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PRIVATE CAPITAL MARKETS PROJECT

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CALIFORNIA SUPPLEMENT
STATE OF SMALL BUSINESS REPORT
FALL 2011

BY DR. JOHN K. PAGLIA

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ACKNOWLEDGEMENTS

*This research was made possible by the generous funding
From the Denney Endowed Professorship.*

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FOREWORD

Small Business: Reviving California's Economic Engine

By JOHN PAGLIA

California has been arguably the state hardest hit by the recession. At the epicenter of the foreclosure crisis, business and bank closures and drastically high unemployment, California has certainly seen more prosperous times. Despite some signs of recovery, California's overall economy continues to remain stagnant with persistently high unemployment, currently at 11.9%

In June 2011, CNBC's *America's Top States For Business Survey* ranked California a disheartening 32nd among the nation's 50 states. Of the 42 scoring categories that made up the ranking, California ranked a dismal 50th in business friendliness and 47th in cost of doing business. Low rankings in these categories show there are significant obstacles standing in the way of achieving business success in California.

All this begs the question, "Are the Golden State's golden days in the past?" I firmly believe the answer to that question is a resounding no.

Despite difficult times, California's small business owners remain resilient. While Tech giants of Silicon Valley and entertainment powerhouses in Los Angeles enjoy much of the spotlight, small businesses quietly propel forward the world's 8th largest economy. In fact, California's small businesses represent 99.2% of the state's employers and account for 51.6% of the private sector jobs. In terms of Gross State Product, small businesses account for 75% of all value added by industries within the state. The statistics are clear, small businesses fuel California's economy.

In order for California's economy to grow, we need to help small business grow.

Through the Pepperdine Private Capital Markets Project State of California Small Business Report we have been able to zero in on the issues that drive small businesses in California. This deep understanding of small businesses can help drive effective, informed policy making.

Of the 10,637 privately-held businesses surveyed in Fall 2011, in cooperation with Dun & Bradstreet Credibility Corp., 1,958 were in California. Key findings include:

1. **Businesses want to execute growth strategies but lack resources:** Nearly 90% of California business owners have enthusiasm to execute growth strategies but only 44% of respondents report having the resources to do so. Due to lack of resources, 49% of respondents in California say that they are working to increase revenues from current products or services. Only 22% of respondents are focused on expanding product offerings or service lines.
2. **California businesses are looking to attain outside funding but success is scarce:** The Fall 2011 survey shows that 36% of private businesses attempted to raise capital in the past 12 months. Roughly half (49%) indicate that they looked to bank loans or credit cards as a source of financing while 18% looked to friends and family. Among the 523 respondents that attempted to secure bank loans over the past 12 months only 41% were successful.
3. **Many businesses focused on improving financial health:** One third (35%) of respondents that were unsuccessful in seeking financing will look to improve their financial health before beginning to look for more financing. One out of five (20%) respondents said that will continue to look for alternate financing.
4. **Will the American Jobs Act Change Hiring Plans:** 45% of California businesses surveyed are planning on hiring additional workers. When asked if the American Jobs Act will change their hiring practices, 58% of respondents said no. 36% of respondents said that policies to increase access to capital are most likely to spur job creation, followed by tax incentives and regulatory reform.
5. **Northern California faring better than Southern California:** Average change to organic revenues of all business surveyed in Southern California was negative 2%. Meanwhile, average change to organic revenues among respondents in Northern California was positive 1%.

Improving access to capital, identifying beneficial tax incentives and achieving regulatory reform are the top ways to help our small businesses grow and put people back to work. Policy development to help business is not limited to our leaders in Washington, DC. National, State and Local elected officials must come together to embark on a comprehensive, coordinated plan to get Americans back to work. The Pepperdine Private Capital Markets Project State of California Small Business Report offers data that economists, economic development leaders and policy makers can use to aid in making decisions. We hope that this project will underscore the importance of privately-held businesses in California's economy and will help guide future economic policy.

STATE OF SMALL BUSINESS IN CALIFORNIA

Of the 1,958 privately-held businesses in California that responded to the survey, 25% are involved in business services, 23% customer goods and services, and 22% in manufacturing, construction and engineering. Approximately 63% of businesses have annual revenues less than \$1 million. The average change to organic revenues over the last 12 months in California was negative 1%, in Southern California it was negative 2%, whereas in Northern California it was positive 1%. The average change to organic revenues over the last 12 months in Los Angeles County was negative 3%, whereas in Orange and Ventura Counties it was positive 1%.

Approximately 49% of respondents in California indicated increasing revenues from current products or services as the area their businesses are most focused on today, followed by expanding product / service lines (22%). Nearly 90% of business owners report having the enthusiasm to execute growth strategies, yet just 45% report having the necessary financial resources to successfully execute growth strategies. Other findings include:

Approximately 37% of respondents in California tried to raise outside funding in the last 12 months. Of the respondents who were seeking financing in the last 12 months, approximately 52% anticipated to raise less than \$100,000 in capital. Approximately 59% of respondents reported that they were seeking bank loan funding, followed by friends and family (37%) and credit card financing (36%). Of all financing options, bank loans emerged as the financing source with highest “willingness” for small businesses to use (51%). However, results also showed that of 382 small businesses that sought bank loans over the past 12 months, just 41% were successful. Survey results indicated that business owners who raised capital on average contacted two banks and invested close to seven full days for the process to successfully obtain financing.

Among those respondents who were not able to obtain external financing in the last 12 months 34% are planning to improve the financial health of their businesses before attempting to raise capital in the future, followed by 21% who will look for alternative sources of financing.

Nearly half of small businesses (45%) are planning to hire additional workers. Approximately 57% of respondents in California indicated the American Jobs Act will not change their hiring plans for the next 12 months. According to small businesses in California, of those policies most likely to lead to job creation in 2012, “increased access to capital” emerged as number one (38%) followed by tax incentives (22%), and regulatory reform (17%). The study showed that of those that do plan to hire, sales and marketing skills are in greatest demand followed by skilled labor and service/customer service. Also, 78% of companies planning to hire indicate they’d need to train those they hire.

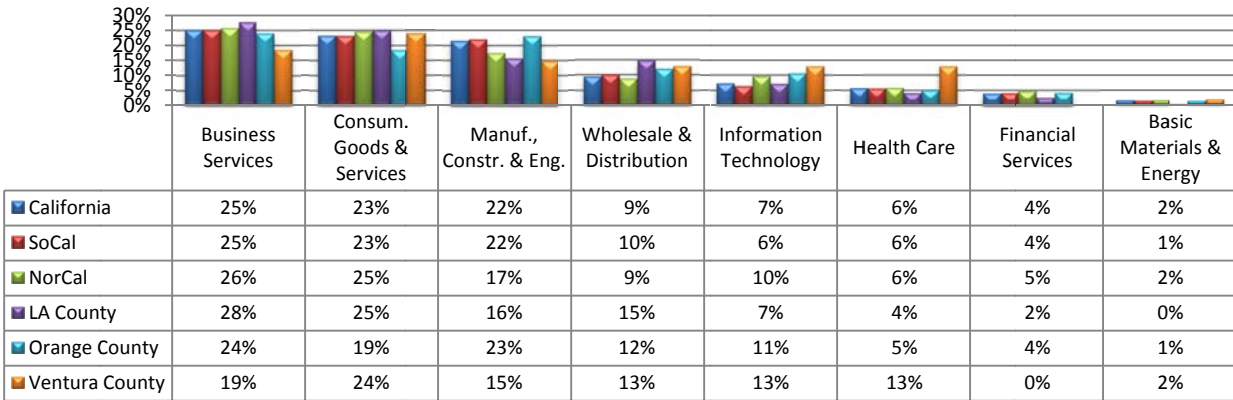
Approximately 25% of respondents in California are planning to transfer their ownership interest in the range of five to 10 years from now while only 3% plan to transfer their ownership at the first available opportunity.

Most respondents in California indicated slightly increased unit sales, decreased access to capital and worsened general business conditions. The majority of respondents from California believe almost all general business characteristics will increase slightly in the next 12 months.

Profile of Respondents

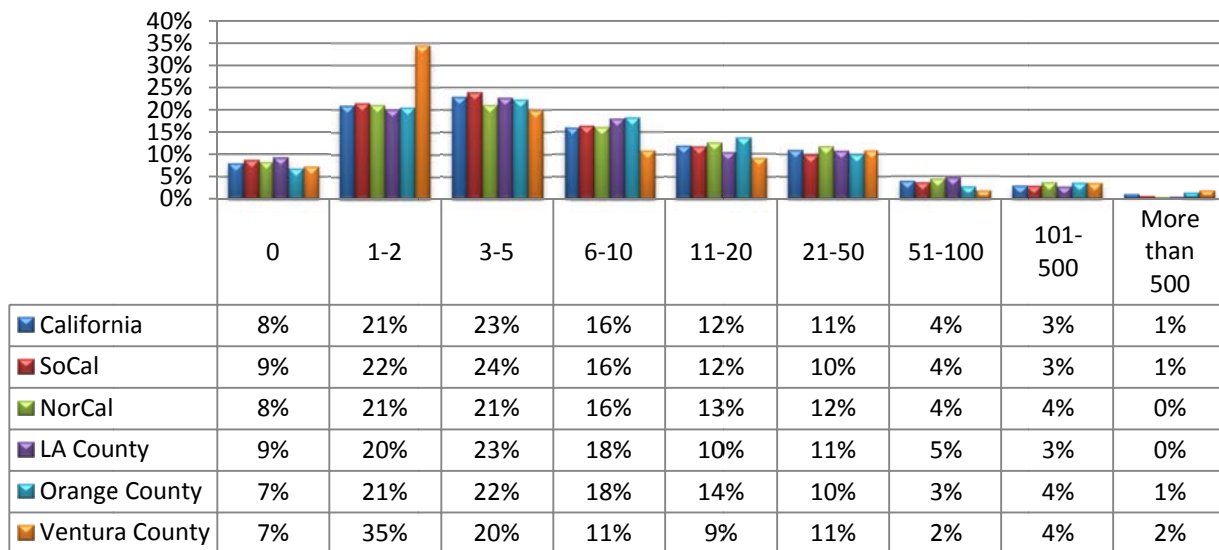
Southern California (N=1,040) has a higher percentage of manufacturing, construction and engineering businesses (22%) than Northern California (17%), whereas Northern California (N=556) has a higher percentage of information technology businesses (9%) than Southern California (6%). Los Angeles County (N=461) has a higher percentage of business services, consumer goods and services, and wholesale and distribution than Orange County (N=218); whereas Orange County has a higher percentage of manufacturing, construction, and engineering, and information technology businesses. Ventura County's (N=55) participants have relatively high business concentrations in health care and information technology.

Figure 1. Description of Entity



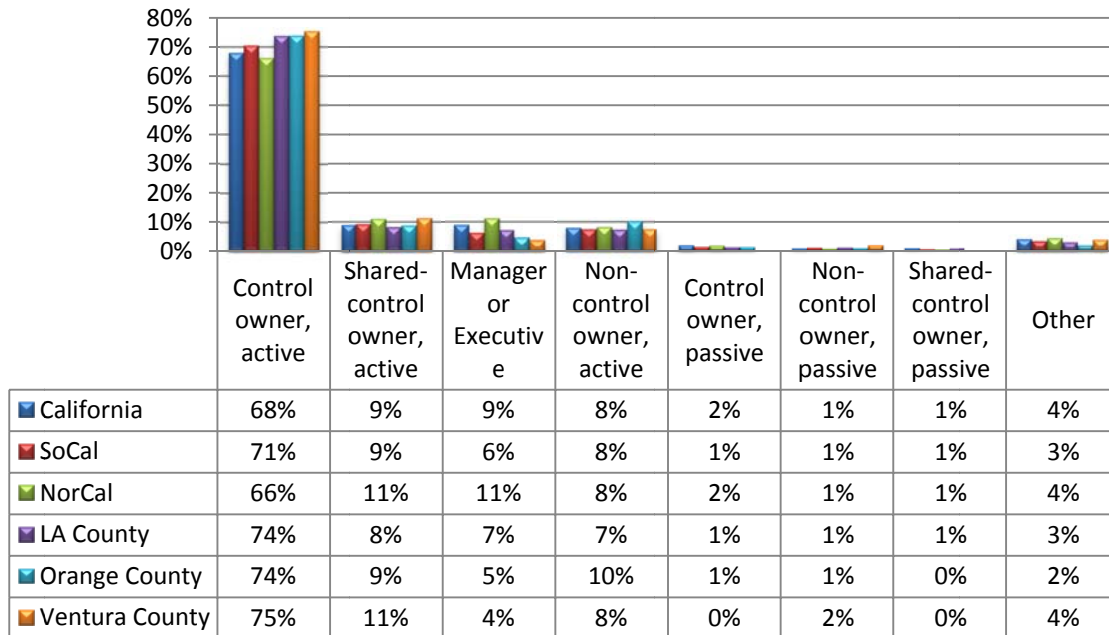
Approximately 52% of Californian respondents have less than or equal to five employees.

Figure 2. Number of Employees



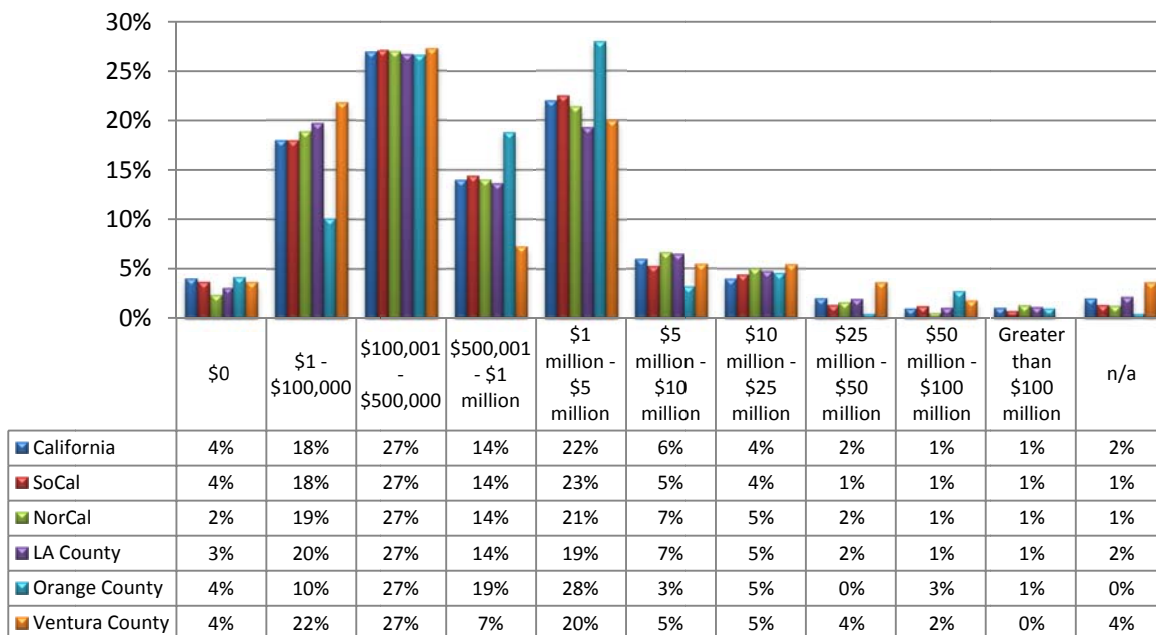
Approximately 68% of the respondents in California are active control owners of their businesses.

Figure 3. Ownership Role



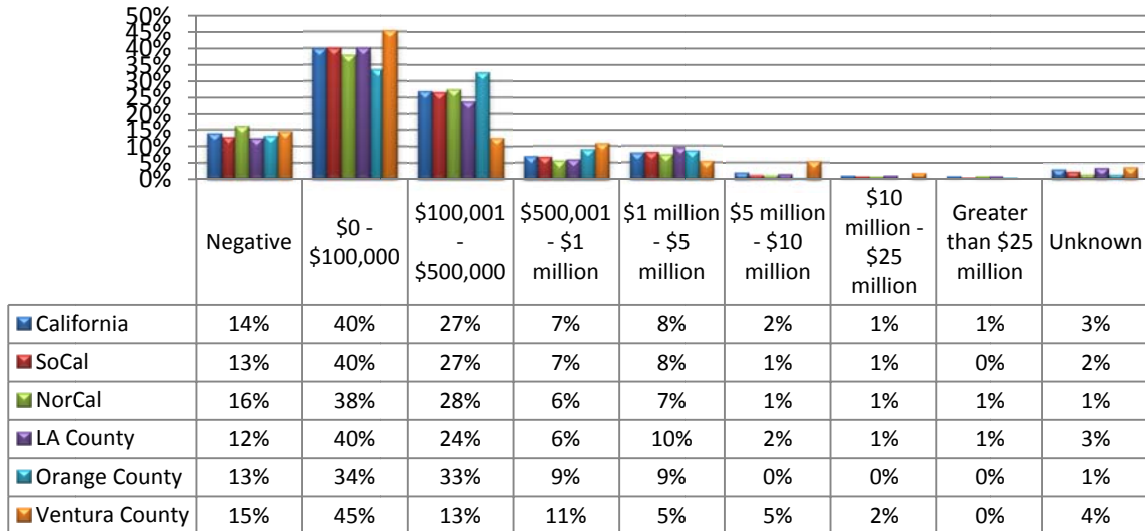
Approximately 63% of respondents have less than or equal to \$1M in annual revenues, followed by 22% reporting between \$1M and \$5M.

Figure 4. Annual Revenues



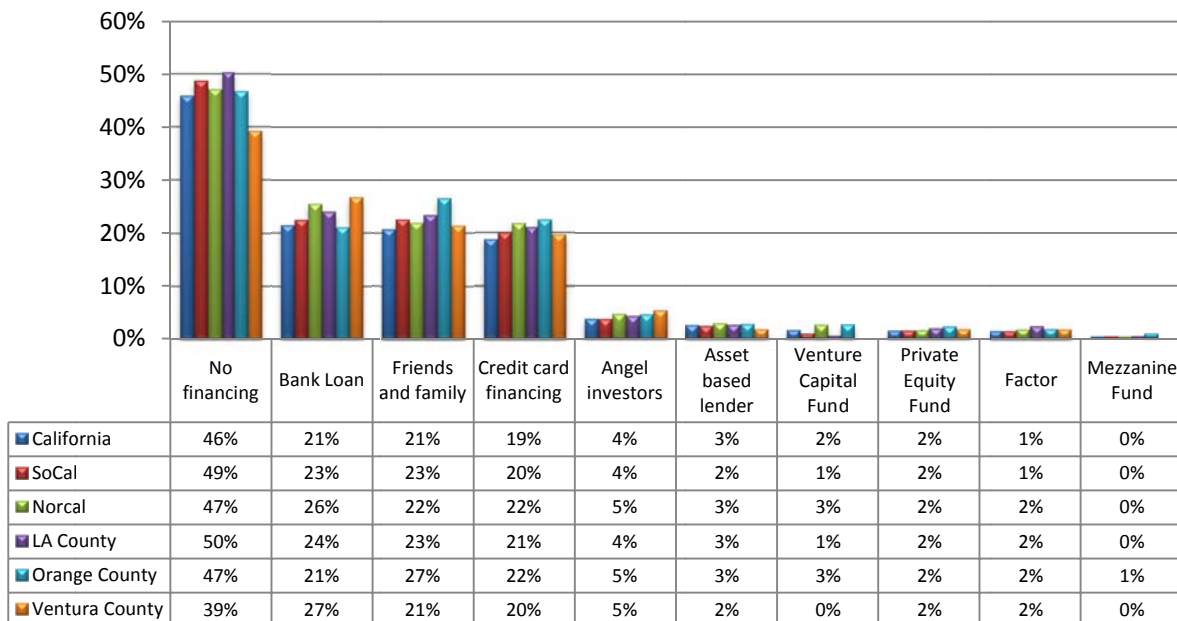
Approximately 88% of businesses have net income less than or equal to \$1 million, 14% of those have negative net income.

Figure 5. Net Income



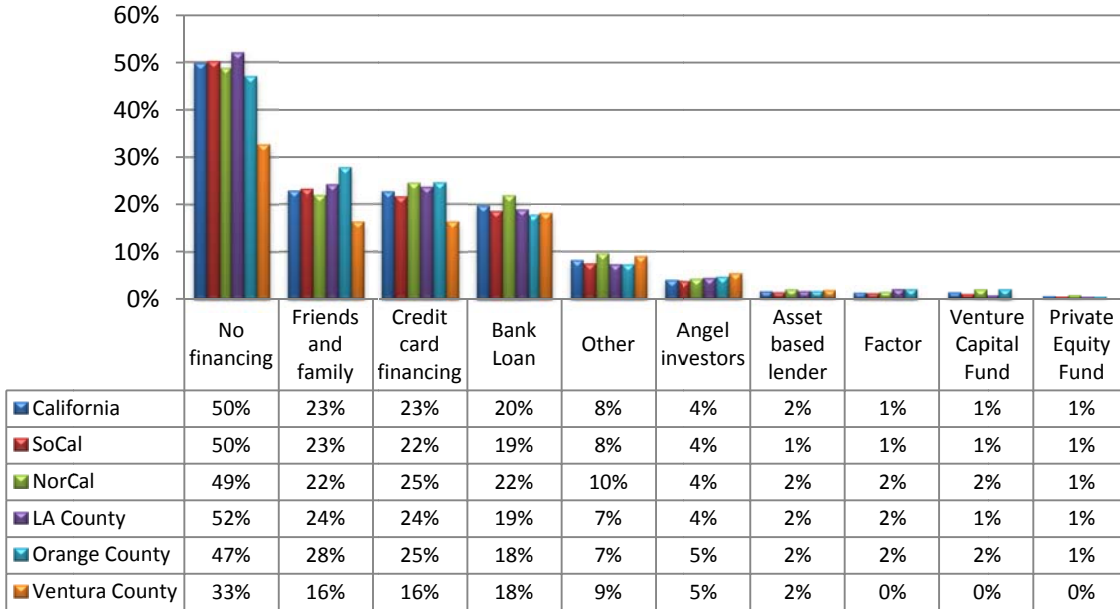
Approximately 46% of respondents from California are currently not financed by any external capital sources. Nearly 21% of respondents' businesses are financed by friends and family, the same percentage is financed by bank loans.

Figure 6. Current Sources of Financing



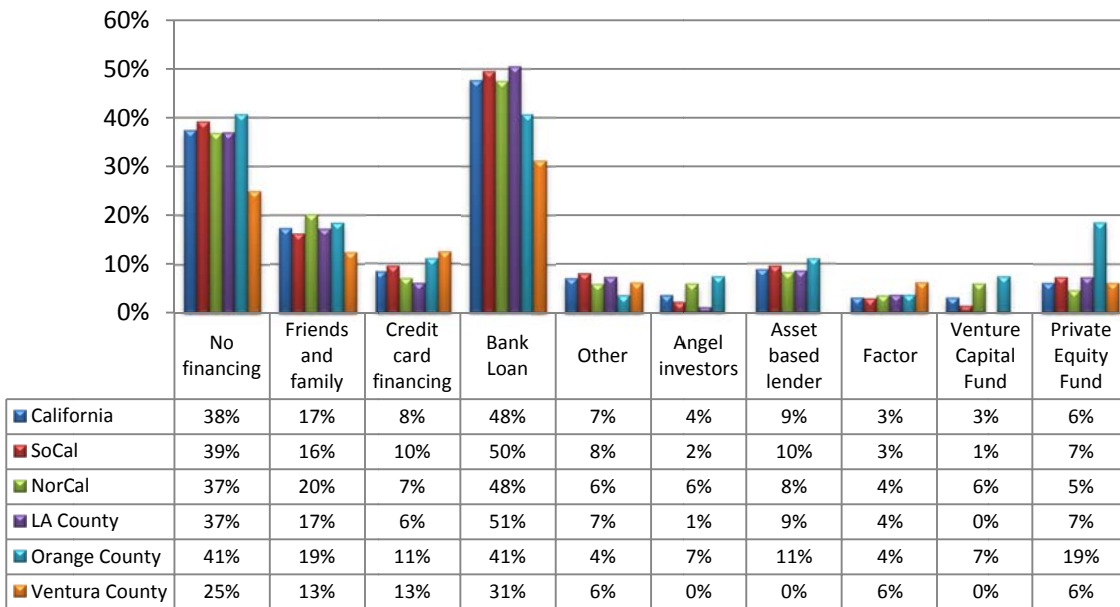
Approximately 50% of privately-held businesses in California with annual revenue size less than or equal to \$5 million don't have any outside financing, followed by 23% that are financed by family or friends and another 23% that are financed by credit card line.

Figure 7. Current Sources of Financing, Revenue Size Less Than \$5 million



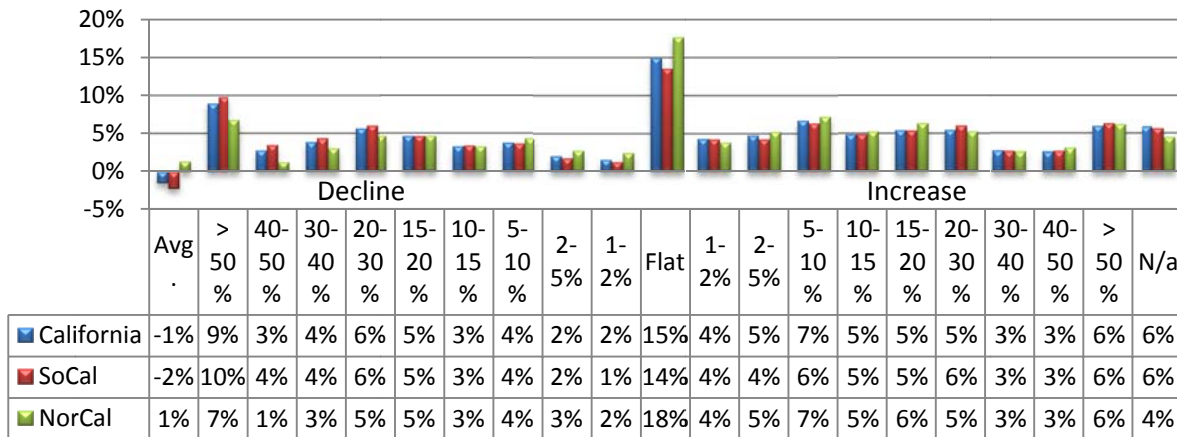
Approximately 48% of privately-held businesses in California with annual revenue size greater than \$5 million are financed by bank loans, followed by 38% that don't have any outside financing.

Figure 8. Current Sources of Financing, Revenue Size Greater Than \$5 million



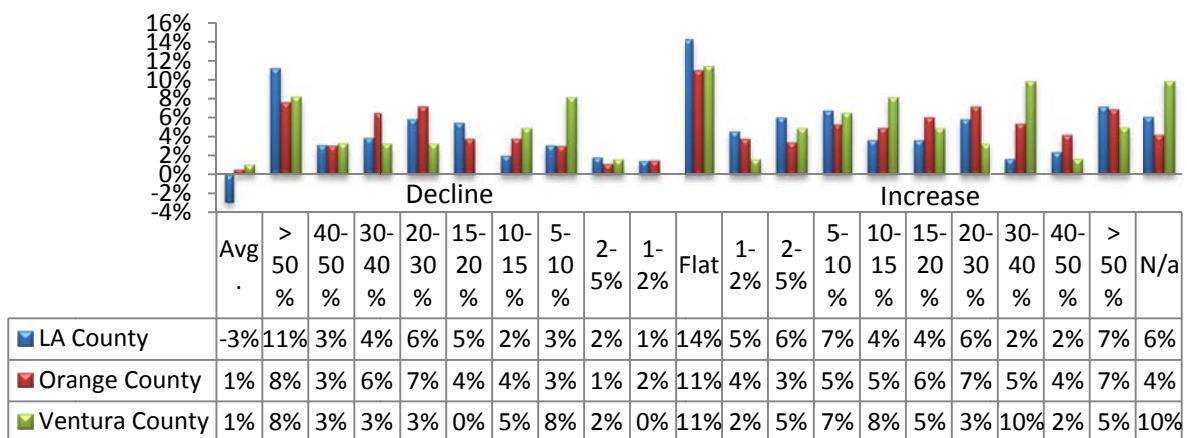
The average change to organic revenues over the last 12 months in California was negative 1%, in Southern California it was negative 2%, whereas in Northern California it was positive 1%.

Figure 9. Change to Organic Revenues over the Last 12 Months, California



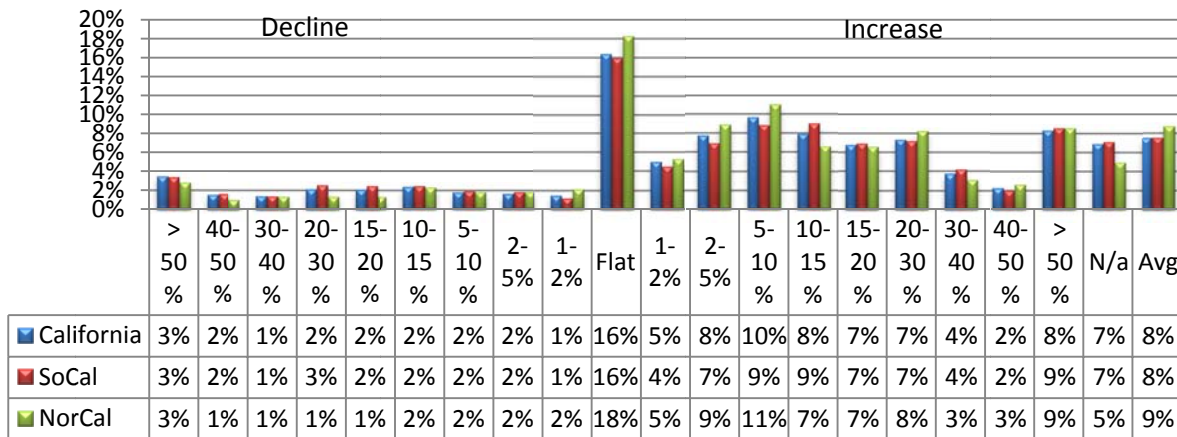
The average change to organic revenues over the last 12 months in Los Angeles County was negative 3%, whereas in Orange and Ventura Counties it was positive 1%.

Figure 10. Change to Organic Revenues over the Last 12 Months, LA County, Orange County, and Ventura County



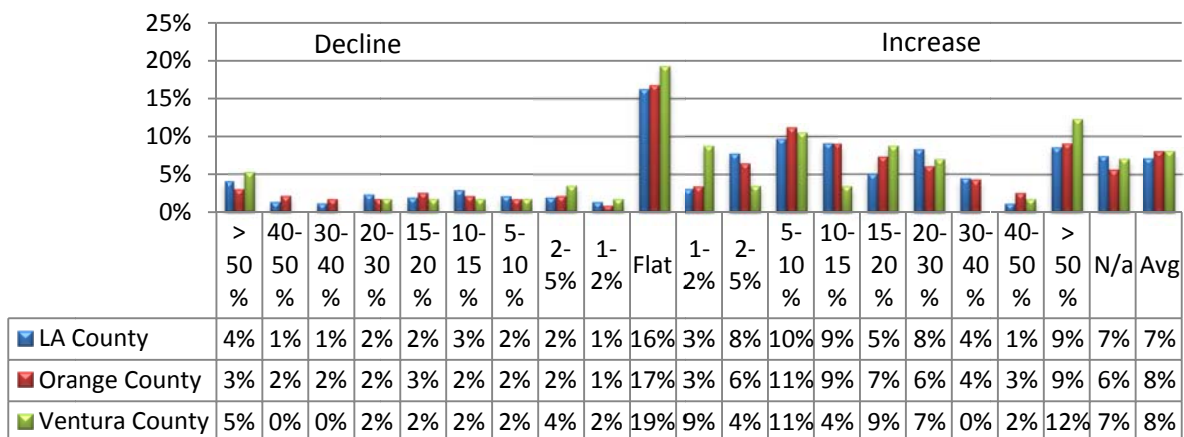
The average expected change to organic revenues in California in the next 12 months is 8%, in Southern California it is 8%, whereas in Northern California it is 9%.

Figure 11. Expected Change to Organic Revenues in the Next 12 Months, SoCal vs NorCal



The average expected change to organic revenues in Los Angeles in the next 12 months is 7%, whereas in Orange County and Ventura County it is 8%.

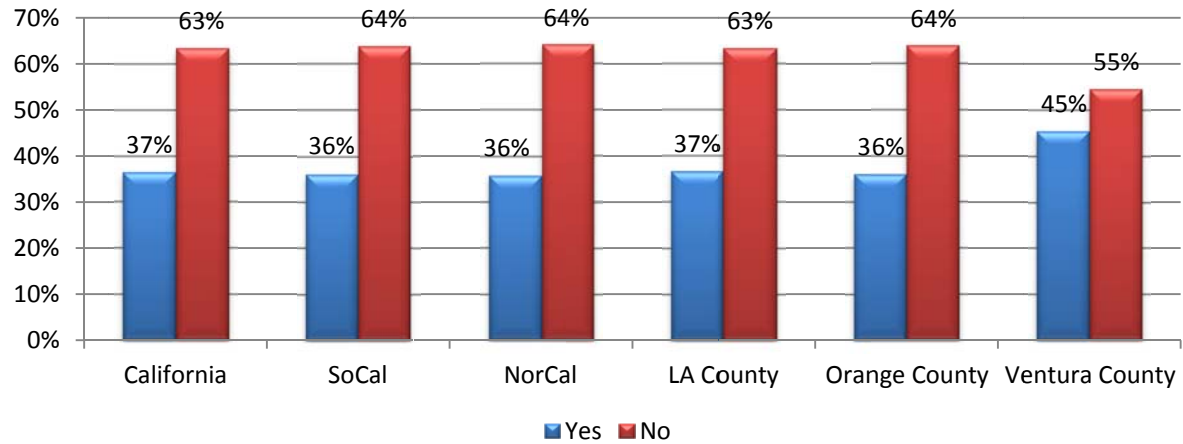
Figure 12. Expected Change to Organic Revenues in the Next 12 Months, LA County, Orange County and Ventura County



Survey Findings

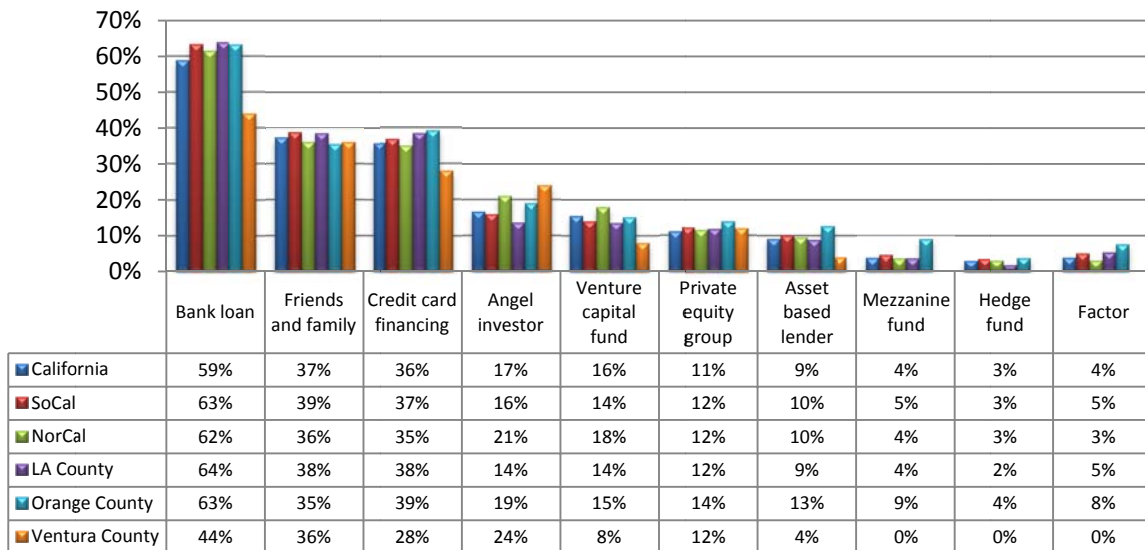
Approximately 37% of respondents in California attempted to raise capital in the last year.

Figure 13. Attempt to Raise Capital over the Last 12 months



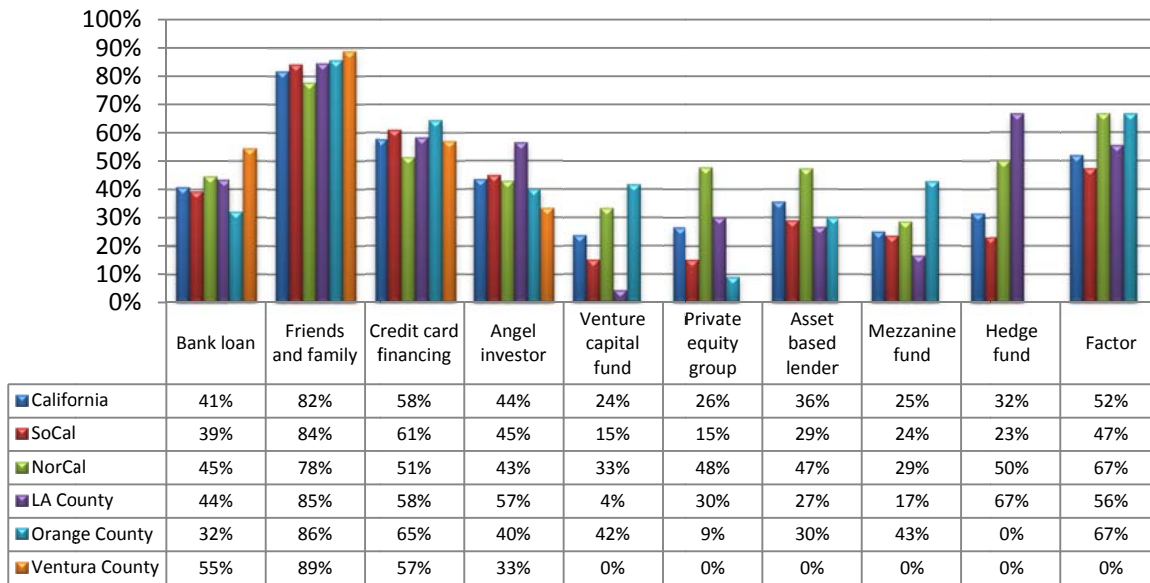
Among the businesses in California that tried to raise capital in the last 12 months 59% applied for bank loans and 37% asked family and friends.

Figure 14. Capital Sources Contacted in the Last 12 Months



According to Californian respondents family and friends financing has the highest success rate (82%), bank loan financing has success rate of 41%.

Figure 15. Capital Sources Success Rates



Among respondents in Southern California who successfully obtained bank loans, the average number of banks contacted was 1.8, whereas for those who were not able to obtain bank loans, the average number of banks contacted was 3.7.

Figure 16. Average Number of Capital Providers Contacted, Respondents Who Successfully Raised Capital

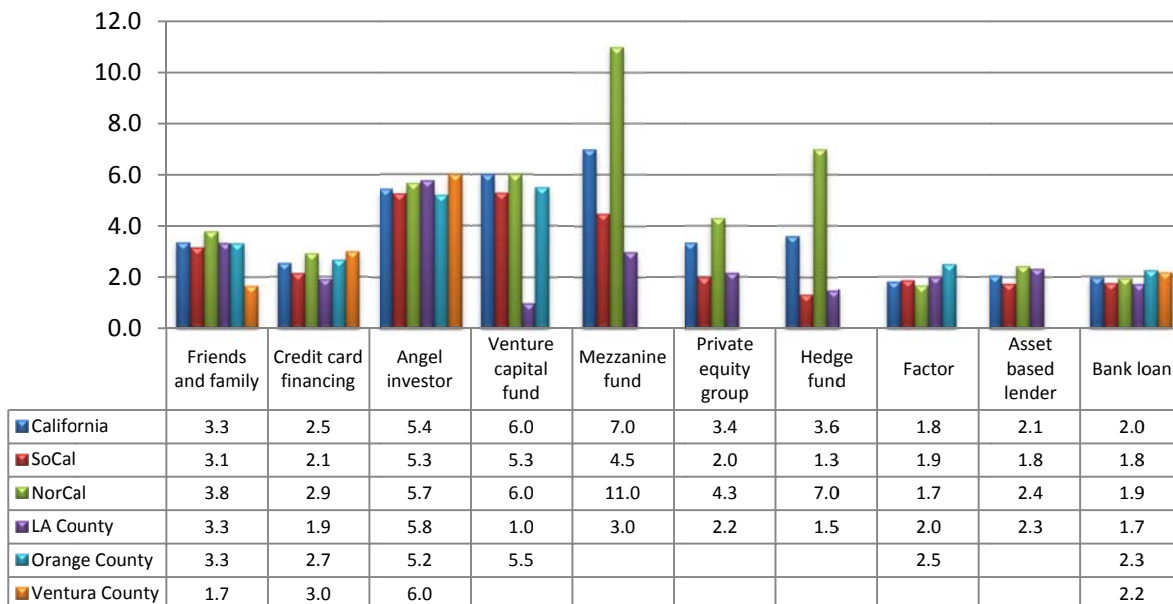


Figure 17. Average Number of Capital Providers Contacted, Respondents Who Didn't Successfully Raise Capital

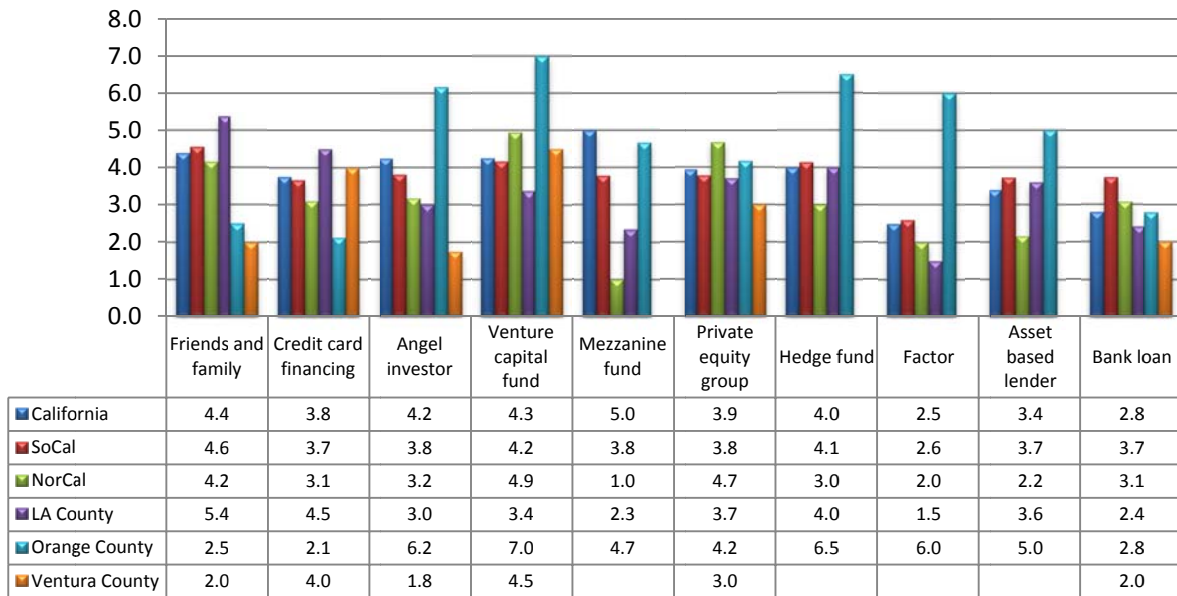


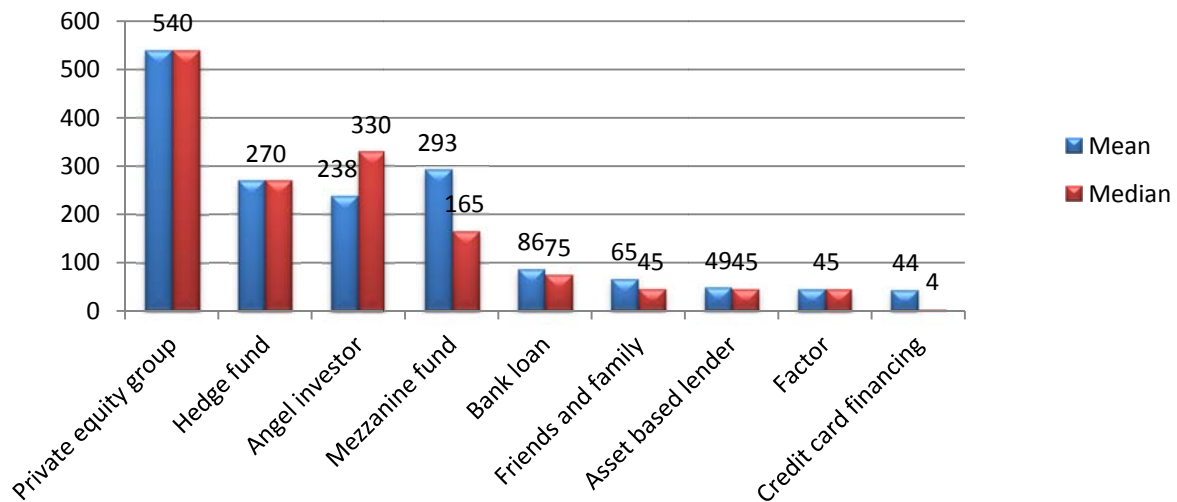
Table 1. Average Amount Attempted to Raise in the Last 12 Months

	California	SoCal	NorCal	LA County	Orange County	Ventura County
	\$ in thousands					
Friends and family	183	171	207	188	206	50
Credit card financing	65	69	55	68	98	50
Angel investor	560	579	525	402	1,333	300
Venture capital fund	2,924	1,213	1,380	865	2,357	525
Mezzanine fund	3,808	1,417	3,000	1,313	37,500	0
Private equity group	3,935	1,758	2,300	3,214	2,500	750
Hedge fund	4,700	1,375	30,833	300	12,500	0
Factor	324	222	1,500	300	250	0
Asset-based lender	554	541	586	563	938	300
Bank loan	375	399	325	448	458	50

Table 2. Median Amount Attempted to Raise in the Last 12 Months

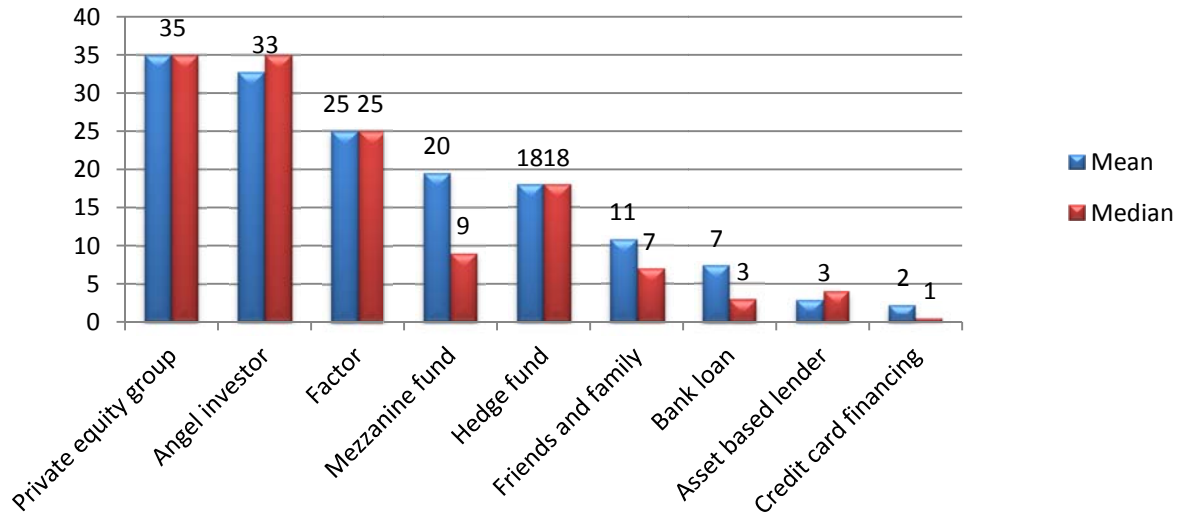
	California	SoCal	NorCal	LA County	Orange County	Ventura County
	\$ in thousands					
Friends and family	50	50	50	50	50	50
Credit card financing	50	50	50	50	50	50
Angel investor	300	300	300	300	1,500	300
Venture capital fund	1,500	1,125	1,500	300	3,500	525
Mezzanine fund	1,500	1,500	2,500	1,500	37,500	0
Private equity group	1,500	1,500	3,500	3,500	2,500	750
Hedge fund	1,500	1,500	17,500	175	12,500	0
Factor	300	50	750	50	300	0
Asset-based lender	300	300	300	300	300	300
Bank loan	300	300	50	300	300	50

According to respondents credit card financing takes the least amount of time to process (four days), whereas private equity financing on average takes 540 days to complete.

Figure 18. Time to Complete Financing Process in Days


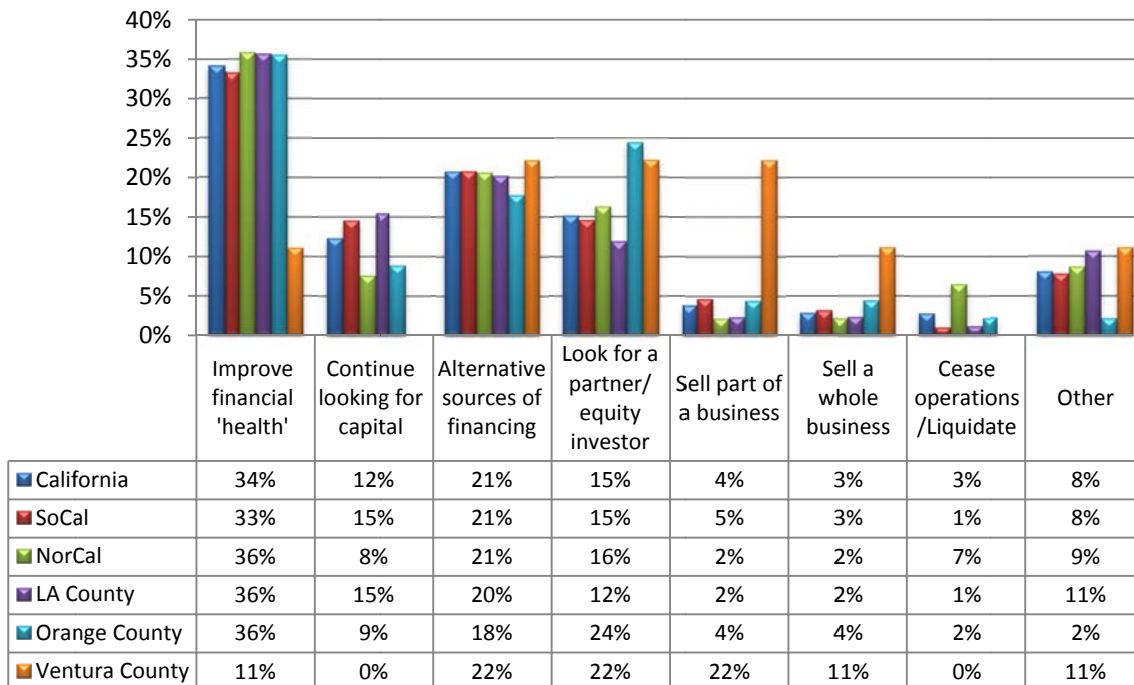
The average time spent by respondents during the process to successfully obtain credit card financing (time spent by all employees and hired outsiders making inquiries, submitting proposals, meeting with capital providers, furnishing documents) was less than one full day, whereas for private equity financing it was 35 days.

Figure 19. Days Spent During the Process to Successfully Obtain Financing



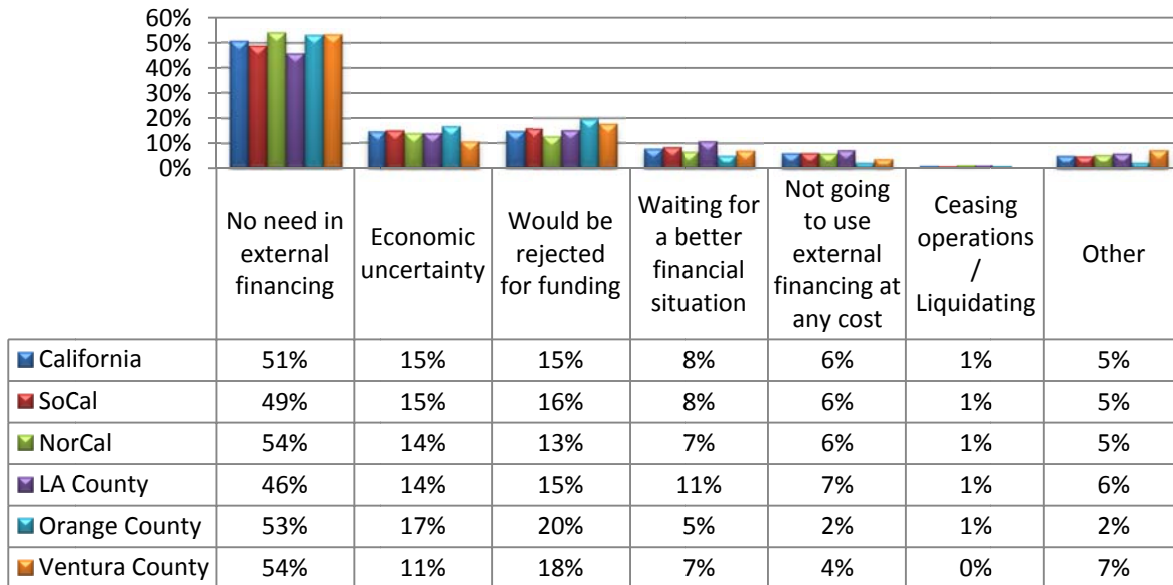
Among those respondents who were not able to obtain external financing in the last 12 months, 34% are planning to improve the financial health of their businesses before attempting to raise capital in the future, followed by 21% who will look for alternative sources of financing.

Figure 20. Next Steps to Satisfy Financial Needs



Among those respondents from California who didn't attempt to obtain any external financing in the last 12 months, 51% had no need for outside capital, followed by 15% who mentioned unfavorable economic conditions as a main reason for not trying to obtain capital, and 15% who think their businesses would be rejected for funding.

Figure 21. Reasons for Not Trying to Obtain Capital in the Last 12 Months



According to respondents from California bank loan as a category is the most appealing option to obtain financing, whereas friends and family is the least desirable source of capital to obtain.

Figure 22. Willingness to Obtain Financing

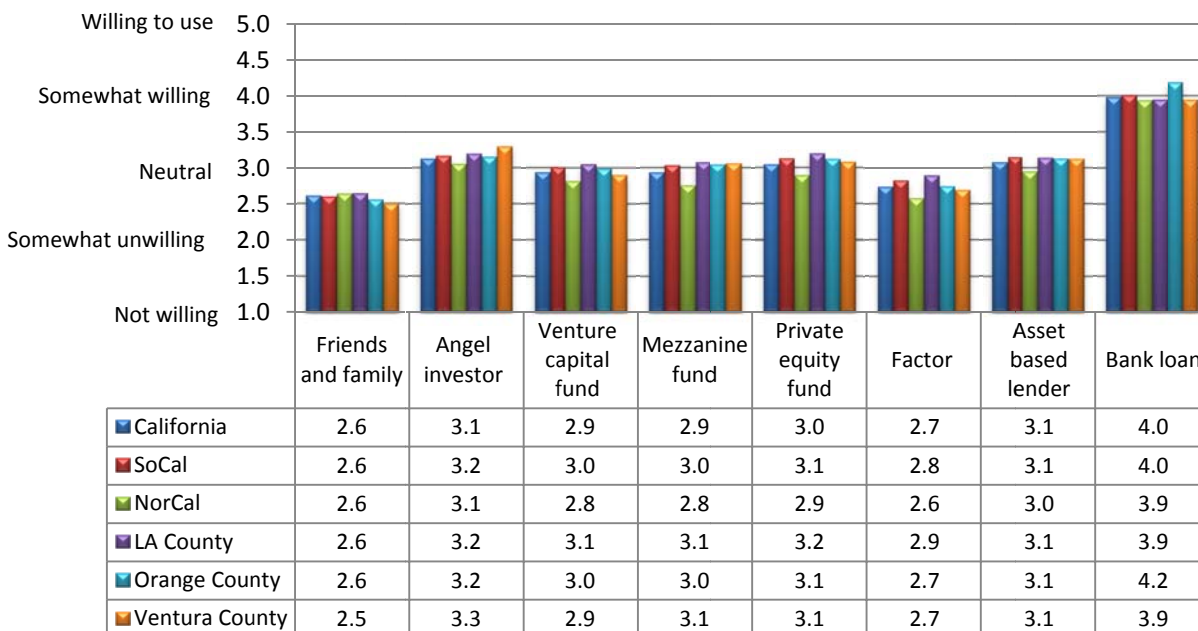


Figure 23. Willingness to Obtain Financing by Revenue Sizes, Southern California

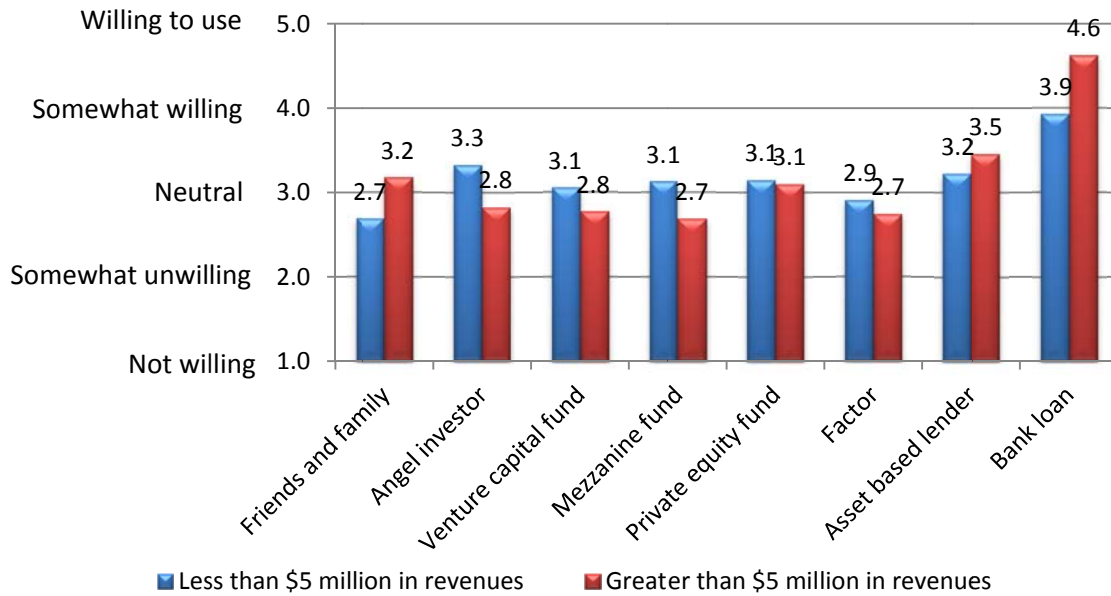


Figure 24. Willingness to Obtain Financing by Revenue Sizes, Southern California

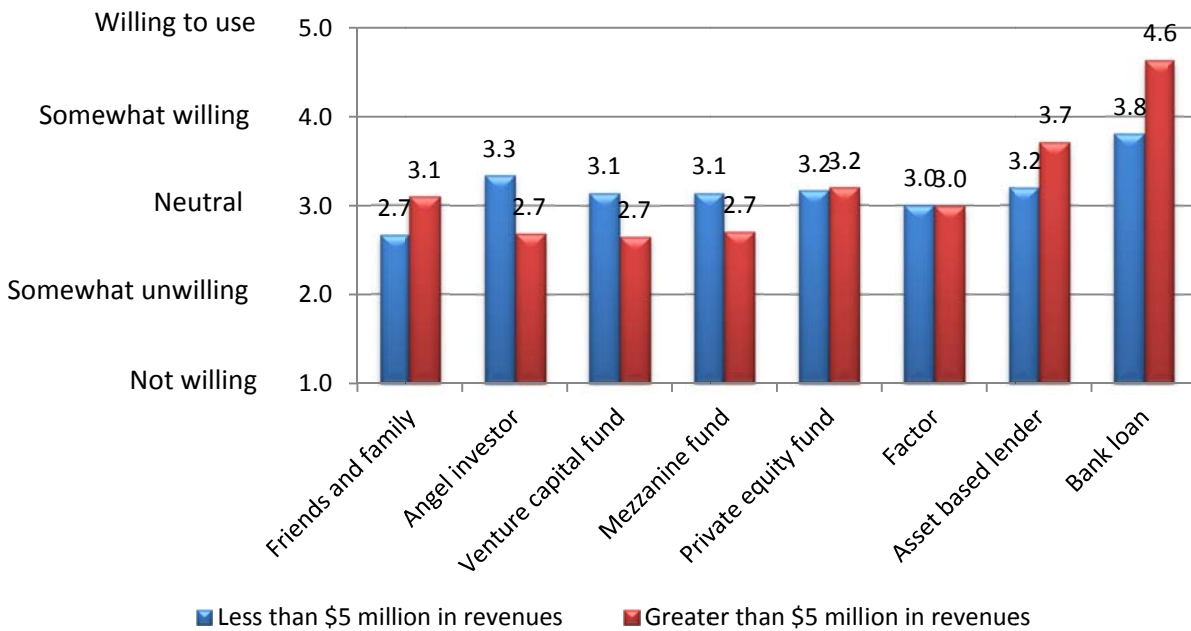


Figure 25. Willingness to Obtain Financing by Revenue Sizes, Northern California

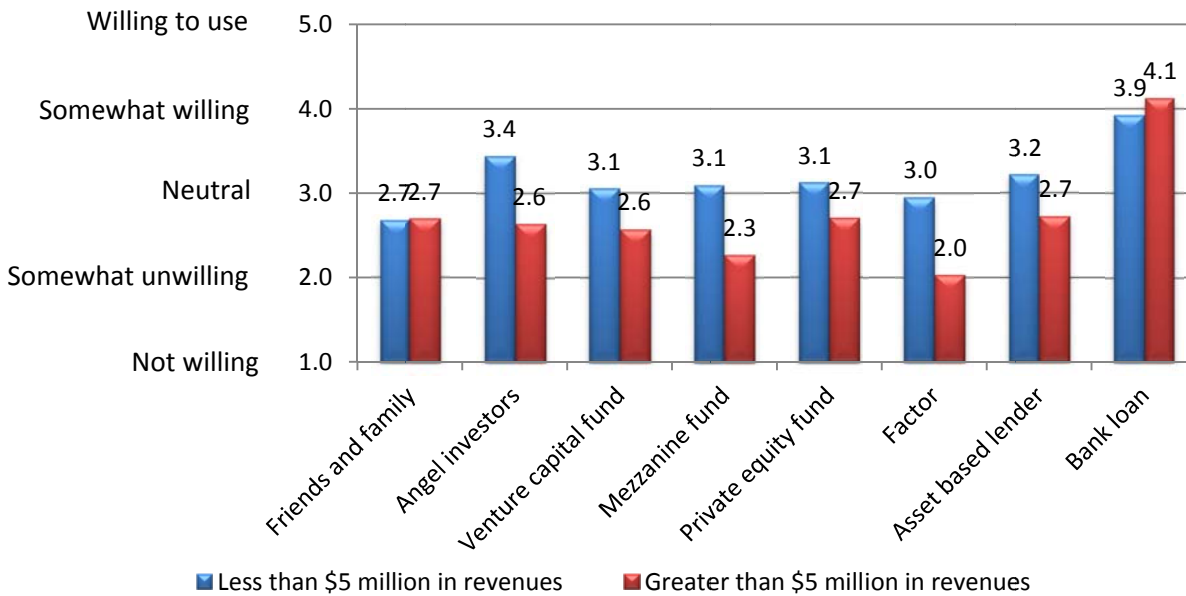


Figure 26. Willingness to Obtain Financing by Revenue Sizes, Los Angeles County

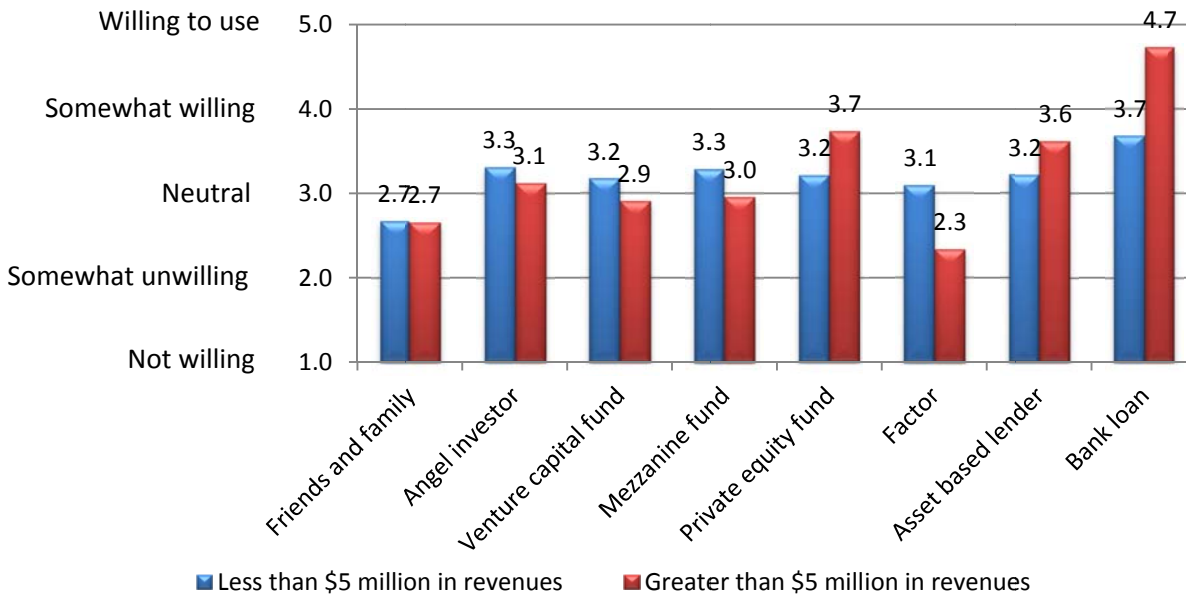


Figure 27. Willingness to Obtain Financing by Revenue Sizes, Orange County

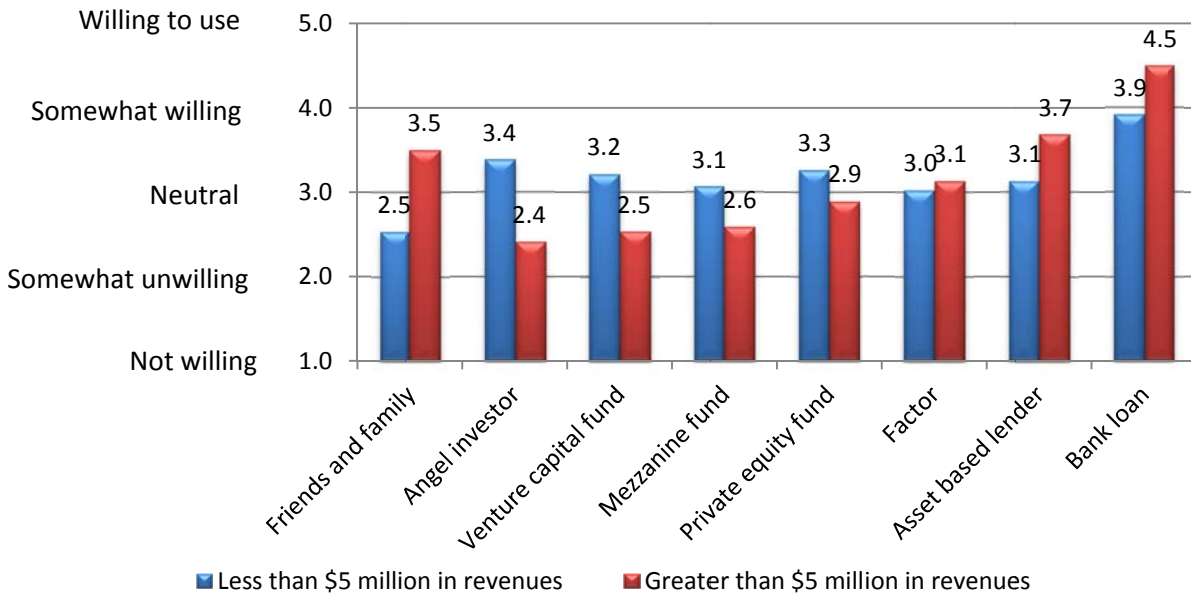
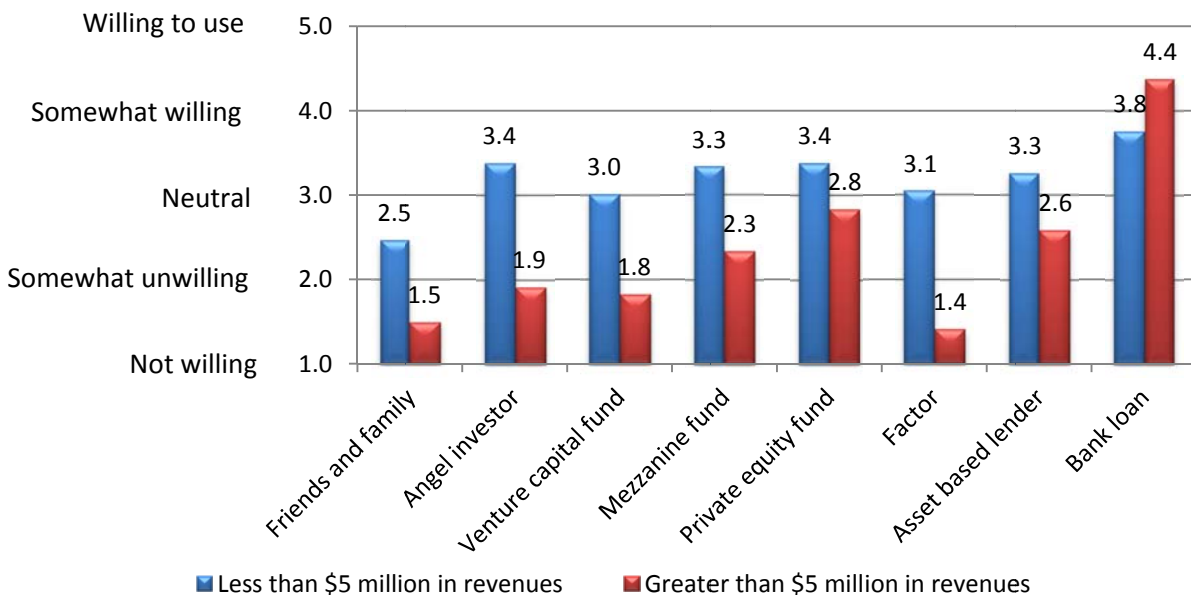
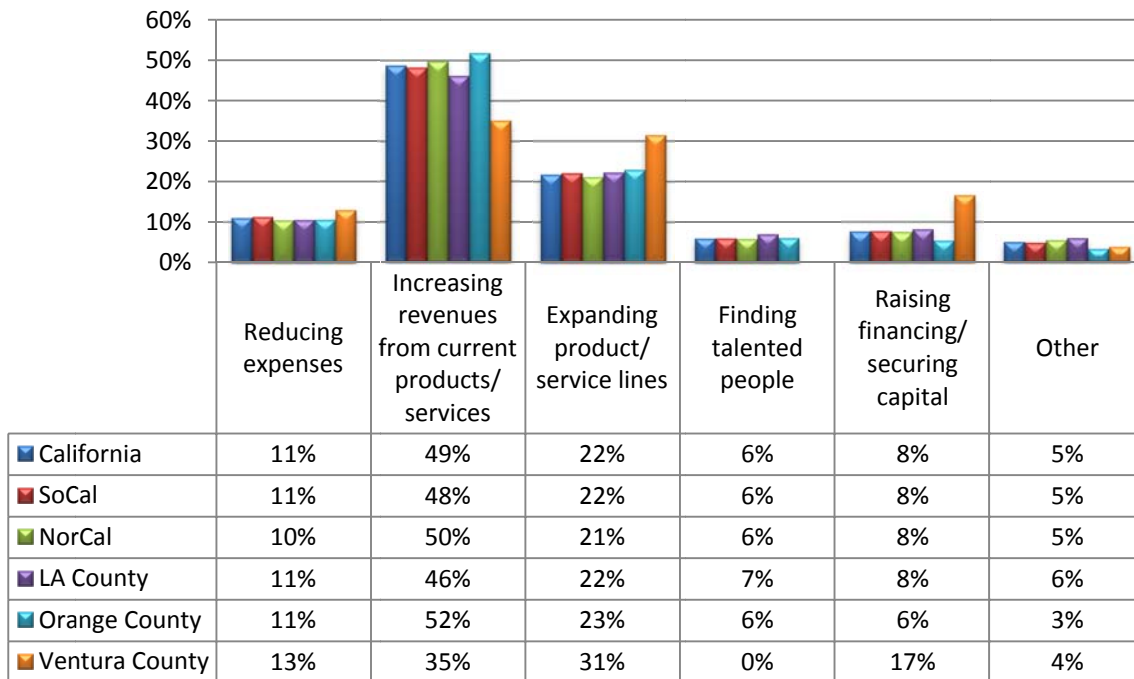


Figure 28. Willingness to Obtain Financing by Revenue Sizes, Ventura County



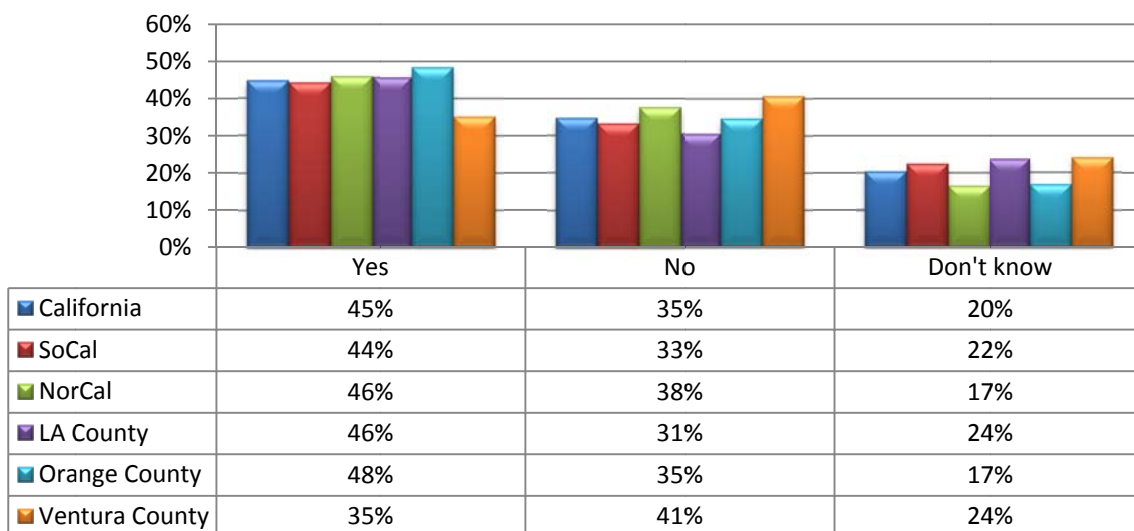
Approximately 49% of respondents in California indicated increasing revenues from current products or services as the area their businesses are most focused on today, followed by expanding product/service lines (22%).

Figure 29. The Most Important Area to Focus On



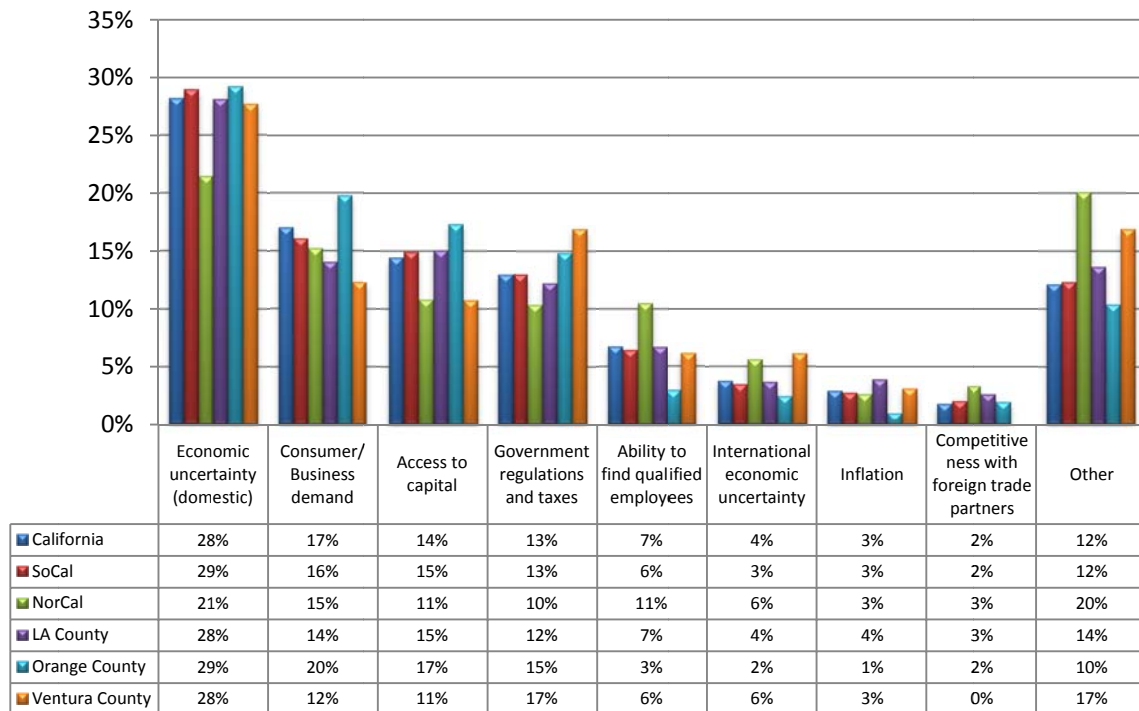
Approximately 45% of respondents in California are planning to hire additional workers in the next six months with the highest percentage of those in Orange County (48%).

Figure 30. Plans to Hire Additional Workers in the Next Six Months



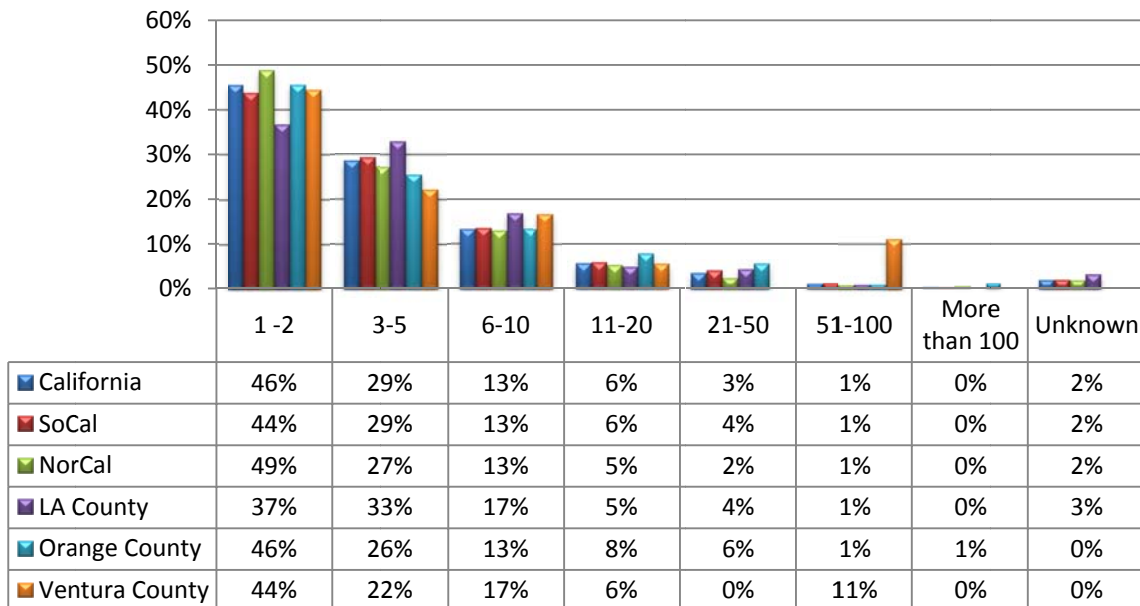
Approximately 28% of respondents in California believe economic uncertainty in the U.S. market is the number one reason preventing them from hiring, followed by consumer/business demand spending (17%).

Figure 31. The Number One Reason Preventing Privately-Held Businesses from Hiring



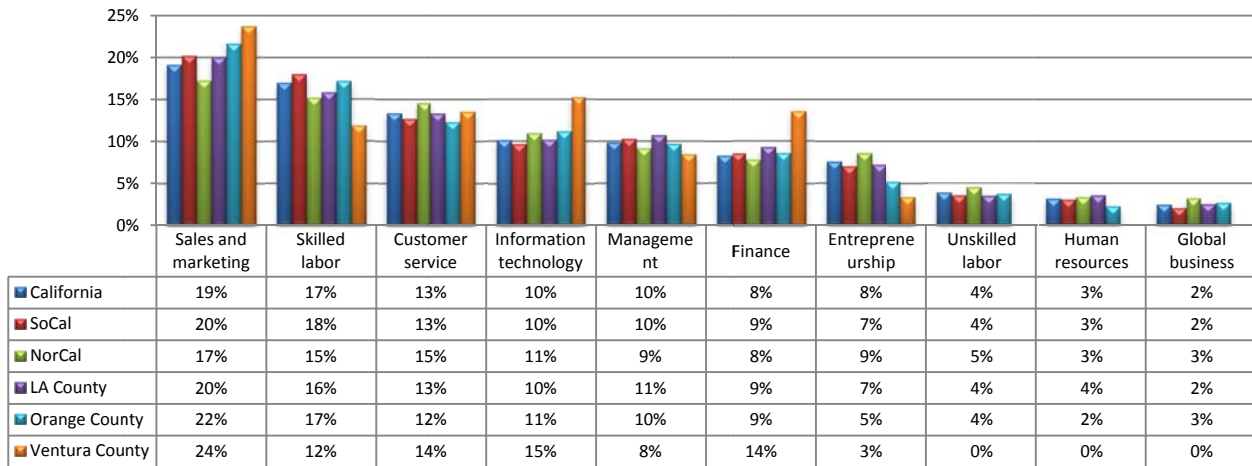
Among those respondents in California who do expect to hire, 46% are planning to hire one or two additional employees in the next six months.

Figure 32. Amount of Employees Planned to Be Hired



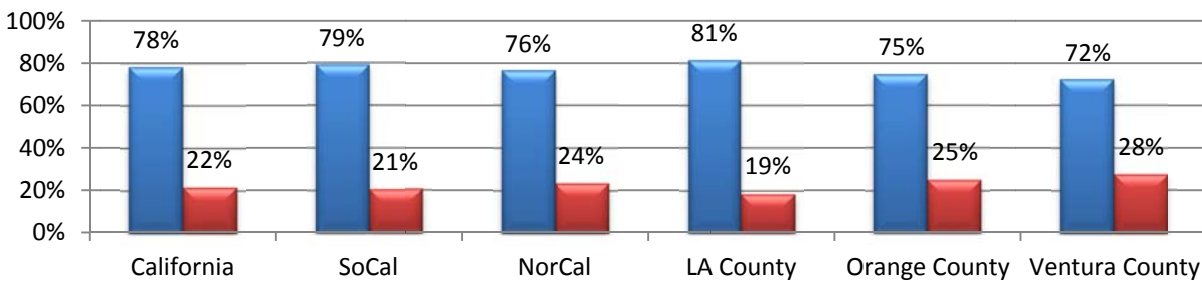
For those businesses who do plan to hire, sales and marketing skills are in greatest demand (19%) followed by skilled labor (17%) and service/customer service (13%).

Figure 33. The Skills in Demand for New Hires



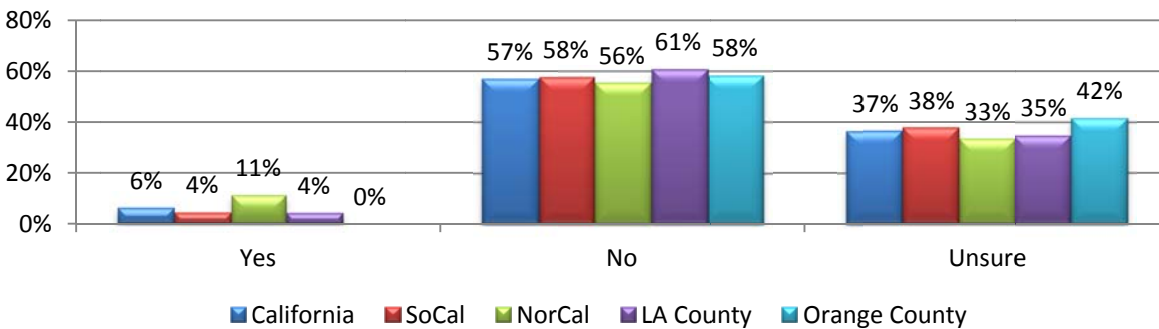
Approximately 78% of businesses in California who are planning to hire indicate they would need to train those they hire.

Figure 34. Need for Training of New Hires



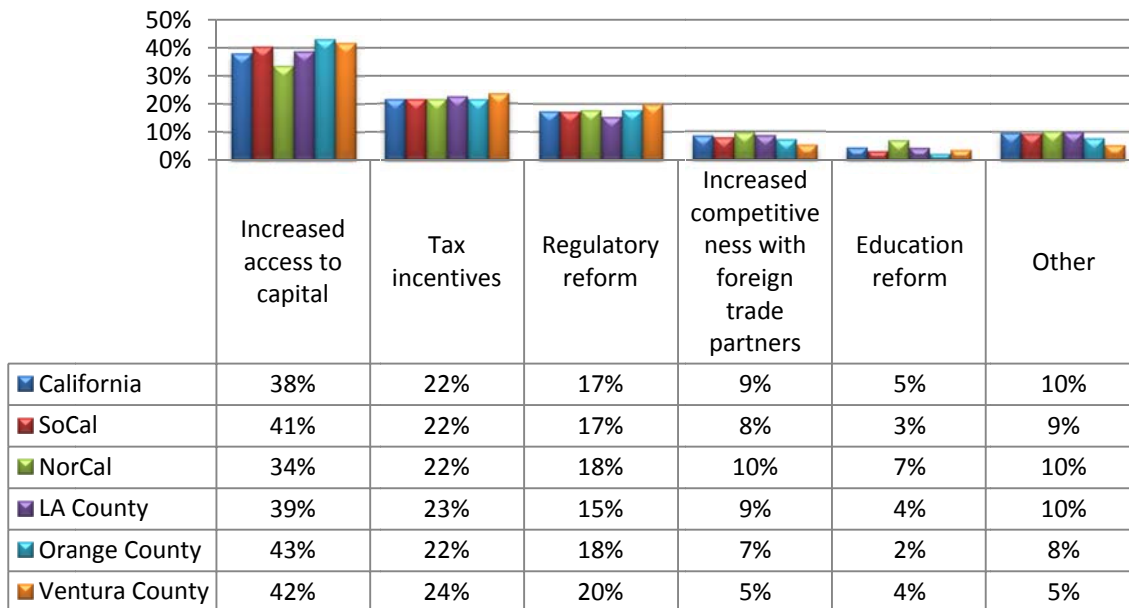
Approximately 58% of respondents in California indicated the American Jobs Act will not change their hiring plans for the next 12 months.

Figure 35. Would the American Jobs Act Change Hiring Plans for the Next 12 Months?



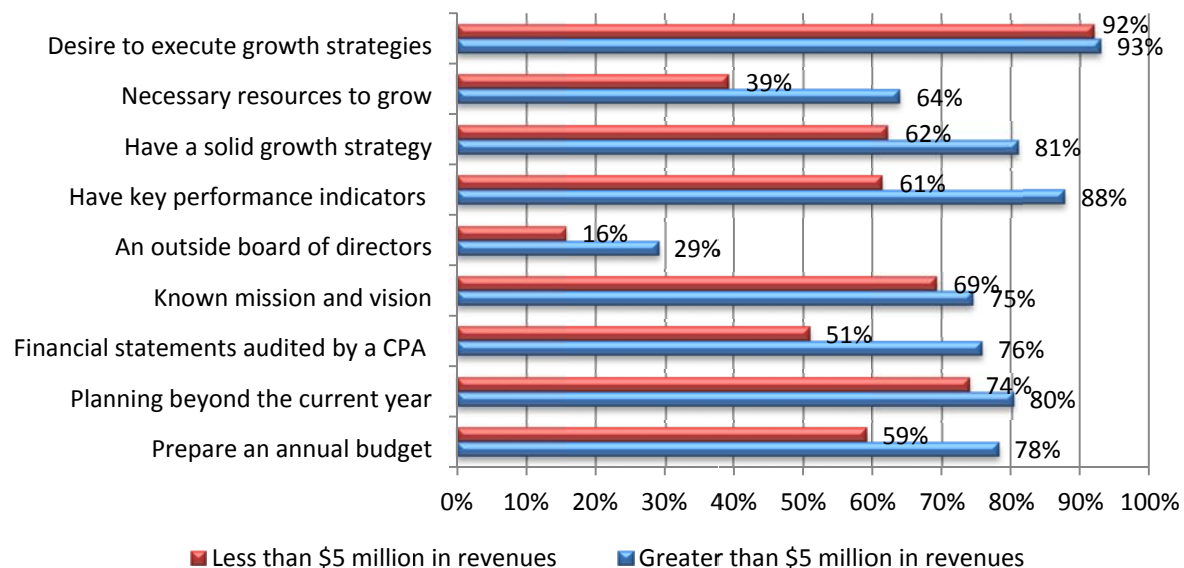
According to Californian respondents of those policies most likely to lead to job creation in 2012, “increased access to capital” emerged as number one (38%) followed by tax incentives (22%), and regulatory reform (17%).

Figure 36. Government Policies to Lead to Job Creation



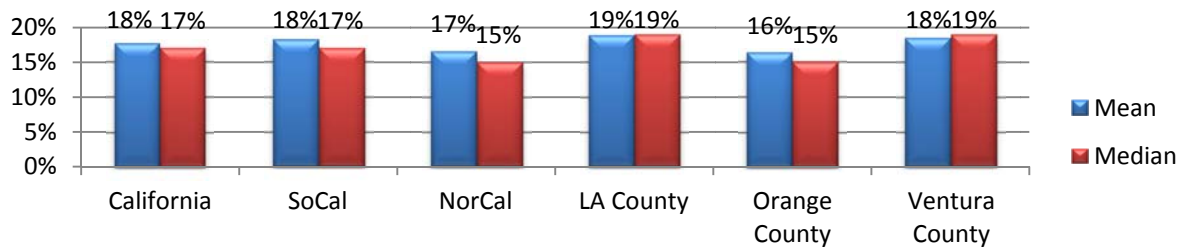
Privately-held businesses in California with revenues less than \$5 million on average have almost the same desire to execute growth strategies (92%) as privately-held businesses with revenues greater than \$5 million. However, privately-held businesses with smaller revenues report lower levels of necessary resources (people, money, etc.) to grow (39%) as compared to privately-held businesses with higher revenues (64%).

Figure 37. Usage of Financial Analysis by Revenue Sizes, California



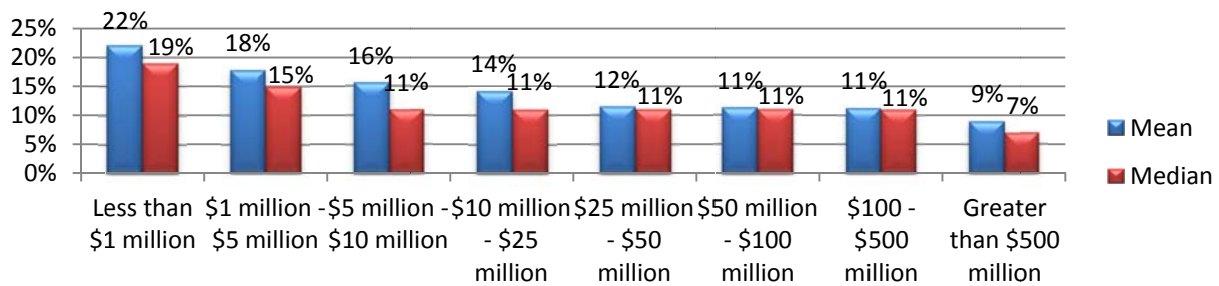
Average cost of equity capital for privately-held businesses in California varies from 9% to 22%.

Figure 38. Cost of Equity Capital, California



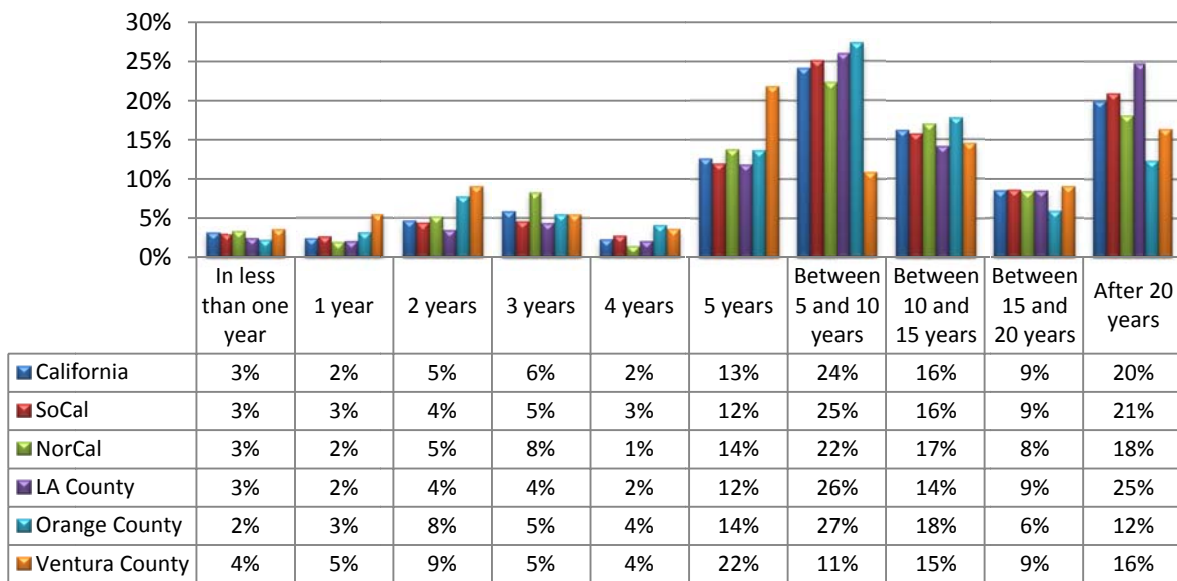
Average cost of equity for respondents from Southern California is 18%, whereas for respondents from Northern California average cost of equity is 17%.

Figure 39. Cost of Equity Capital by Revenue Size



Approximately 25% of respondents in California are planning to transfer their ownership interest in the range of five to 10 years from now while only 3% plan to transfer their ownership at the first available opportunity.

Figure 40. Anticipation of the Ownership Transfer



Privately-held businesses in California with annual revenues less than \$5 million are much more concerned about access to capital than businesses with revenues more than \$5 million, whereas the latter express more concern about government regulations and taxes.

Figure 41. The Number One Issue Facing Privately-Held Businesses Today by Revenue Sizes

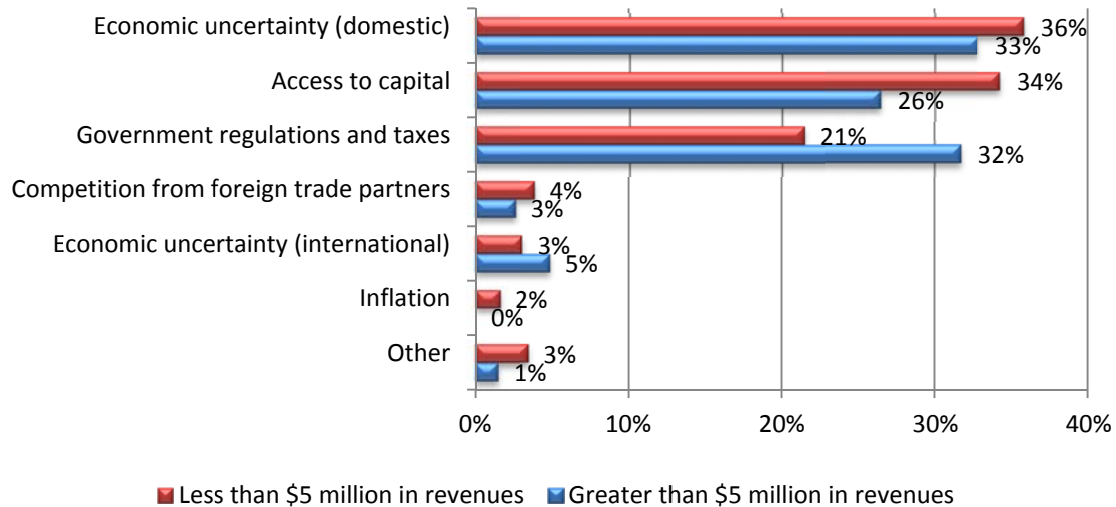
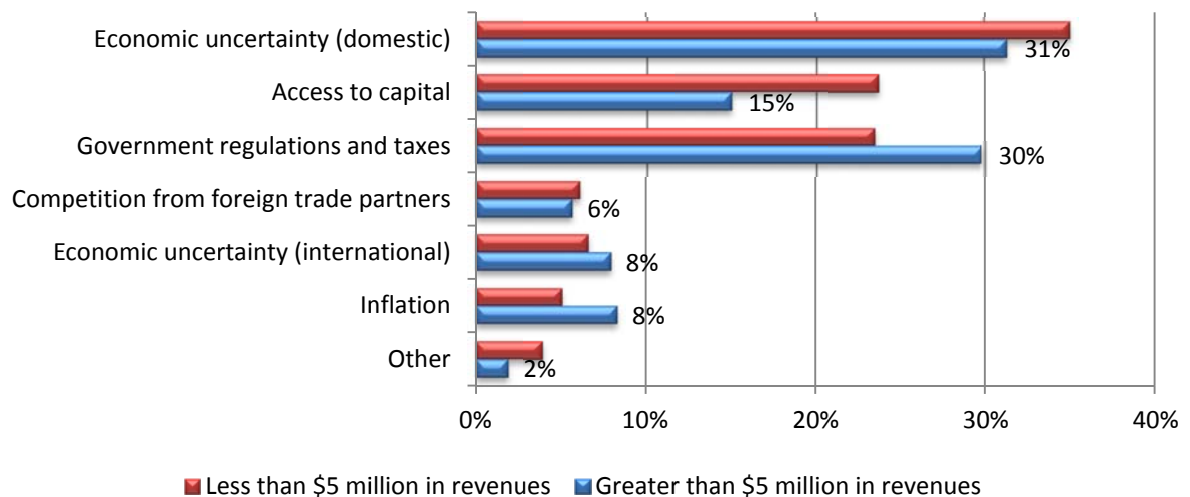


Figure 42. The Number One Emerging Issue Facing Privately-Held Businesses by Revenue Sizes



Respondents in California indicated slightly increased unit sales and access to capital, decreased net income, decreased number of employees, and worsened general business conditions.

Table 3. General Business and Industry Assessment: Today Versus Six Months Ago, California

Characteristics	Decreased significantly	Decreased slightly	Stayed about the same	Increased slightly	Increased significantly	% increase	% decrease	Net increase/decrease
Unit sales	14%	16%	26%	27%	17%	44%	30%	13%
Prices of labor and materials	1%	4%	36%	41%	19%	60%	5%	55%
Net income	15%	20%	28%	27%	10%	37%	35%	2%
Inventory levels	9%	18%	49%	19%	5%	24%	27%	-2%
Capital expenditures	13%	12%	45%	22%	8%	30%	25%	5%
Opportunities for growth	11%	17%	26%	30%	16%	46%	28%	18%
Access to bank loans	33%	17%	40%	8%	2%	11%	49%	-39%
Access to equity capital	31%	18%	43%	7%	2%	9%	48%	-39%
Prices of your products or services	3%	12%	50%	29%	5%	34%	15%	19%
Time to collect receivables	2%	8%	48%	27%	14%	41%	11%	30%
Number of employees	5%	12%	60%	21%	2%	24%	17%	7%
Competition	2%	12%	51%	22%	13%	35%	14%	21%
General business conditions	14%	28%	39%	16%	3%	19%	42%	-23%
Appetite for risk	13%	21%	44%	18%	5%	22%	34%	-11%
Probability of business closure	16%	15%	47%	13%	8%	21%	31%	-10%
Time worrying about economy	5%	7%	33%	26%	29%	55%	12%	43%

Participants of the survey from California believe almost all general business characteristics will increase slightly in the next 12 months.

Table 4. General Business and Industry Assessment Expectations over the Next 12 Months, California

Characteristics	Decrease significantly	Decrease slightly	Stay about the same	Increase slightly	Increase significantly	% increase	% decrease	Net increase/decrease
Unit sales	3%	7%	21%	44%	25%	69%	10%	59%
Prices of labor and materials	1%	3%	36%	51%	10%	61%	3%	57%
Net income	4%	10%	24%	42%	20%	62%	14%	49%
Inventory levels	3%	11%	54%	24%	8%	32%	14%	18%
Capital expenditures	6%	9%	45%	31%	9%	40%	15%	24%
Opportunities for growth	4%	8%	25%	40%	23%	63%	13%	50%
Access to bank loans	14%	10%	51%	21%	5%	25%	24%	1%
Access to equity capital	15%	10%	52%	18%	5%	23%	25%	-1%
Prices of your products or services	1%	7%	50%	38%	5%	43%	8%	35%
Time to collect receivables	2%	7%	65%	21%	5%	26%	9%	17%
Number of employees	2%	5%	46%	41%	7%	47%	6%	41%
Competition	1%	9%	56%	26%	8%	34%	10%	25%
General business conditions	6%	18%	45%	26%	4%	31%	25%	6%
Appetite for risk	8%	13%	49%	24%	6%	30%	20%	10%
Probability of business closure	17%	19%	50%	10%	5%	14%	35%	-21%
Time worrying about economy	6%	13%	47%	20%	15%	34%	19%	15%

Table 5. General Business and Industry Assessment: Today Versus Six Months Ago, Southern California

Characteristics	Decreased significantly	Decreased slightly	Stayed about the same	Increased slightly	Increased significantly	% increase	% decrease	Net increase/decrease
Unit sales	14%	16%	25%	27%	17%	44%	31%	14%
Prices of labor and materials	1%	4%	36%	40%	19%	59%	5%	54%
Net income	16%	21%	26%	27%	10%	37%	37%	0%
Inventory levels	9%	18%	48%	19%	5%	25%	27%	-2%
Capital expenditures	13%	12%	44%	23%	7%	30%	25%	5%
Opportunities for growth	12%	17%	27%	29%	15%	45%	29%	16%
Access to bank loans	34%	17%	39%	8%	3%	11%	51%	-40%
Access to equity capital	31%	18%	43%	6%	2%	9%	49%	-40%
Prices of your products or services	3%	13%	51%	28%	5%	33%	16%	17%
Time to collect receivables	3%	9%	46%	28%	14%	42%	12%	30%
Number of employees	6%	12%	60%	20%	2%	22%	18%	4%
Competition	2%	13%	52%	20%	13%	33%	15%	18%
General business conditions	15%	27%	39%	15%	4%	19%	42%	-24%
Appetite for risk	13%	21%	43%	18%	5%	23%	34%	-10%
Probability of business closure	16%	15%	46%	14%	9%	23%	31%	-8%
Time worrying about economy	5%	7%	32%	25%	30%	55%	12%	43%

Table 6. General Business and Industry Assessment Expectations over the Next 12 Months, Southern California

Characteristics	Decrease significantly	Decrease slightly	Stay about the same	Increase slightly	Increase significantly	% increase	% decrease	Net increase/decrease
Unit sales	3%	7%	21%	43%	25%	68%	11%	58%
Prices of labor and materials	1%	3%	36%	51%	9%	60%	4%	56%
Net income	4%	10%	25%	42%	19%	61%	14%	47%
Inventory levels	3%	11%	54%	24%	8%	32%	14%	18%
Capital expenditures	6%	10%	44%	31%	8%	39%	16%	23%
Opportunities for growth	4%	9%	23%	41%	23%	64%	13%	50%
Access to bank loans	14%	10%	50%	21%	5%	26%	24%	2%
Access to equity capital	15%	10%	51%	19%	5%	24%	24%	0%
Prices of your products or services	1%	8%	51%	36%	5%	40%	9%	32%
Time to collect receivables	2%	7%	63%	22%	5%	27%	9%	18%
Number of employees	1%	5%	45%	43%	6%	49%	6%	43%
Competition	1%	9%	57%	24%	9%	33%	10%	23%
General business conditions	7%	19%	45%	24%	5%	29%	25%	4%
Appetite for risk	8%	13%	48%	25%	6%	31%	21%	10%
Probability of business closure	17%	18%	50%	11%	5%	15%	35%	-20%
Time worrying about economy	7%	13%	46%	20%	15%	35%	19%	16%

Table 7. General Business and Industry Assessment: Today Versus Six Months Ago, Northern California

Characteristics	Decreased significantly	Decreased slightly	Stayed about the same	Increased slightly	Increased significantly	% increase	% decrease	Net increase/decrease
Unit sales	14%	16%	26%	27%	17%	44%	30%	13%
Prices of labor and materials	2%	2%	34%	43%	19%	62%	4%	57%
Net income	13%	18%	31%	28%	10%	38%	31%	7%
Inventory levels	9%	17%	51%	18%	5%	23%	26%	-3%
Capital expenditures	11%	13%	47%	20%	9%	29%	24%	5%
Opportunities for growth	10%	16%	26%	31%	17%	48%	26%	21%
Access to bank loans	31%	16%	42%	9%	2%	11%	47%	-36%
Access to equity capital	30%	17%	43%	9%	0%	10%	48%	-38%
Prices of your products or services	2%	12%	49%	31%	5%	37%	14%	22%
Time to collect receivables	2%	7%	52%	26%	13%	39%	9%	30%
Number of employees	4%	10%	60%	22%	4%	26%	14%	12%
Competition	1%	11%	49%	26%	13%	39%	12%	27%
General business conditions	12%	30%	38%	18%	2%	21%	42%	-21%
Appetite for risk	12%	21%	47%	16%	4%	20%	33%	-13%
Probability of business closure	15%	17%	50%	11%	7%	18%	32%	-14%
Time worrying about economy	5%	7%	34%	28%	26%	54%	12%	42%

Table 8. General Business and Industry Assessment Expectations over the Next 12 Months, Northern California

Characteristics	Decrease significantly	Decrease slightly	Stay about the same	Increase slightly	Increase significantly	% increase	% decrease	Net increase/decrease
Unit sales	4%	5%	22%	46%	24%	69%	9%	61%
Prices of labor and materials	1%	2%	35%	51%	11%	62%	3%	59%
Net income	4%	9%	23%	44%	20%	64%	13%	51%
Inventory levels	3%	11%	54%	24%	8%	31%	15%	17%
Capital expenditures	7%	7%	47%	30%	10%	40%	13%	27%
Opportunities for growth	4%	7%	28%	38%	23%	61%	11%	50%
Access to bank loans	15%	9%	53%	19%	4%	23%	24%	-1%
Access to equity capital	15%	10%	54%	15%	6%	21%	25%	-4%
Prices of your products or services	1%	5%	48%	42%	5%	47%	6%	41%
Time to collect receivables	1%	8%	67%	19%	5%	24%	9%	15%
Number of employees	2%	4%	49%	38%	7%	45%	6%	38%
Competition	1%	8%	54%	29%	8%	37%	9%	28%
General business conditions	6%	17%	44%	30%	4%	33%	23%	10%
Appetite for risk	7%	12%	51%	23%	7%	30%	20%	10%
Probability of business closure	16%	21%	51%	8%	5%	13%	36%	-24%
Time worrying about economy	5%	13%	49%	19%	13%	33%	18%	15%

Table 9. General Business and Industry Assessment: Today Versus Six Months Ago,

Los Angeles County

Characteristics	Decreased significantly	Decreased slightly	Stayed about the same	Increased slightly	Increased significantly	% increase	% decrease	Net increase/decrease
Unit sales	17%	18%	25%	26%	15%	41%	35%	6%
Prices of labor and materials	0%	4%	35%	42%	18%	61%	4%	56%
Net income	18%	21%	27%	25%	9%	34%	39%	-4%
Inventory levels	9%	18%	47%	19%	7%	26%	27%	-1%
Capital expenditures	13%	9%	45%	26%	8%	34%	22%	12%
Opportunities for growth	13%	18%	25%	28%	16%	44%	31%	13%
Access to bank loans	35%	11%	40%	10%	4%	14%	47%	-33%
Access to equity capital	31%	15%	42%	8%	4%	12%	46%	-34%
Prices of your products or services	3%	13%	48%	29%	6%	35%	16%	19%
Time to collect receivables	3%	9%	46%	27%	15%	42%	12%	30%
Number of employees	6%	11%	61%	20%	2%	22%	16%	6%
Competition	2%	10%	53%	20%	14%	35%	13%	22%
General business conditions	17%	27%	39%	14%	4%	18%	44%	-26%
Appetite for risk	14%	18%	43%	20%	5%	25%	32%	-7%
Probability of business closure	16%	12%	49%	13%	9%	22%	29%	-7%
Time worrying about economy	5%	8%	31%	28%	29%	57%	12%	44%

Table 10. General Business and Industry Assessment Expectations over the Next 12 Months, Los Angeles County

Characteristics	Decrease significantly	Decrease slightly	Stay about the same	Increase slightly	Increase significantly	% increase	% decrease	Net increase/decrease
Unit sales	3%	6%	23%	42%	25%	67%	9%	58%
Prices of labor and materials	1%	3%	37%	51%	9%	59%	4%	55%
Net income	4%	10%	25%	42%	19%	61%	14%	47%
Inventory levels	3%	10%	55%	24%	7%	32%	14%	18%
Capital expenditures	5%	8%	45%	33%	9%	41%	13%	28%
Opportunities for growth	4%	8%	24%	42%	22%	63%	12%	51%
Access to bank loans	14%	8%	52%	21%	6%	27%	22%	5%
Access to equity capital	14%	8%	53%	20%	6%	26%	21%	4%
Prices of your products or services	0%	9%	52%	36%	4%	40%	9%	31%
Time to collect receivables	3%	7%	63%	22%	4%	26%	10%	16%
Number of employees	1%	4%	46%	42%	7%	49%	5%	44%
Competition	1%	9%	56%	25%	9%	35%	10%	25%
General business conditions	6%	16%	50%	24%	4%	28%	22%	6%
Appetite for risk	8%	10%	49%	27%	6%	33%	18%	15%
Probability of business closure	16%	18%	50%	12%	4%	15%	35%	-20%
Time worrying about economy	6%	15%	45%	21%	14%	35%	21%	14%

Table 11. General Business and Industry Assessment: Today Versus Six Months Ago, Orange County

Characteristics	Decreased significantly	Decreased slightly	Stayed about the same	Increased slightly	Increased significantly	% increase	% decrease	Net increase/decrease
Unit sales	9%	12%	25%	30%	24%	54%	21%	33%
Prices of labor and materials	0%	4%	41%	36%	19%	55%	4%	51%
Net income	12%	18%	28%	24%	17%	42%	30%	12%
Inventory levels	7%	19%	48%	21%	6%	26%	26%	0%
Capital expenditures	14%	11%	49%	20%	6%	26%	25%	1%
Opportunities for growth	10%	15%	24%	37%	15%	51%	25%	26%
Access to bank loans	35%	19%	36%	7%	3%	10%	54%	-44%
Access to equity capital	33%	15%	45%	4%	3%	8%	48%	-40%
Prices of your products or services	3%	13%	53%	28%	2%	31%	16%	14%
Time to collect receivables	3%	10%	42%	30%	15%	45%	13%	32%
Number of employees	7%	9%	61%	21%	2%	24%	15%	8%
Competition	2%	16%	51%	20%	11%	31%	18%	14%
General business conditions	15%	30%	35%	16%	4%	20%	45%	-26%
Appetite for risk	12%	23%	44%	17%	4%	21%	35%	-14%
Probability of business closure	18%	17%	45%	12%	9%	20%	35%	-15%
Time worrying about economy	7%	5%	37%	23%	29%	52%	12%	40%

Table 12. General Business and Industry Assessment Expectations over the Next 12 Months, Orange County

Characteristics	Decrease significantly	Decrease slightly	Stay about the same	Increase slightly	Increase significantly	% increase	% decrease	Net increase/decrease
Unit sales	2%	10%	15%	45%	28%	73%	13%	60%
Prices of labor and materials	0%	1%	42%	50%	7%	57%	1%	55%
Net income	3%	7%	25%	43%	22%	65%	11%	54%
Inventory levels	1%	13%	55%	20%	10%	31%	15%	16%
Capital expenditures	6%	10%	48%	31%	5%	36%	16%	20%
Opportunities for growth	3%	10%	19%	45%	23%	68%	13%	54%
Access to bank loans	14%	10%	47%	23%	7%	29%	24%	5%
Access to equity capital	15%	10%	48%	20%	7%	27%	25%	2%
Prices of your products or services	1%	10%	50%	35%	4%	39%	11%	28%
Time to collect receivables	2%	5%	68%	21%	4%	25%	7%	18%
Number of employees	1%	4%	41%	49%	6%	55%	5%	50%
Competition	0%	9%	59%	22%	11%	32%	9%	23%
General business conditions	5%	23%	41%	26%	6%	32%	27%	4%
Appetite for risk	7%	14%	50%	22%	7%	29%	21%	8%
Probability of business closure	19%	16%	51%	8%	6%	13%	35%	-22%
Time worrying about economy	7%	11%	49%	19%	14%	32%	18%	14%

Table 13. General Business and Industry Assessment: Today Versus Six Months Ago, Ventura County

Characteristics	Decreased significantly	Decreased slightly	Stayed about the same	Increased slightly	Increased significantly	% increase	% decrease	Net increase/decrease
Unit sales	16%	16%	36%	18%	16%	33%	31%	2%
Prices of labor and materials	0%	2%	36%	44%	18%	62%	2%	60%
Net income	22%	22%	18%	27%	12%	39%	43%	-4%
Inventory levels	8%	19%	49%	19%	5%	24%	27%	-3%
Capital expenditures	22%	9%	46%	17%	7%	24%	30%	-7%
Opportunities for growth	15%	26%	25%	17%	17%	34%	42%	-8%
Access to bank loans	35%	23%	28%	14%	0%	14%	58%	-44%
Access to equity capital	43%	23%	26%	6%	3%	9%	66%	-57%
Prices of your products or services	8%	8%	47%	33%	4%	37%	16%	22%
Time to collect receivables	4%	4%	45%	24%	22%	47%	8%	39%
Number of employees	6%	12%	54%	24%	4%	28%	18%	10%
Competition	4%	16%	41%	27%	12%	39%	20%	20%
General business conditions	13%	37%	35%	8%	8%	15%	50%	-35%
Appetite for risk	13%	25%	47%	11%	4%	15%	38%	-23%
Probability of business closure	12%	16%	53%	12%	7%	19%	28%	-9%
Time worrying about economy	2%	8%	28%	36%	26%	62%	10%	52%

Table 14. General Business and Industry Assessment Expectations over the Next 12 Months, Ventura County

Characteristics	Decrease significantly	Decrease slightly	Stay about the same	Increase slightly	Increase significantly	% increase	% decrease	Net increase/decrease
Unit sales	2%	13%	24%	35%	26%	61%	15%	46%
Prices of labor and materials	2%	6%	29%	56%	8%	63%	8%	56%
Net income	2%	13%	35%	21%	29%	50%	15%	35%
Inventory levels	3%	14%	54%	19%	11%	30%	16%	14%
Capital expenditures	4%	13%	36%	33%	13%	47%	18%	29%
Opportunities for growth	6%	12%	29%	27%	27%	54%	17%	37%
Access to bank loans	18%	20%	34%	23%	5%	27%	39%	-11%
Access to equity capital	16%	18%	37%	24%	5%	29%	34%	-5%
Prices of your products or services	0%	10%	50%	34%	6%	40%	10%	30%
Time to collect receivables	4%	6%	58%	25%	6%	31%	10%	21%
Number of employees	0%	6%	48%	36%	10%	46%	6%	40%
Competition	0%	13%	56%	27%	4%	31%	13%	19%
General business conditions	10%	21%	42%	19%	8%	27%	31%	-4%
Appetite for risk	12%	16%	48%	22%	2%	24%	28%	-4%
Probability of business closure	14%	20%	55%	9%	2%	11%	34%	-23%
Time worrying about economy	4%	20%	38%	22%	16%	38%	24%	14%

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His work on the Pepperdine Private Capital Markets Project -- the first simultaneous, comprehensive, and on-going investigation of the major private capital market segments -- has resulted in over 20,000 report downloads in more than 60 countries and has earned him the 2011 "George Award," which is given to the one faculty member annually who best leverages the business community to make a difference in the classroom, and the first ACG 101 Tom Hopkins Award for Excellence in M&A, which recognizes contributions that advance knowledge of middle market companies and their financing activities.

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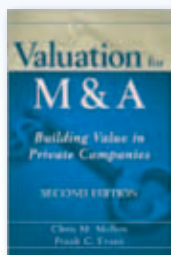
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