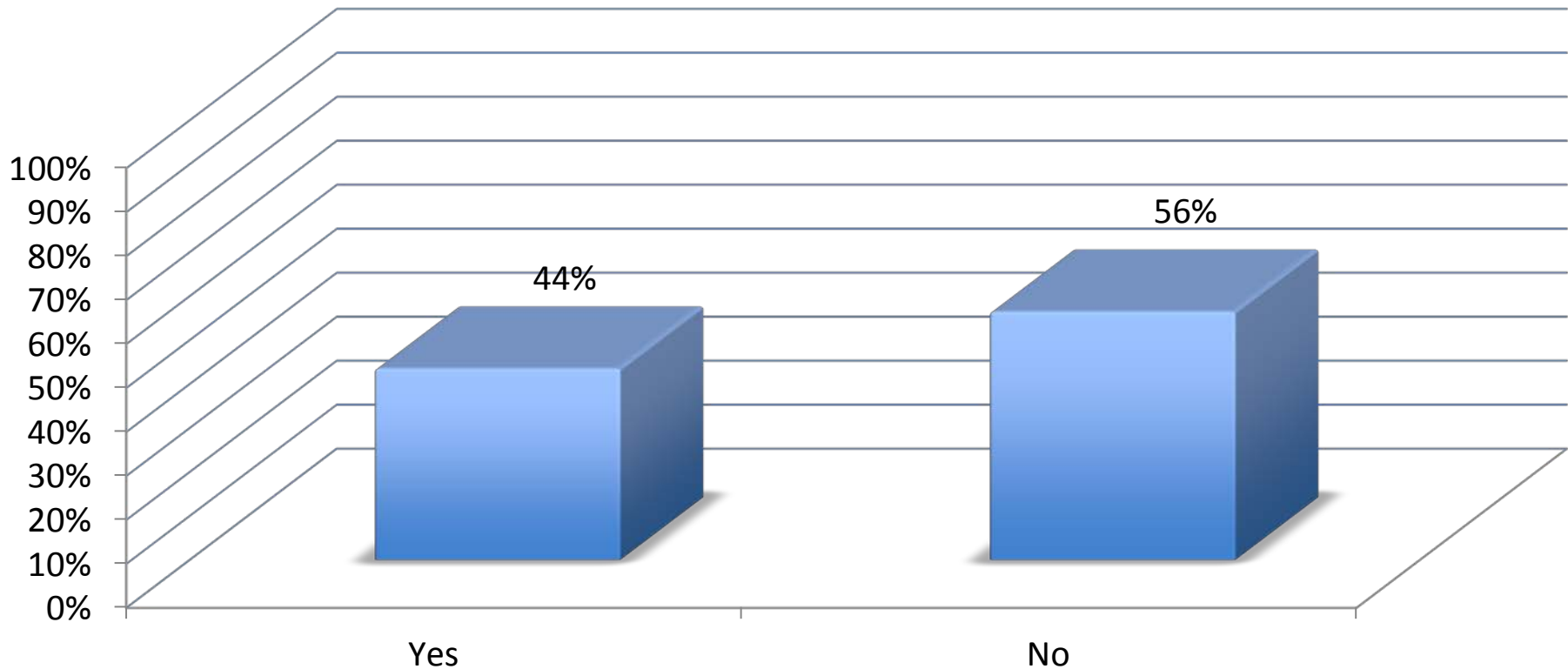
Details About the Respondents

Percentage of Respondents Who Feel Their State Should Be More Involved in Making Capital More Accessible to Businesses



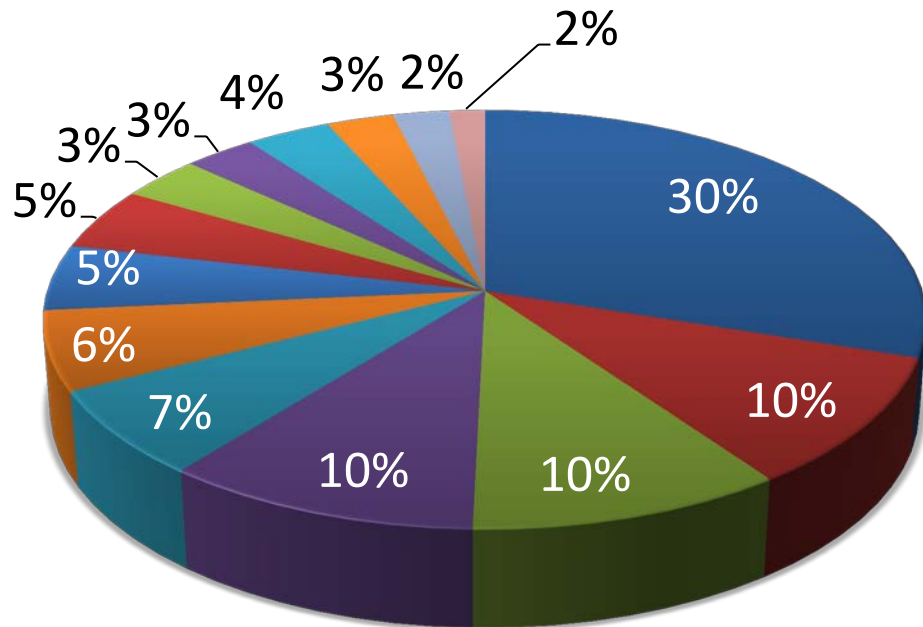
Details About the Respondents

Percentage of Respondents Who Feel That They Have Access to Information about Available Capital Programs That Their Business Could Be Participating in Their State Today



Details About the Respondents

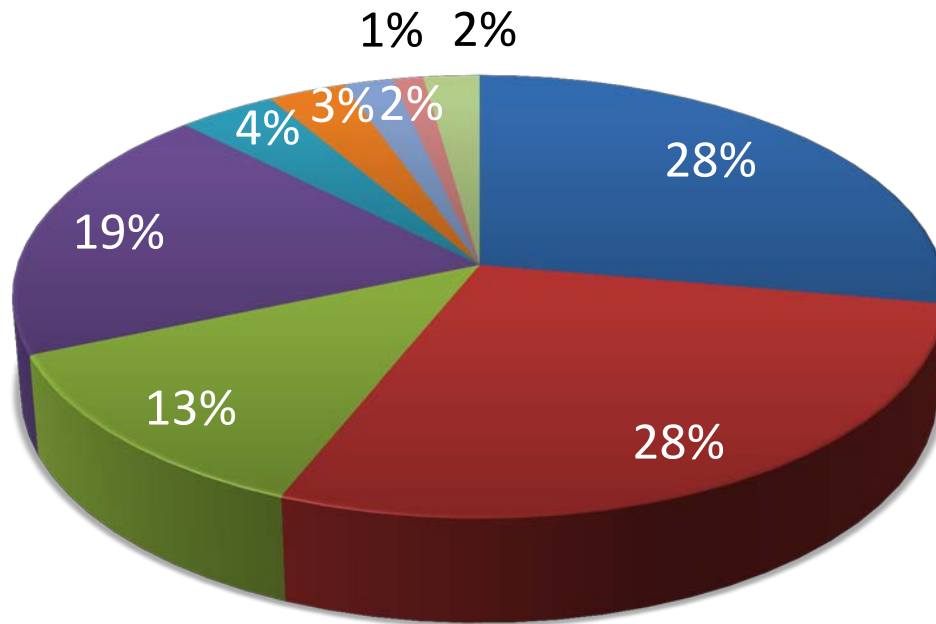
Industry



- Services
- Construction
- Retail trade
- Finance & real estate
- Manufacturing
- Information technology or services
- Health care
- Wholesale trade
- Unclassified establishments
- Educational services
- Arts, entertainment or recreation
- Transportation and warehousing
- Forestry, fishing, hunting or agriculture
- Utilities & mining

Details About the Respondents

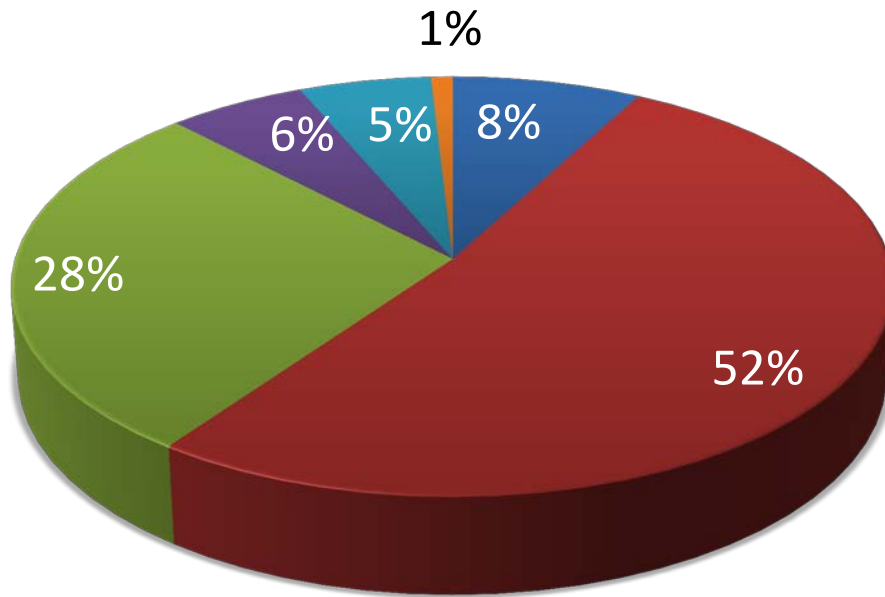
Annual Revenues



- \$1 - \$100,000
- \$100,001 - \$500,000
- \$500,001 - \$1,000,000
- \$1,000,001 - \$5,000,000
- \$5,000,001 - \$10,000,000
- \$10,000,001 - \$25,000,000
- \$25,000,001 - \$50,000,000
- \$50,000,001 - \$100,000,000
- \$100,000,001 - \$500,000,000

Details About the Respondents

Annual Income



■ Negative (net loss)

■ \$0 - \$100,000

■ \$100,001 - \$500,000

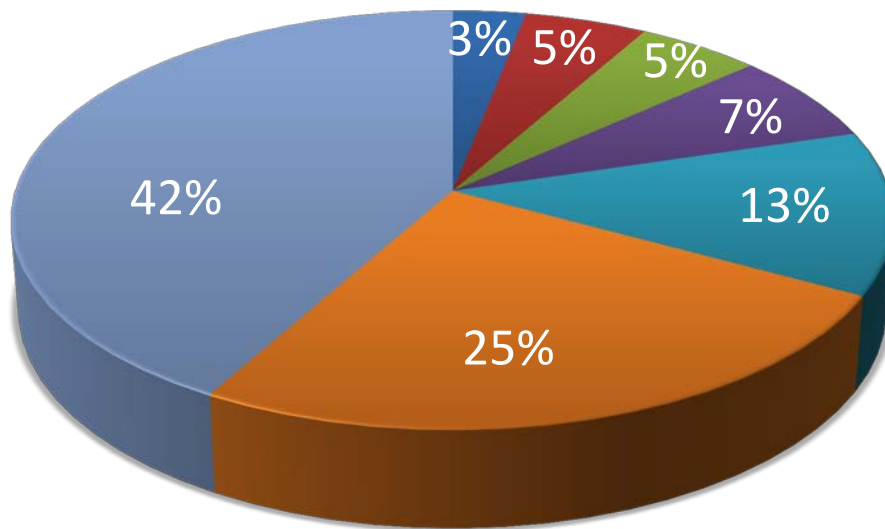
■ \$500,001 - \$1,000,000

■ \$1,000,001 - \$5,000,000

■ More than \$5,000,000

Details About the Respondents

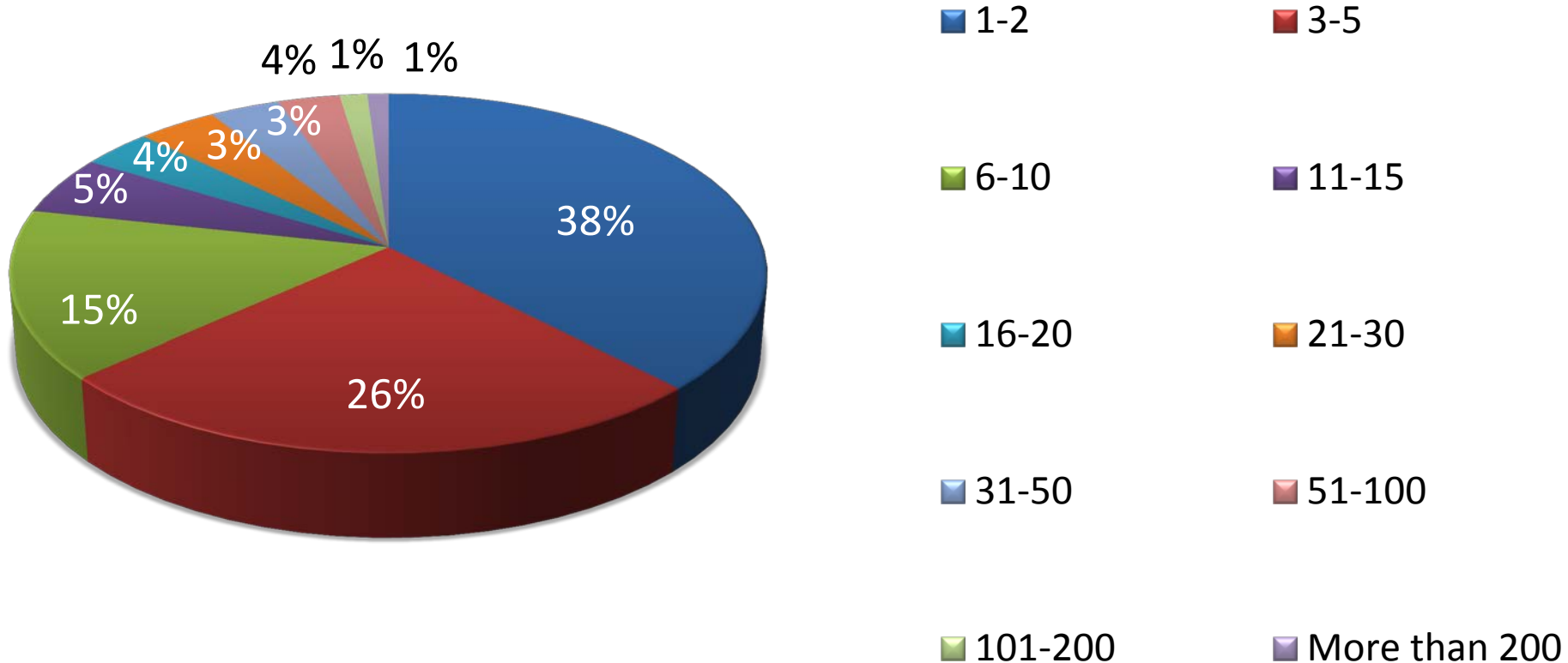
Firm age



- Less than 1 year
- At least 1 but less than 2
- At least 2 but less than 3
- At least 3 but less than 5
- At least 5 but less than 10
- At least 10 but less than 20
- 20 or more

Details About the Respondents

Number of Employees



About Pepperdine Private Capital Markets Project

The Pepperdine Private Capital Markets Project at the Graziadio School of Business and Management is the first simultaneous, comprehensive, and on-going investigation of the major private capital market segments. The research seeks to understand the true cost of private capital across market types and the investment expectations of privately-held business owners; providing lenders, investors and the businesses that depend on them with critical data to make optimal investment and financing decisions, and better determine where the opportunities to create lasting economic value may be realized. Download reports and find more information at <http://bschool.pepperdine.edu/privatecapital>.

About Pepperdine University's Graziadio School of Business and Management

Founded on the core values of integrity, stewardship, courage, and compassion, Pepperdine University's Graziadio (GRAT-ZEE-ah-DEE-oh) School of Business and Management has been developing values-centered leaders and advancing responsible business practice since 1969. Student-focused, experience-driven, and globally-oriented, the Graziadio School offers fully accredited top-ranked MBA, Masters of Science, and bachelor's completion business programs. More information found at <http://bschool.pepperdine.edu/newsroom/>.

THANK YOU!

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