




DUN & BRADSTREET'S 2014 Midterm Election Impact Report


NORTH AMERICA

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“Given the tepid economic recovery and our downgraded forecast for growth in 2015, the U.S. economy will no doubt play a big role in this midterm election. Of particular concern is the uncertain road ahead for small businesses.”

Paul Ballew

*D&B Chief Data and Analytics Officer,
Chief Economist*

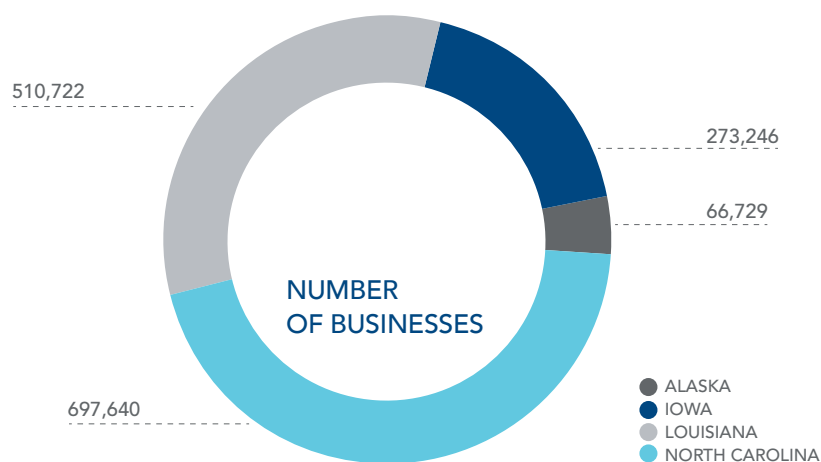
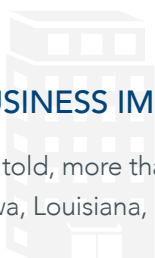
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The 2014 midterm congressional election is poised to be one of the most important of recent years, with several states up for grabs in both the House of Representatives and Senate. Naturally, business plays an important role in any election and will undoubtedly prove a critical talking point in those states. Employment, sales, bankruptcy, and small business health inevitably feed into stump speeches, media reports, and ultimately voters' decisions when they cast their ballots.

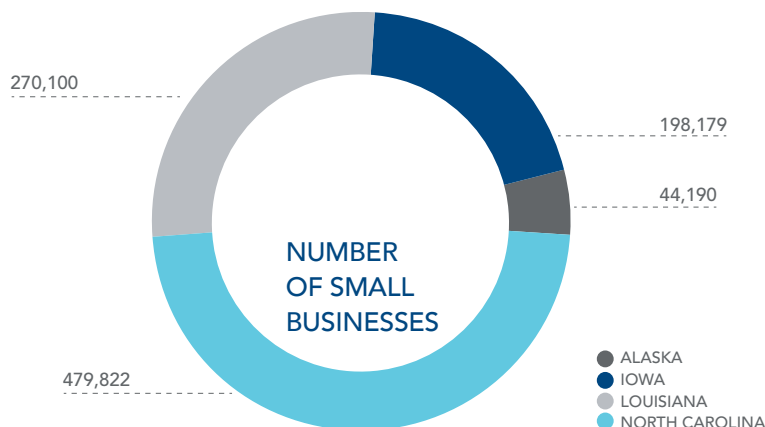
According to Politico.com, the most critical toss-up Senate races are Alaska, Iowa, Louisiana, and North Carolina. As voters prepare to go to the polls in those states on November 4, D&B explores business conditions with a keen eye on sales, employment, industry employment, and financial viability. Following is a unique snapshot of where businesses stand in these four important battleground states.

BUSINESS IMPACT

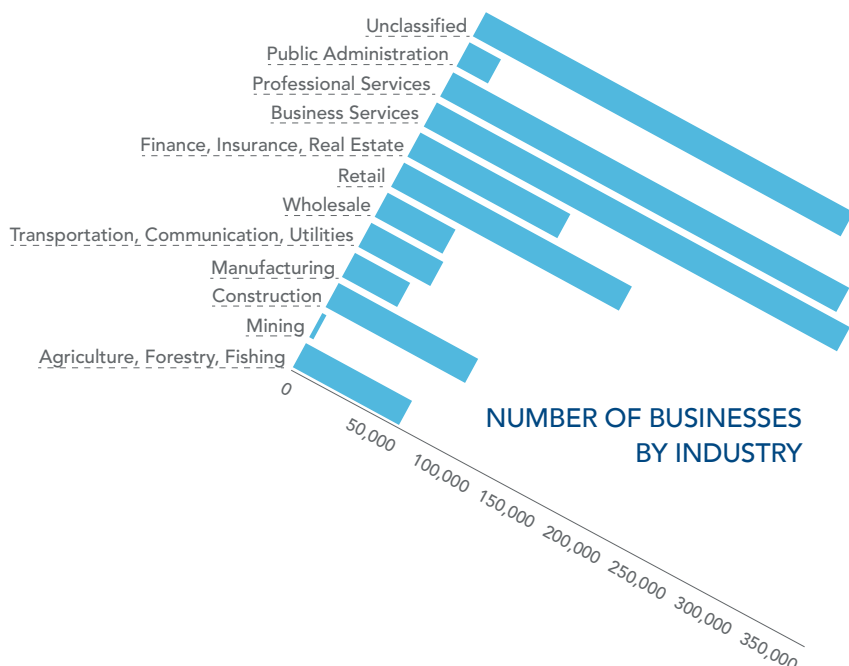
All told, more than 1.5 million businesses are active in Alaska, Iowa, Louisiana, and North Carolina as of September 2014.



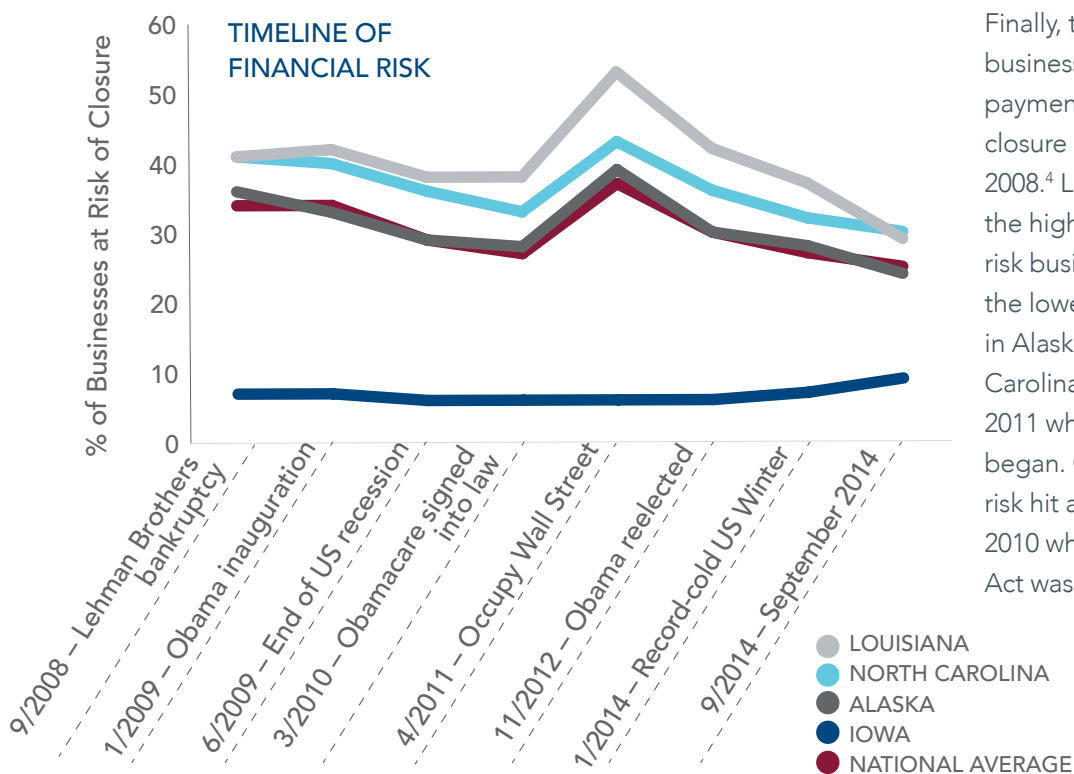
A majority of those businesses are small businesses, employing 100 or fewer people. In Alaska and Iowa, small businesses comprise 66 percent and 73 percent of all businesses, respectively. Likewise, 53 percent of all Louisiana businesses are made up of small businesses, while 69 percent of North Carolina's business community is comprised of small businesses. By contrast, small businesses constitute 70 percent of all U.S. businesses.



Small business growth has progressed in fits and starts over the past year, according to D&B's Small Business Health Index. The Index dropped to a low point in September 2013, depressed by a particularly large drop in manufacturing. By comparison, the Index rose slightly in September 2014 owing to improvement in bill and credit-card payments among small businesses. Nevertheless, tepid economic expansion has kept the overall small business outlook subdued.



U.S. businesses have slowly cleaned up their balance sheets and financials since the Great Recession. According to D&B's Economic Outlook to 2018², financial sector debt declined significantly between 2009 and 2014. By contrast, non-financial sector corporation debt rose during the same period. Such stuttered economic growth will inform the conversation leading up to the election. Meanwhile, business services, professional services, and retail are the largest industries in all four states, reflecting the national trend. Among the major industries, a vast majority employ four or fewer employees per business. Consequently, small businesses are a critically important segment of these states' economies.



Finally, the number of businesses at risk of severe payment delinquency and closure has fluctuated since 2008.⁴ Louisiana has boasted the highest percentage of at-risk businesses, while Iowa had the lowest. Financial risk spiked in Alaska, Louisiana, North Carolina, and nationally in April 2011 when Occupy Wall Street began. Conversely, financial risk hit a low point in March 2010 when the Affordable Care Act was signed into law.

²D&B's Economic Outlook to 2018 (<http://www.dnb.com/lc/supply-management-education/global-economic-outlook-2014-mid-year-review.html#VCGHLRYXKSo>), September 23, 2014.

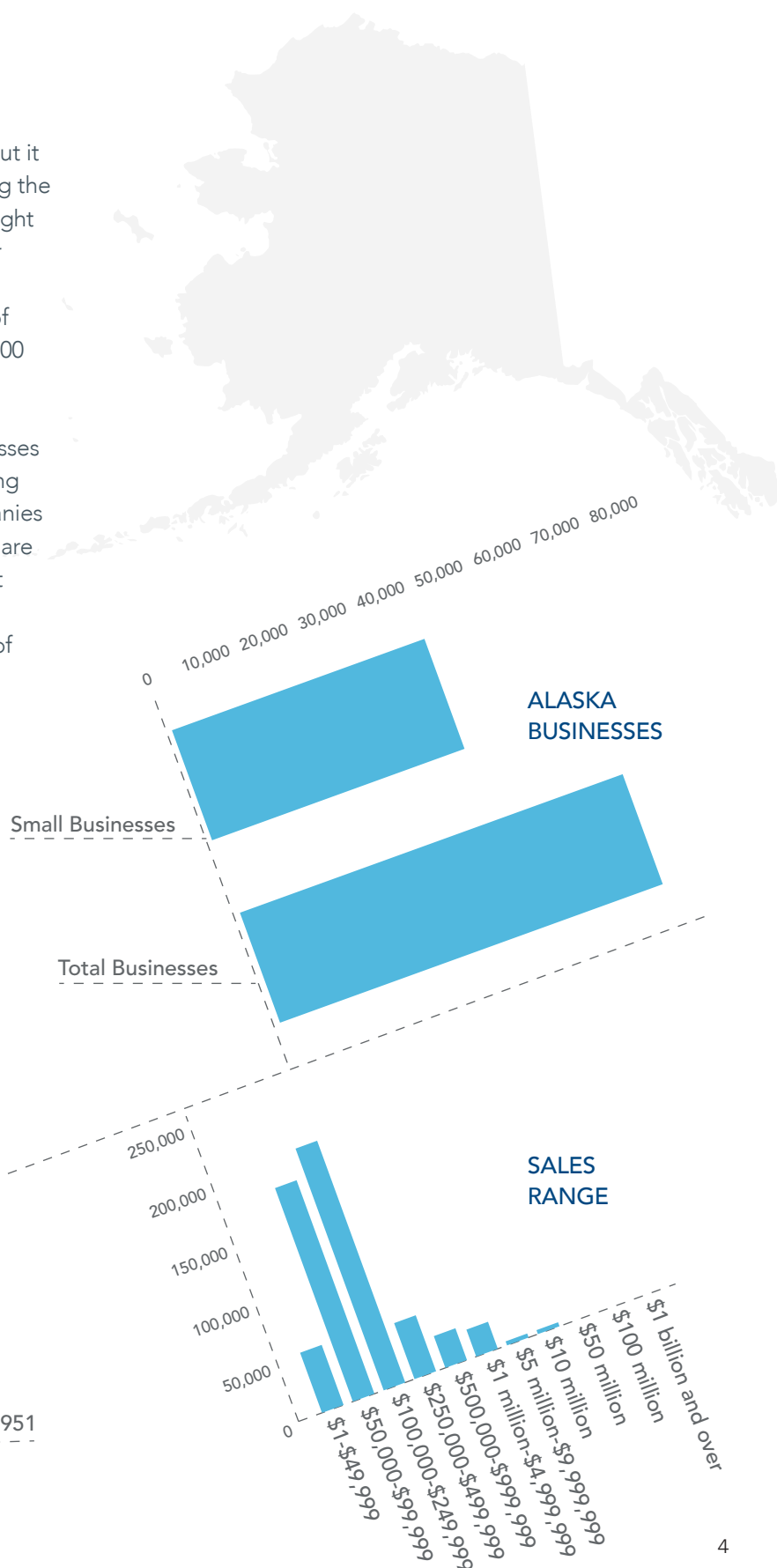
³D&B's Financial Stress Score was designed to help predict a business's potential for failure. It is designed to predict the likelihood that a company will obtain legal relief from creditors or cease operations without paying all creditors in full over the next 12 months. The score uses the full range of D&B information, including financials, comparative financial ratios, payment trends, public filings, demographic data and more.

⁴Based on Financial Stress Scores of 4 (likely risk of payment delinquency) and 5 (severe risk of payment delinquency).

ALASKA

Alaska may be the largest state in the Union, but it boasts the lowest number of businesses among the four battleground states. The Land of the Midnight Sun counts 66,729 businesses as of September 2014, including 44,190 small businesses. Most Alaskan businesses generate annual revenue of less than \$250,000, while slightly more than 2,300 earn more than \$1 million.

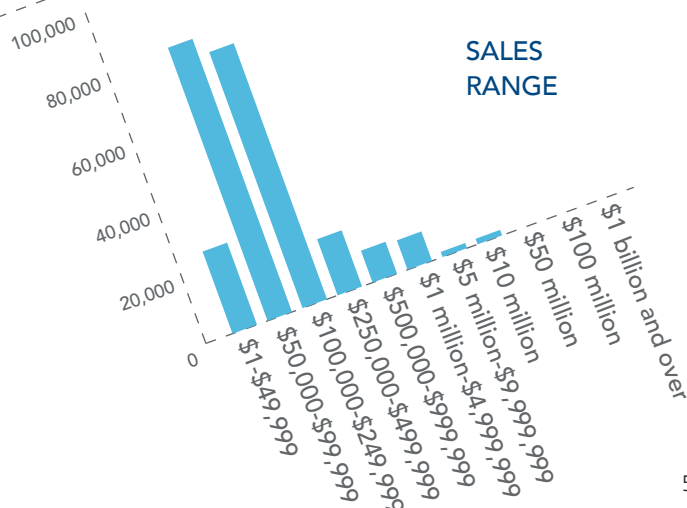
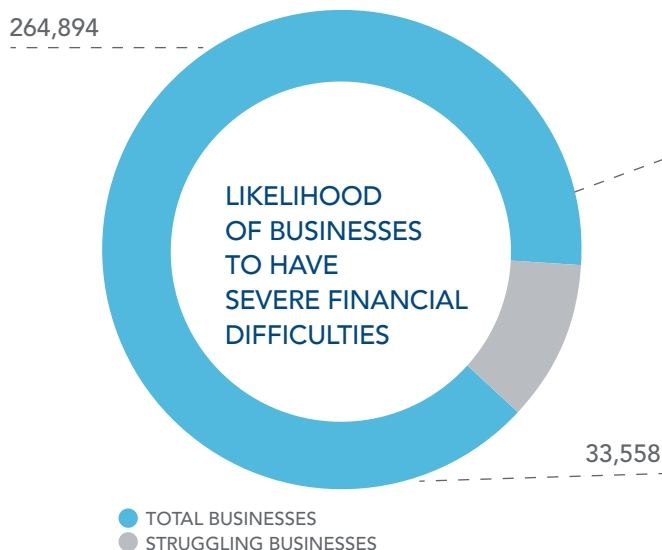
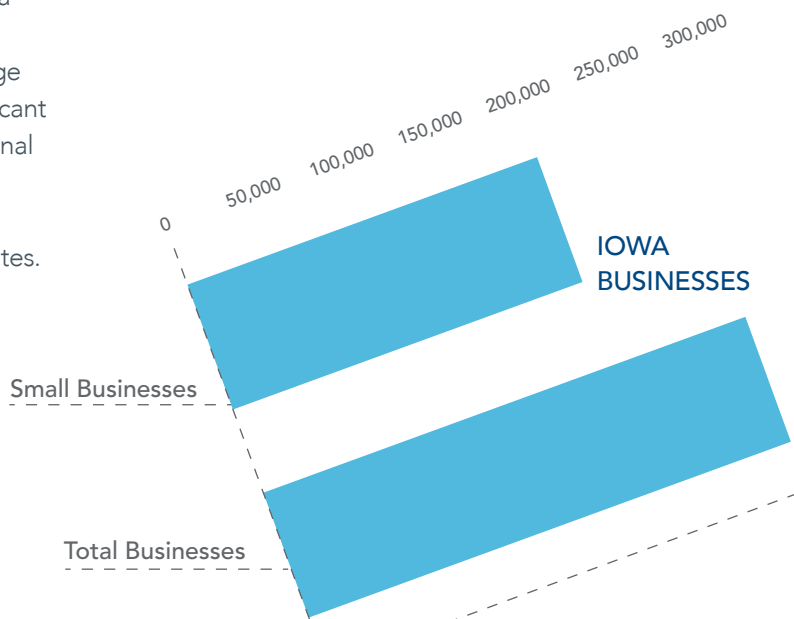
According to the FSS, very few Alaskan businesses face a high risk of declaring bankruptcy or going out of business. Just over 42 percent of companies have a Class 3 FSS, meaning those businesses are at mild risk of ceasing operations over the next 12 months. However, roughly 40 percent of businesses face a moderate to significant risk of closure, slightly below the national average of 41 percent of all businesses.



IOWA

The Hawkeye State is the third largest battleground state by number of businesses. Iowa counts 273,246 businesses as of September 2014, including 198,179 small businesses. Most businesses generate annual revenue of less than \$250,000, and nearly 9,000 earn more than \$1 million a year.

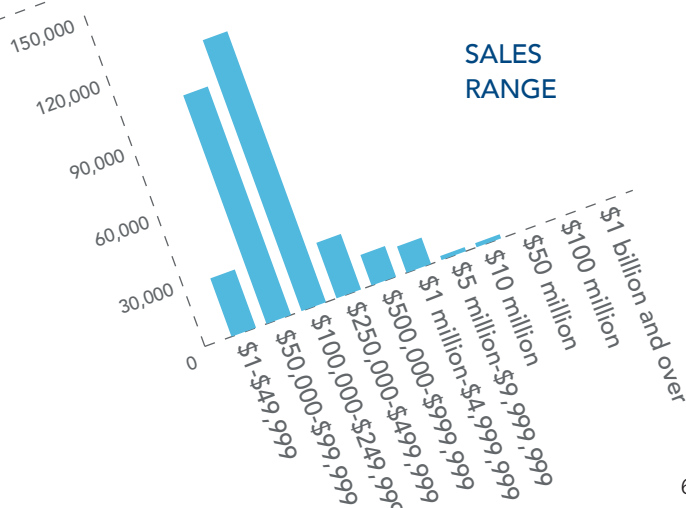
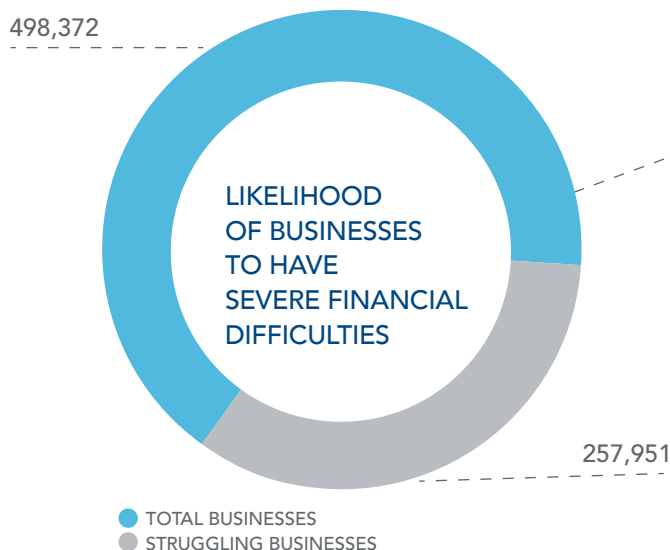
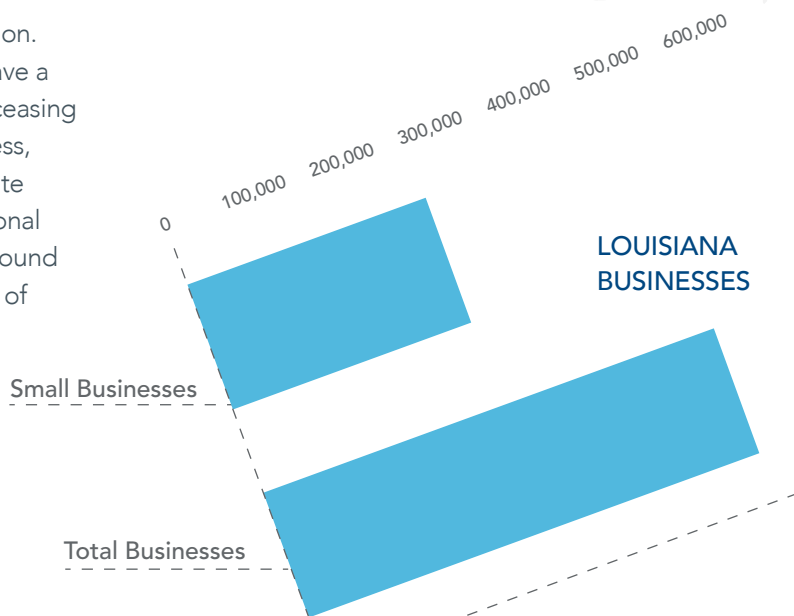
As in Alaska, very few Iowa businesses face a high risk of declaring bankruptcy or going out of business, according to the FSS. Nearly 38 percent of companies have a Class 3 FSS, translating to a mild risk of ceasing operations over the next 12 months. Particularly noteworthy is the percentage of Iowa businesses that face moderate to significant risk of closure—13 percent—far below the national average of 41 percent. Overall, Iowa boasts the lowest percentage of businesses facing severe financial stress among the four battleground states.



LOUISIANA

Farther south, Louisiana counts 510,722 businesses as of September 2014, making it the second largest battleground state by number of businesses. Some 270,100 small businesses are active in the Bayou State. Most Louisiana businesses generate annual revenue of less than \$250,000, and nearly 12,000 earn more than \$1 million a year.

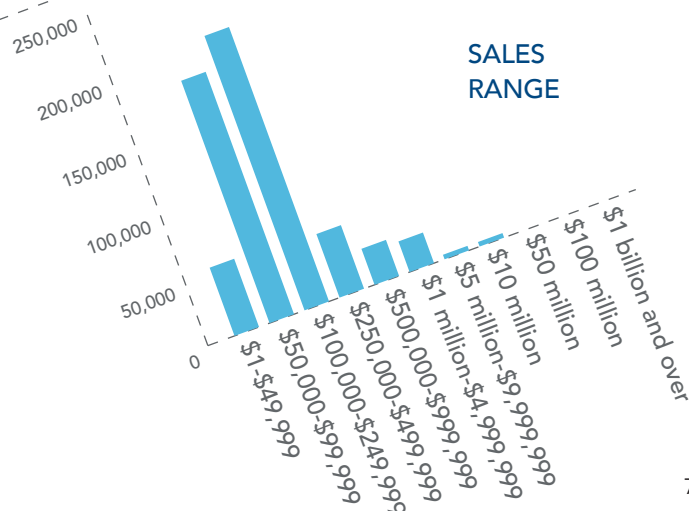
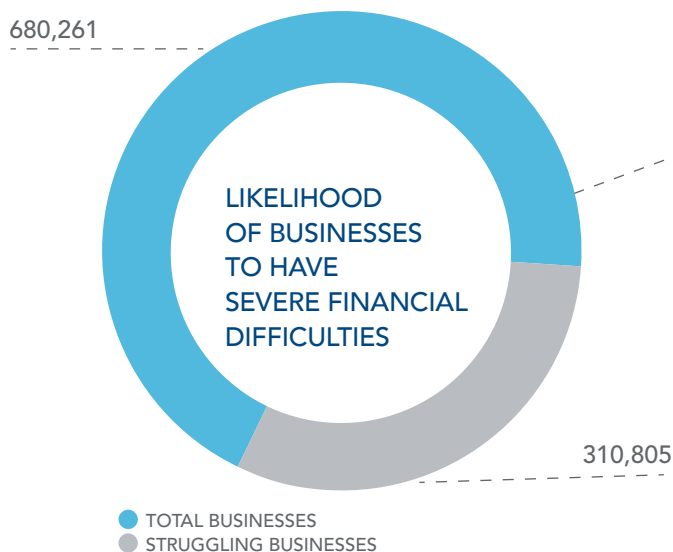
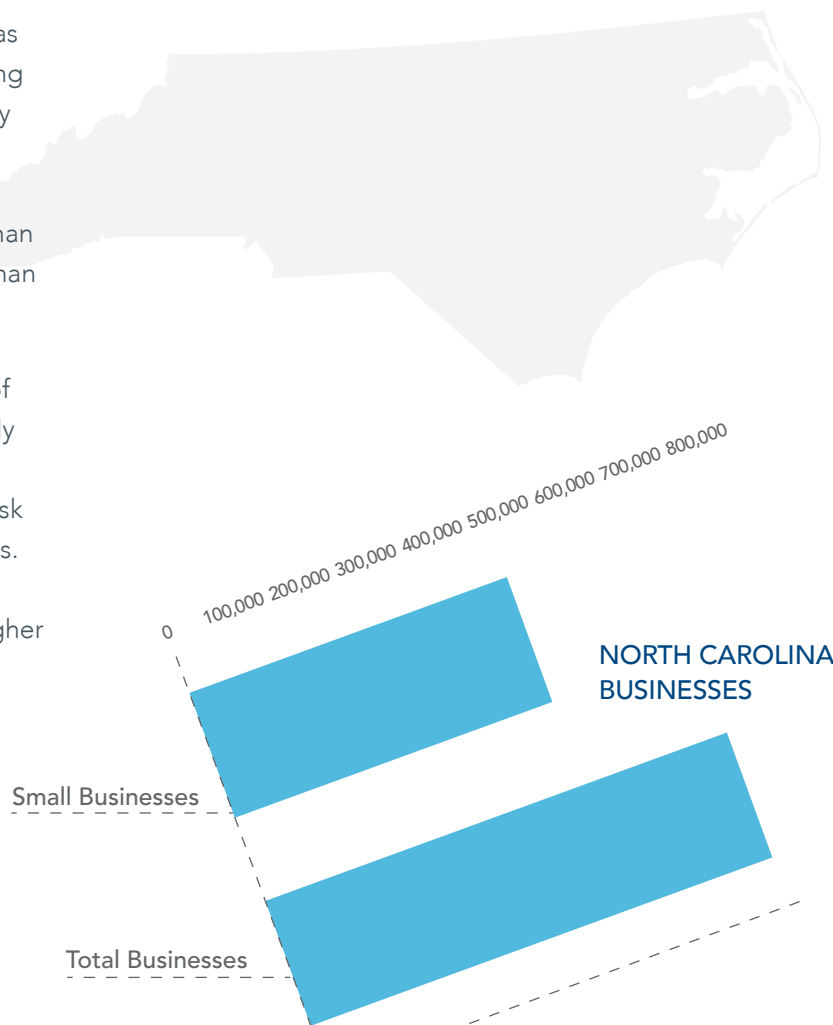
More than half of Louisiana businesses face moderate to significant financial difficulty in keeping their doors open according to the FSS, an important distinguishing feature during the midterm election. Conversely, roughly 35 percent of companies have a Class 3 FSS, gauging businesses at mild risk of ceasing operations over the next 12 months. Nevertheless, 52 percent of Louisiana businesses face moderate to significant risk of closure, well above the national average of 41 percent. Among the four battleground states, Louisiana boasts the highest percentage of at-risk businesses in terms of financial stress.



NORTH CAROLINA

The Tar Heel State counts 697,640 businesses as of September 2014, making it the largest among battleground states in the midterm election by number of businesses. Among those, 479,822 are small businesses. Most North Carolina businesses generate annual revenue of less than \$250,000, although nearly 23,000 earn more than \$1 million a year.

North Carolina businesses face a higher risk of business failure, according to the FSS. Roughly 37 percent of companies have a Class 3 FSS, meaning those businesses are somewhat at risk of ceasing operations over the next 12 months. In addition, 46 percent of businesses faced moderate to severe risk of closure, slightly higher than the national average of 41 percent.





For monthly updates on the health of the entire U.S. economy — including small business performance, employment, and overall business viability — visit the D&B Economic Health Tracker at **www.dnb.com/tracker**.

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