2024 PRIVATE CAPITAL MARKETS REPORT

Craig R. Everett, PhD
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Craig R. Everett, PhD

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PEPPERDINE PRIVATE CAPITAL MARKETS PROJECT

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April 30, 2024

Dear friends and colleagues;

It has been another exciting year in the private capital markets. Inflation has emerged as the most significant driver of changes in the markets. Labor availability (or lack thereof) continues to be the other major factor affecting private businesses.

Higher interest rates for senior debt continue to reverse a fifteen-year tightening in the mezzanine debt market. Mezzanine providers closed even more deals this year than last year. Warrants continue to hold steady, but most deals still do not include warrants. The cash interest rate on mezz deals is up from a median of 12% last year to 13% this year.

Across the board, investor (limited partner) expectations of annual returns are down 1-2% from last year. For private equity, expected returns for buyout transactions are 7-8% lower than last year, with a median expected return of only about 21%.

In the venture capital world, revenue multiples for growth stage companies have dropped dramatically from a median of 7x last year to 4x this year. VC usage of "gut feel" as a valuation method has held steady at 8%.

Private equity investors are seemingly less timid than their VC counterparts. EBITDA multiples for buyout transactions of companies with $10MM in EBITDA, for example, are now a frothy 7x, up from 5.5x in the previous year. Other size categories have similar increases.

This year's report is available in digital (pdf) format on our http://privatecap.org/reports/ website. We would like to thank Confluence Capital Group for their continued financial support as a sponsor.

I am also pleased to announce that due to funding improvements, we will NOT be charging a fee for this 2024 report.

As always, thank you so much for your continued support.

With sincere appreciation,

Craig R. Everett, PhD
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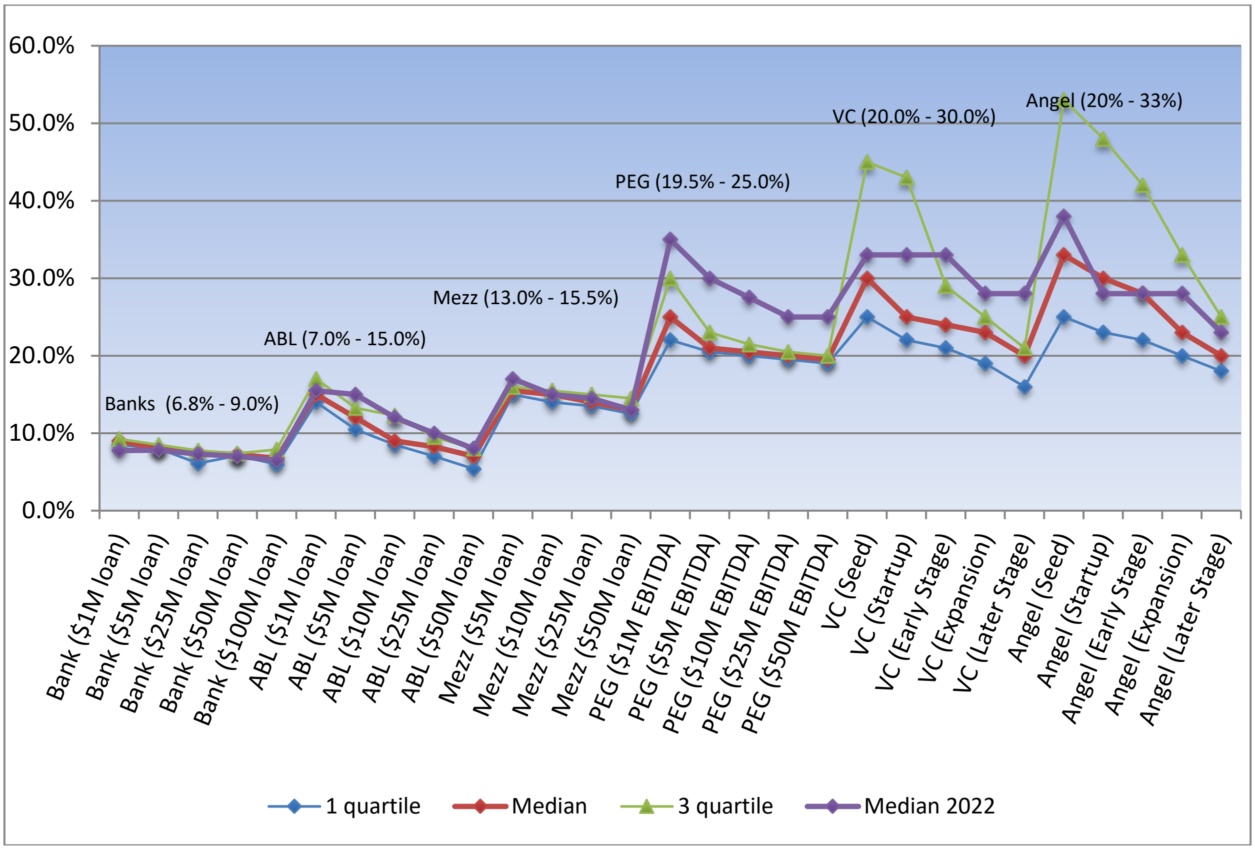
PEPPERDINE PRIVATE CAPITAL MARKETS SURVEY

The Pepperdine private cost of capital (PCOC) survey was originally launched in 2007 and was the first comprehensive and simultaneous investigation of the major private capital market segments. This year's survey was deployed in January 2024 and specifically examined the behavior of senior lenders, asset-based lenders, mezzanine funds, private equity groups, venture capital firms, angel investors, privately-held businesses, investment bankers, business brokers, limited partners, and business appraisers. The Pepperdine PCOC survey investigates, for each private capital market segment, the important benchmarks that must be met in order to qualify for each particular capital type, how much capital is typically accessible, what the required returns are for extending capital in today's economic environment, and outlooks on demand for various capital types, interest rates, and the economy in general.

Our findings indicate that the cost of capital for privately-held businesses varies significantly by capital type, size, and risk assumed. This relationship is depicted in the Pepperdine Private Capital Market Line, which appears below.

Figure 1. Private Capital Market Required Rates of Return



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The cost of capital data presented below identifies medians, 25th percentiles (1st quartile), and 75th percentiles (3rd quartile) of annualized gross financing costs for each major capital type and its segments. The data reveal that loans have the lowest average cost while capital obtained from angels has the highest average cost of capital. As the size of loan or investment increases, the cost of borrowing or financing from any of the following sources decreases. *Note: in this report, cells with only a "-" indicate categories where there were not enough survey observations for a meaningful result.*

Table 1. Private Capital Market Required Rates of Return

	1st quartile	Median	3rd quartile
Bank ($1M loan)	8.5%	9.0%	9.3%
Bank ($5M loan)	8.0%	8.0%	8.5%
Bank ($10M loan)	6.1%	7.5%	7.8%
Bank ($25M loan)	7.1%	7.3%	7.4%
Bank ($50M loan)	6.0%	6.8%	7.9%
ABL ($1M loan)	14.0%	15.0%	17.0%
ABL ($5M loan)	10.5%	12.0%	13.3%
ABL ($10M loan)	8.5%	9.0%	12.3%
ABL ($25M loan)	7.0%	8.3%	9.5%
ABL ($50M loan)	5.4%	7.0%	8.0%
Mezz ($5M loan)	15.0%	15.5%	16.0%
Mezz ($10M loan)	14.0%	15.0%	15.5%
Mezz ($25M loan)	13.5%	14.0%	15.0%
Mezz ($50M loan)	12.5%	13.0%	14.5%
PEG ($1M EBITDA)	22.0%	25.0%	30.0%
PEG ($5M EBITDA)	20.5%	21.0%	23.0%
PEG ($10M EBITDA)	20.0%	20.5%	21.5%
PEG ($25M EBITDA)	19.5%	20.0%	20.5%
PEG ($50M EBITDA)	19.0%	19.5%	20.0%
VC (Pre-Seed)	34.8%	51.5%	68.3%
VC (Seed)	19.3%	25.5%	43.0%
VC (Early Stage)	21.8%	25.5%	29.3%
VC (Expansion)	21.8%	23.0%	25.5%
VC (Later Stage)	-	-	-
Angel (Seed)	25.0%	33.0%	53.0%
Angel (Startup)	23.0%	30.0%	48.0%
Angel (Early Stage)	22.0%	28.0%	42.0%
Angel (Expansion)	20.0%	23.0%	33.0%
Angel (Later Stage)	18.0%	20.0%	25.0%

LIMITED PARTNER SURVEY INFORMATION

Approximately 24% of the 33 respondents in the limited partner survey reported direct investments as being the best risk/return trade-off investment class and another 24% reported buyout private equity as being the best risk/return trade-off investment class. When asked about which industry currently offers the best risk/return trade-off 19% of respondents reported financial services and another 19% reported information technology.

- On average respondents target to allocate 29% of their assets to direct investments, 14% to growth private equity, 13% to venture capital and 13% buyout private equity. Respondents expect the highest returns of 13% from direct investments, 12% from growth private equity, 10% from venture capital and 8% from buyout private equity.

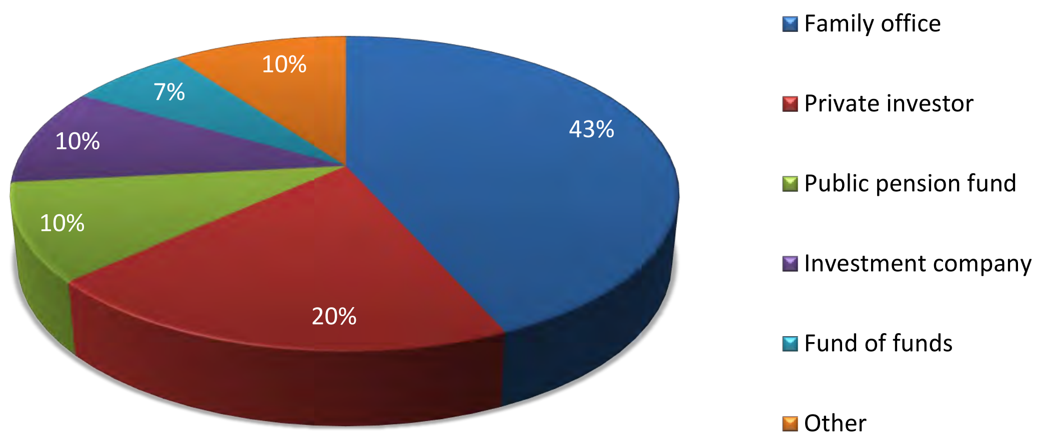
- Respondents indicated increased allocation to private equity, mezzanine funds and direct investments; and decreased allocation to venture capital, hedge funds and real estate funds in the last twelve months. They also reported worsened business conditions and slightly increased expected returns on new investments.

- Respondents also expect further increases in allocation to direct investments and decreases in allocation to hedge funds, worsening business conditions and increasing expected returns.

Operational and Assessment Characteristics

Approximately 43% of respondents indicated being family office followed by private investor (20%).

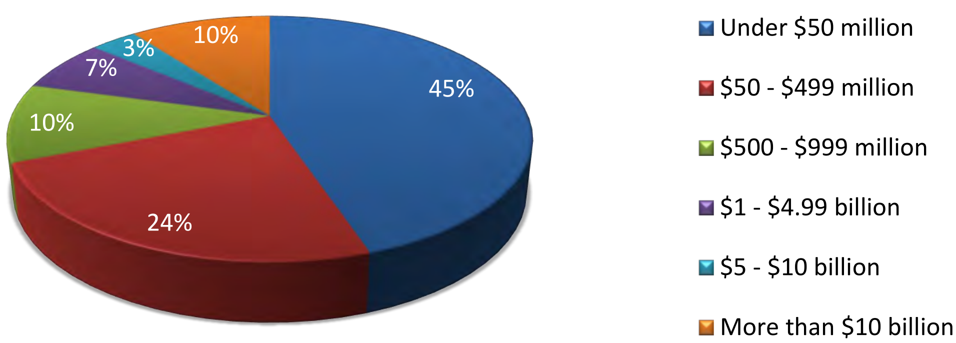
Figure 2. Entity Type



LP cont.

Approximately 45% of respondents reported their assets under management (AUM) category being less than $50 million, while another 24% were between $50 million and $500 million.

Figure 3. Assets under Management or Investable Funds



Respondents reported on their % of total asset allocations for "Alternative Assets".

Figure 4. Current Asset Allocation for "Alternative Assets" (% of total portfolio)

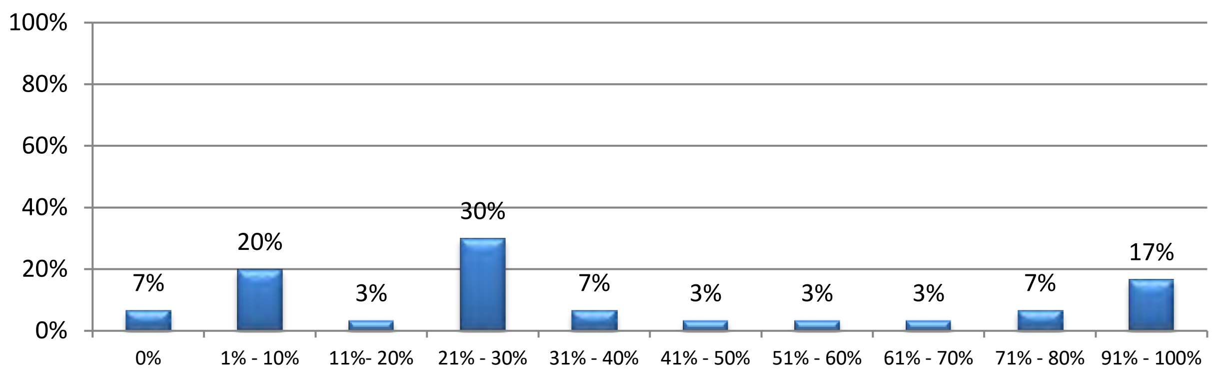
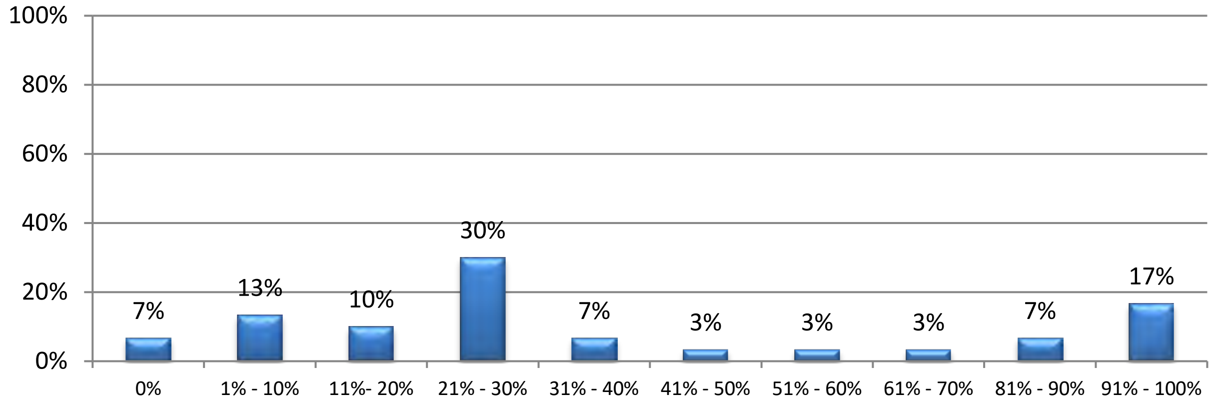


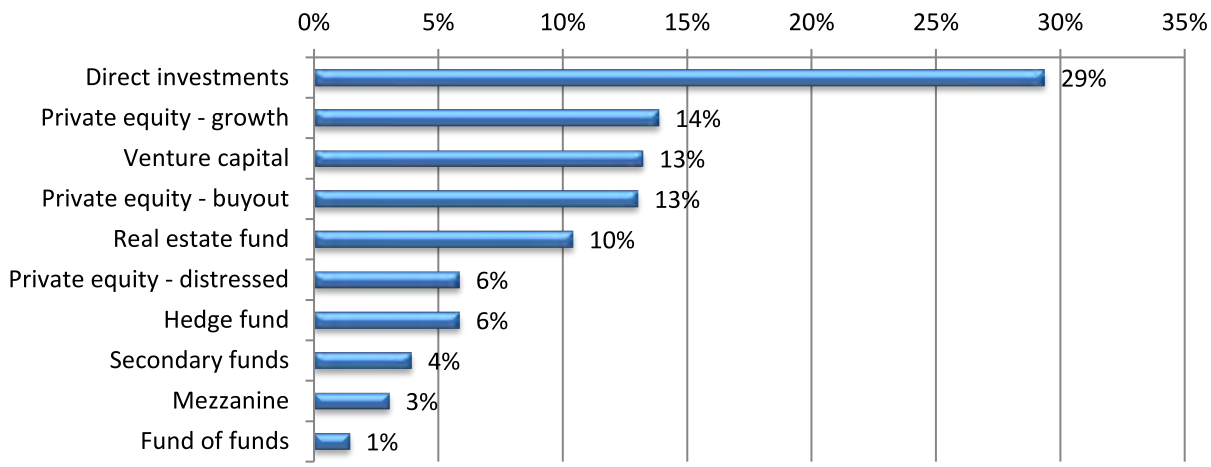
Figure 5. Target Asset Allocation for "Alternative Assets" (% of total portfolio)



LP cont.

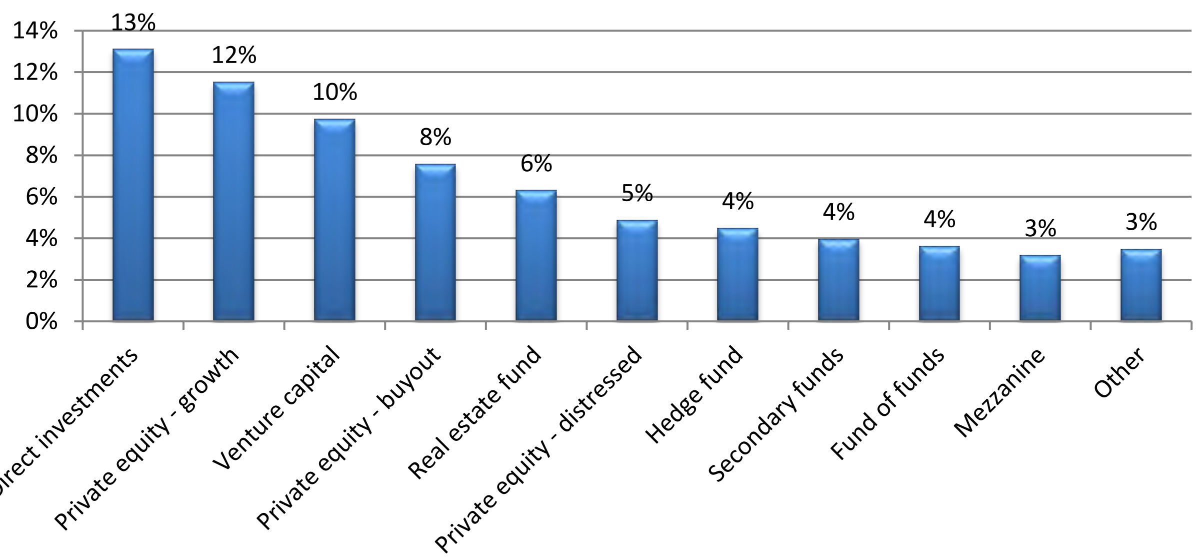
On average respondents target to allocate 29% of their assets to direct investments, 14% to growth private equity, 13% to venture capital and 13% buyout private equity.

Figure 6. Target Asset Allocation by Assets



On average, respondents expect the highest returns from direct investments, from growth private equity and venture capital.

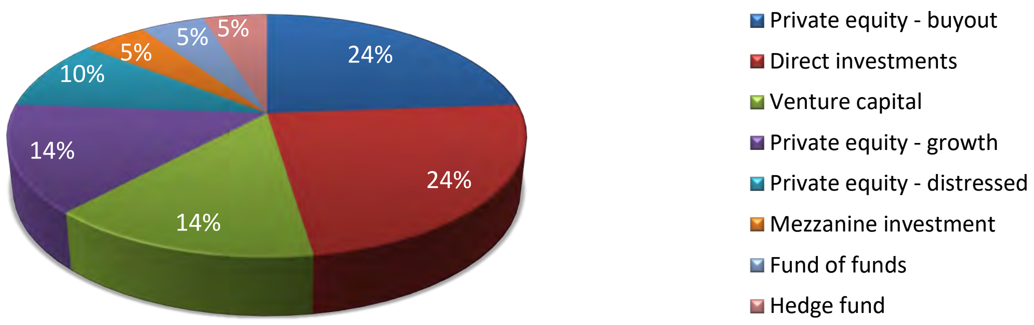
Figure 7. Annual Return Expectations for New Investments



LP cont.

Approximately 24% of the 33 respondents in the limited partner survey reported direct investments as being the best risk/return trade-off investment class and another 24% reported buyout private equity as being the best risk/return trade-off investment class.

Figure 8. Assets with the Best Risk/Return Trade-off Currently



When asked about which industry currently offers the best risk/return trade-off 19% of respondents reported financial services and another 19% reported information technology.

Figure 9. Industry with the Best Risk/Return

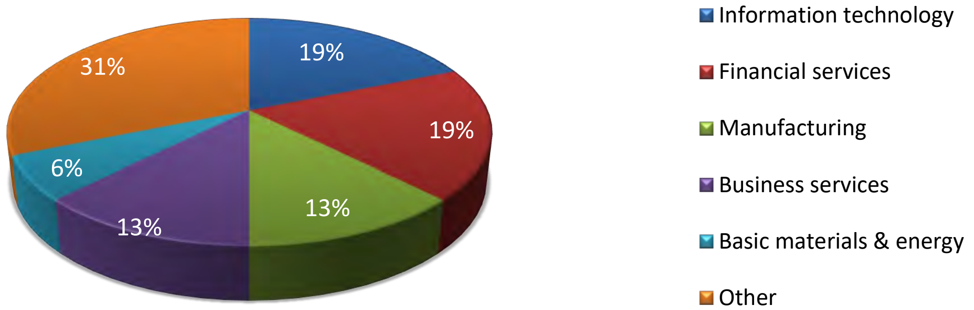
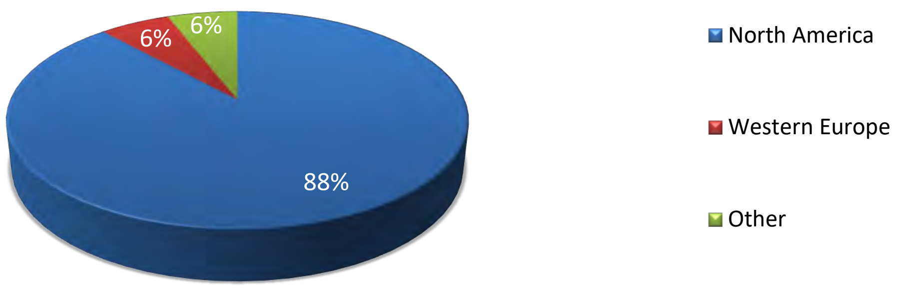
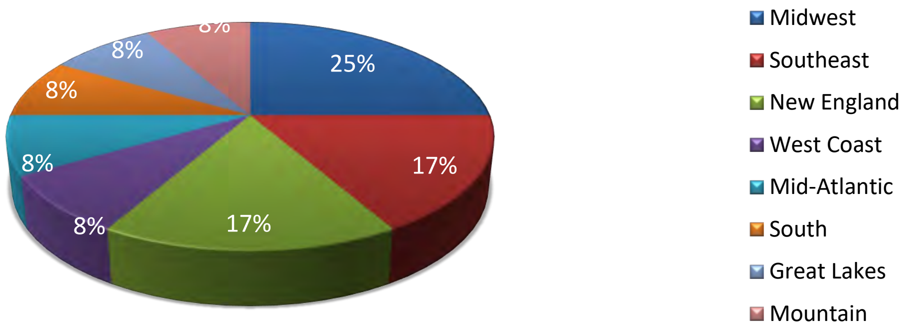


Figure 60. World Geographic Regions Offering the Best Risk/Return Tradeoff Currently



LP cont.

Figure 60. Geographic Regions in the US Offering the Best Risk/Return Tradeoff Currently



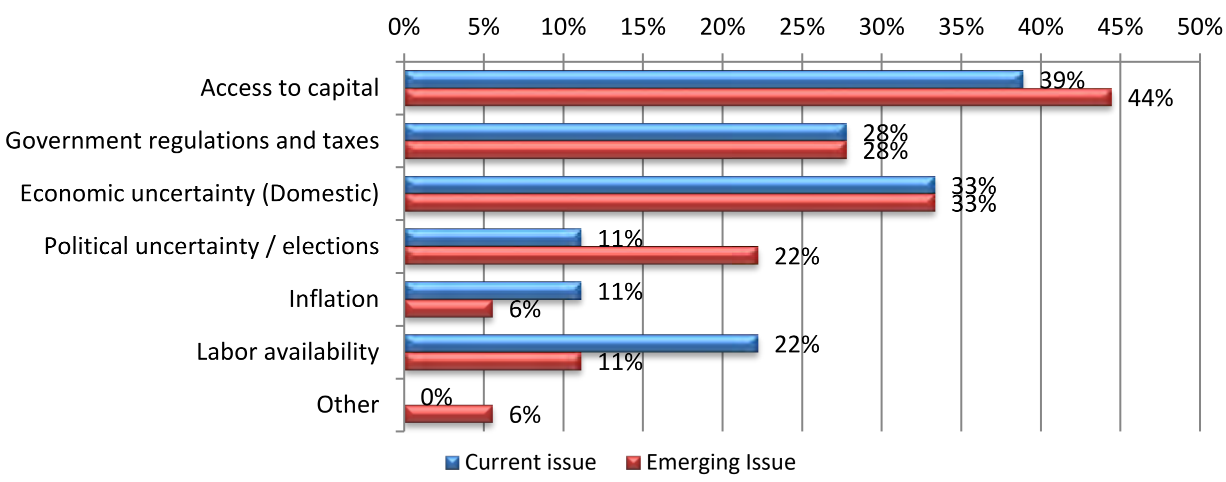
According to respondents, general partner and specific strategy are the most important factors when evaluating investment.

Table 2. Importance of Factors When Evaluating Funds

Characteristics	Unimportant	Of little importance	Moderately Important	Important	Very important	Score (1 to 5)
Historical fund performance on all funds	0%	0%	32%	47%	21%	**3.9**
Returned capital from most recent fund (Distribution to Paid-in or DPI)	0%	11%	33%	50%	6%	**3.5**
Residual value of most recent fund (Residual Value to Paid-in or RVPI)	0%	28%	39%	28%	6%	**3.1**
General partner	0%	5%	10%	25%	60%	**4.4**
Specific strategy	0%	0%	20%	40%	40%	**4.2**
Specific location	11%	28%	33%	11%	17%	**2.9**
Gut feel/instinct	5%	37%	21%	26%	11%	**3.0**
Other	0%	0%	0%	0%	100%	**5.0**

Respondents believe access to capital and domestic economic uncertainty are the most important current and emerging issues facing privately-held businesses.

Figure 10. Issues Facing Privately-Held Businesses



LP cont.

Respondents indicated increased allocation to private equity, mezzanine funds and direct investments; and decreased allocation to venture capital, hedge funds and real estate funds in the last twelve months. They also reported worsened business conditions and slightly increased expected returns on new investments.

Table 3. General Business and Industry Assessment: Today versus 12 Months Ago

	Decreased significantly	Decreased slightly	Stayed about the same	Increased slightly	Increased significantly	% increase	% decrease	**Net increase**
Allocation to venture capital	6%	19%	69%	6%	0%	6%	25%	**-19%**
Allocation to private equity	0%	5%	58%	32%	5%	37%	5%	**32%**
Allocation to mezzanine	7%	0%	79%	7%	7%	14%	7%	**7%**
Allocation to hedge funds	13%	13%	75%	0%	0%	0%	25%	**-25%**
Allocation to secondary funds	13%	6%	63%	19%	0%	19%	19%	**0%**
Allocation to real estate funds	7%	20%	60%	13%	0%	13%	27%	**-13%**
Direct investments	6%	6%	44%	39%	6%	44%	11%	**33%**
General business conditions	18%	24%	47%	12%	0%	12%	41%	**-29%**
Expected returns on new capital deployed	5%	21%	42%	32%	0%	32%	26%	**5%**

Respondents also expect further increases in allocation to direct investments and decreases in allocation to hedge funds, worsening business conditions and increasing expected returns.

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

	Decrease significantly	Decrease slightly	Stay about the same	Increase slightly	Increase significantly	% increase	% decrease	**Net increase/ decrease**
Allocation to venture capital	17%	6%	67%	6%	6%	11%	22%	**-11%**
Allocation to private equity	0%	0%	61%	33%	6%	39%	0%	**39%**
Allocation to mezzanine	7%	0%	79%	14%	0%	14%	7%	**7%**
Allocation to hedge funds	13%	19%	69%	0%	0%	0%	31%	**-31%**
Allocation to secondary funds	6%	13%	63%	19%	0%	19%	19%	**0%**
Allocation to real estate funds	0%	13%	50%	31%	6%	38%	13%	**25%**
Direct investments	5%	0%	50%	35%	10%	45%	5%	**40%**
General business conditions	6%	22%	56%	17%	0%	17%	28%	**-11%**
Expected returns on new capital deployed	5%	11%	53%	32%	0%	32%	16%	**16%**

BANK LENDING SURVEY INFORMATION

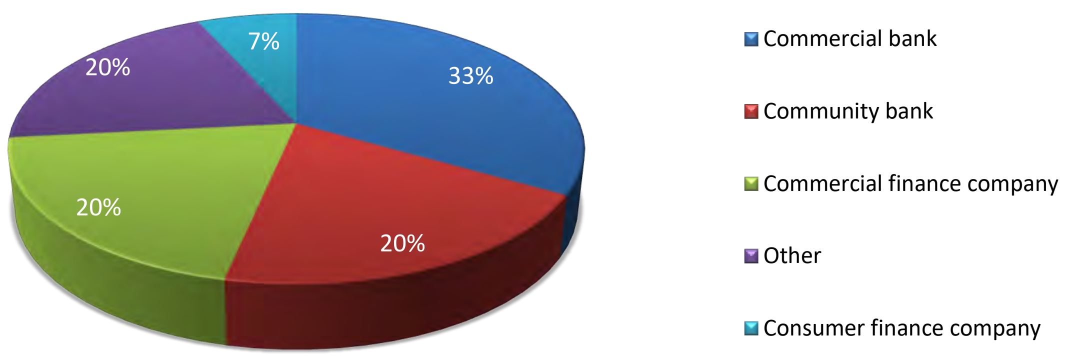
There were 16 responses to the bank lending survey. Over 38% of respondents believe that general business conditions will worsen over the next 12 months and over 25% said demand for loans will decrease. Other key findings include:

- Over the last twelve months respondents were seeing decreased senior and flat total leverage multiples, with big increase in general underwriting standards and flat percent of loans with personal guarantee.
- Respondents also expect flat general business conditions, increasing demand for business loans, total multiples, leverage multiples, and interest rates.
- Currently, 50% of lenders see labor availability and inflation as the top issues facing privately-held businesses today.

Operational and Assessment Characteristics

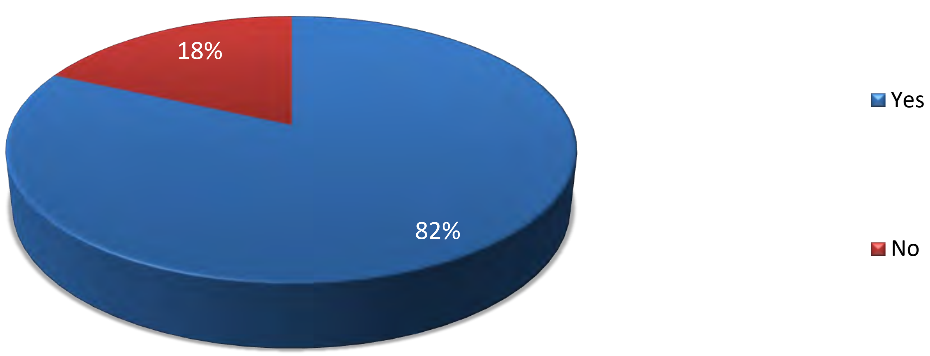
Respondents reported on the type of entity that best describes their lending function.

Figure 11. Description of Lending Entity



The majority (82%) report participating in government loan programs.

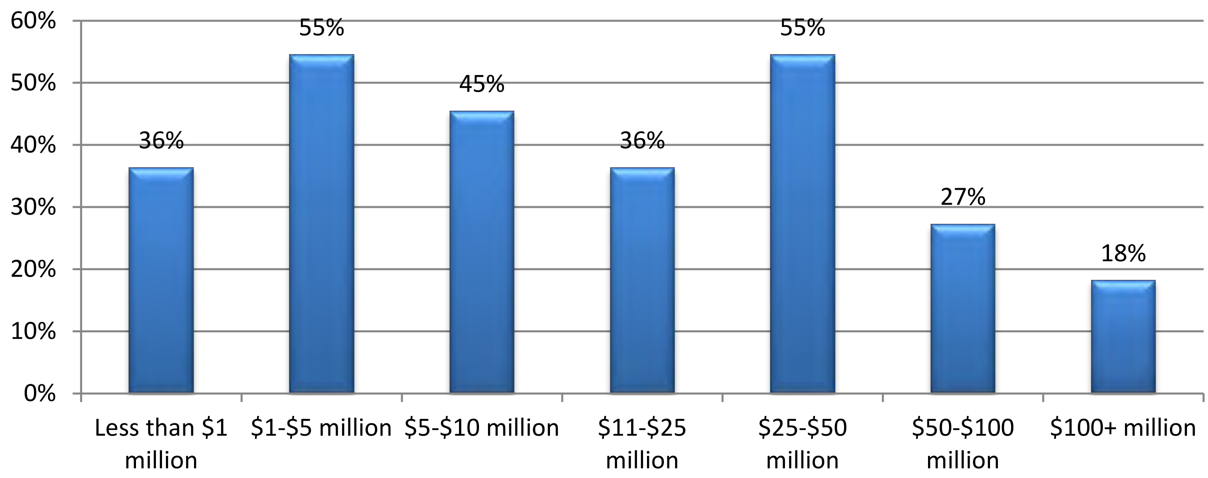
Figure 12. Participation in Government Loan Programs



BANKS cont.

The largest concentration of loan sizes was between $1 million and $50 million.

Figure 13. Typical Investment Size



Respondents reported on average terms for various loan sizes.

Table 5. General Characteristics – Bank Loans by Size

	Median interest rate	Median term (years)	Commitment fee (%)	Closing fee (%)
Less than $1 million	9.0%	5	0.0%	0.2%
$1-$5 million	8.0%	5	0.5%	0.2%
$6-$10 million	7.5%	4	0.2%	0.2%
$11-$25 million	7.3%	2.5	0.7%	0.1%
$25-$50 million	6.8%	4.5	0.8%	0.0%

Senior leverage multiples are reported below for the various industries and EBITDA sizes.

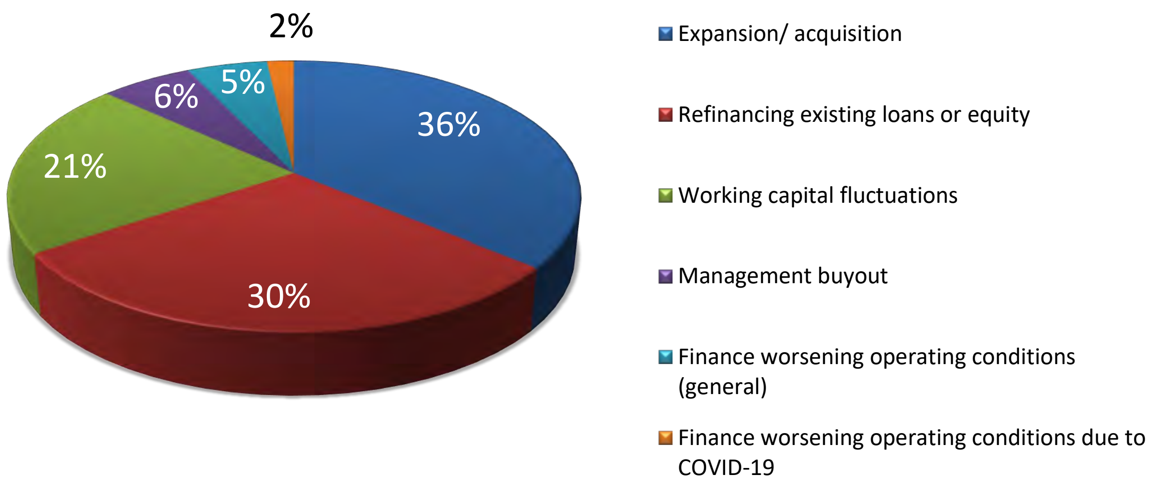
Table 6. Senior Leverage Multiple by EBITDA Size

	$1M EBITDA	$5M EBITDA	$10M EBITDA	$25M EBITDA	$50M EBITDA	$50M+ EBITDA
Manufacturing	2.0	2.1	2.5	2.6	2.9	3.0
Construction & engineering	2.0	-	2.0	3.1	2.0	2.0
Consumer goods & services	1.9	1.8	1.6	3.0	2.3	2.5
Wholesale & distribution	2.0	2.0	2.5	3.4	2.5	2.5
Business services	2.0	2.0	2.5	2.6	3.0	3.1
Basic materials & energy	2.0	-	-	-	-	-
Healthcare & biotech	2.5	3.0	3.3	3.6	4.0	-
Information technology	2.0	-	-	-	-	-
Financial services	2.0	-	-	-	-	-
Media & entertainment	2.0	-	2.3	2.3	3.0	3.3
Overall median	2.0	2.0	2.5	3.0	2.9	2.8

BANKS cont.

Expansion/ acquisition was the most commonly described financing motivation at 36%, followed by refinancing existing loans or equity at 30%.

Figure 14. Borrower Motivation to Secure Financing (past 12 months)



Total debt-service coverage ratio (or fixed charge coverage) was the most important factor when deciding whether to invest or not.

Table 7. Importance of Financial Evaluation Metrics

	Unimportant	Of little importance	Moderately important	Important	Very important	Score (1 to 5)
Current ratio	29%	0%	43%	29%	0%	2.7
Senior DSCR or FCC ratio	0%	0%	14%	29%	57%	4.4
Total DSCR or FCC ratio	0%	0%	0%	43%	57%	4.6
Senior debt to cash flow	14%	0%	29%	43%	14%	3.4
Total debt to cash flow	17%	0%	17%	33%	33%	3.7
Debt to net worth	0%	0%	67%	33%	0%	3.3

Table 8. Financial Evaluation Metrics Average Data

	Average borrower data	Limit not to be exceeded
Current ratio	1.3	1.0
Senior DSCR or FCC ratio	1.3	1.2
Total DSCR or FCC ratio	1.3	1.1
Senior debt to cash flow	1.8	2.8
Total debt to cash flow	3.3	3.8
Debt to net worth	2.3	2.3

Respondents reported on the percentage of loans (by size) that require personal guarantee and collateral.

Table 9. Personal Guarantee and Collateral Percentage of Occurrence by Size of Loan (%)

	$1M loan	$5M loan	$10M loan	$25M loan	$50M loan	$100M loan	$100M+ loan
Personal guarantee	95%	95%	95%	70%	10%	0%	0%
Collateral	85%	85%	83%	80%	25%	0%	0%

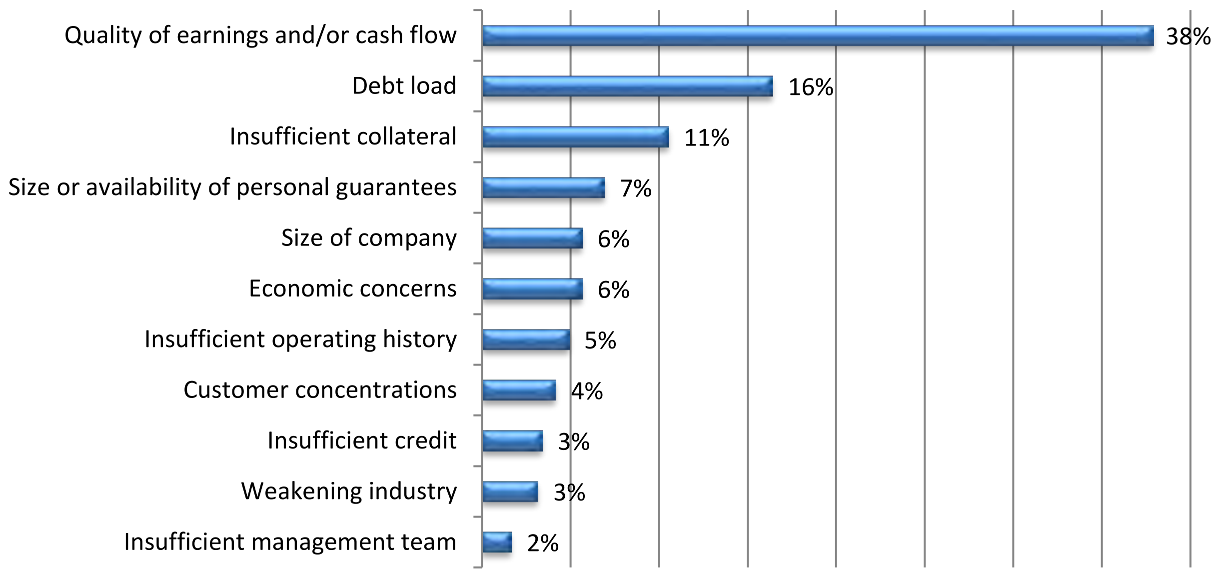
Approximately 19% of cash flow applications were declined.

Table 10. Applications Data

	Reviewed	Offered	Booked	Declined
Cash flow based	286	39%	40%	19%
Collateral based	53	66%	4%	26%
Real estate	63	73%	2%	62%

Approximately 38% of applications were declined due to poor quality of earnings and/or cash flow followed by 16% that were declined due to debt load.

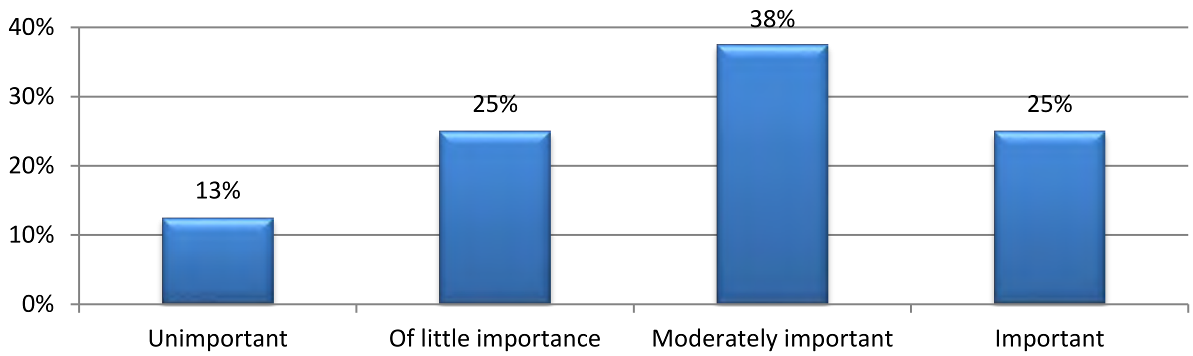
Figure 33. Reason for Declined Loans



BANKS cont.

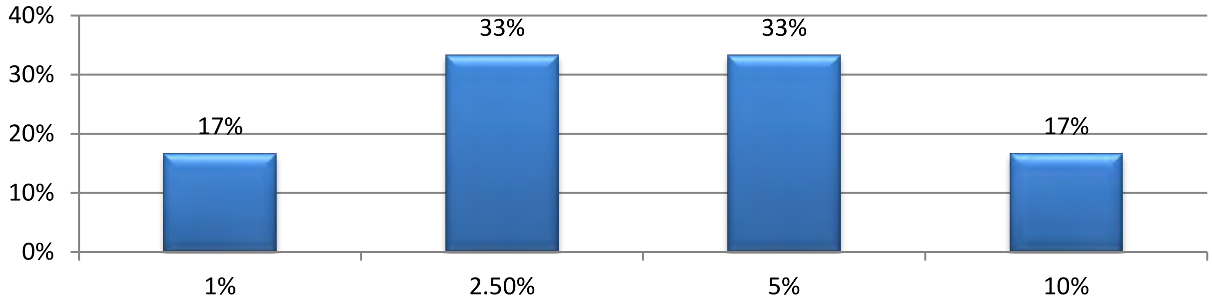
Approximately 25% of respondents identified revenue growth rate as important factor.

Figure 15. Importance of the Revenue Growth Rate Pertaining to New Cash Flow Based Loans



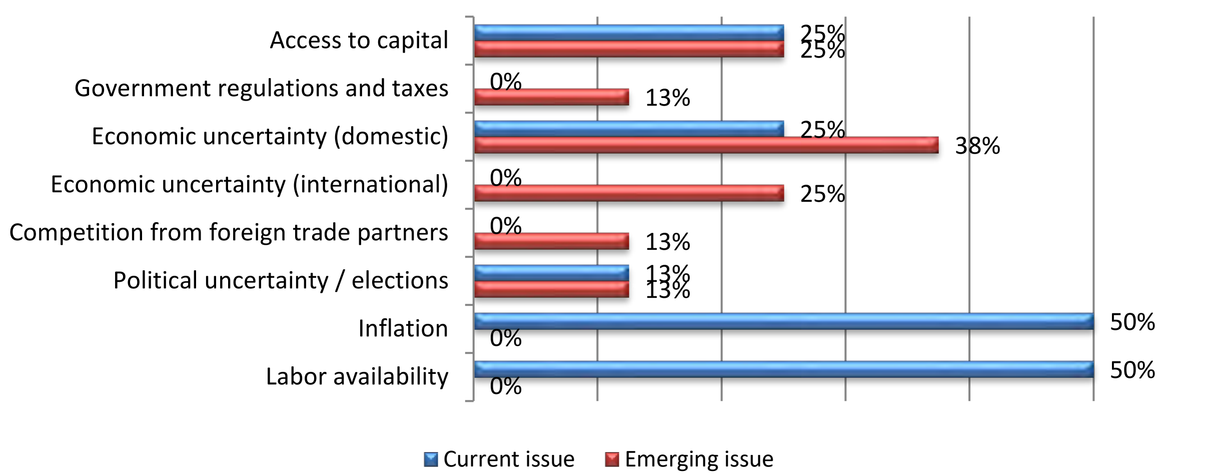
Approximately 50% of applications had a revenue growth rate of 5% or more annually.

Figure 16. Revenue Growth Rate – Average Borrower Data



Respondents believe labor availability and inflation are the most important issues facing privately-held businesses today.

Figure 34. Issues Facing Privately-Held Businesses



Over the last twelve months respondents were seeing decreased senior and flat total leverage multiples, with worsened general business conditions and decreased appetite for risk.

Table 11. General Business and Industry Assessment: Today versus 12 Months Ago

Characteristics	Decreased significantly	Decreased slightly	Stayed about the same	Increased slightly	Increased significantly	% increase	% decrease	**Net increase/ decrease**
Demand for business loans (applications)	38%	25%	13%	25%	0%	25%	63%	**-38%**
General underwriting standards	0%	0%	13%	63%	25%	88%	0%	**88%**
Credit quality of borrowers applying for credit	0%	63%	38%	0%	0%	0%	63%	**-63%**
Due diligence efforts	0%	0%	63%	0%	38%	38%	0%	**38%**
Average loan size	0%	0%	75%	25%	0%	25%	0%	**25%**
Average loan maturity (months)	0%	25%	75%	0%	0%	0%	25%	**-25%**
Percent of loans with personal guarantees	0%	0%	100%	0%	0%	0%	0%	**0%**
Percent of loans requiring collateral	0%	0%	83%	0%	17%	17%	0%	**17%**
Size of interest rate spreads (pricing)	0%	25%	0%	25%	50%	75%	25%	**50%**
Loan fees	0%	25%	38%	38%	0%	38%	25%	**13%**
Senior leverage multiples	0%	38%	38%	25%	0%	25%	38%	**-13%**
Total leverage multiples	0%	38%	38%	25%	0%	25%	38%	**-13%**
Focus on collateral as backup means of payment	0%	0%	43%	57%	0%	57%	0%	**57%**
SBA lending	0%	0%	83%	17%	0%	17%	0%	**17%**
Lending capacity of bank	29%	29%	29%	14%	0%	14%	57%	**-43%**
General business conditions	13%	88%	0%	0%	0%	0%	100%	**-100%**
Appetite for risk	25%	63%	13%	0%	0%	0%	88%	**-88%**

Respondents also expect flat general business conditions, increasing demand for business loans, total leverage multiples, senior leverage multiples, and interest rates.

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

Characteristics	Decreased significantly	Decreased slightly	Stayed about the same	Increased slightly	Increased significantly	% increase	% decrease	**Net increase/ decrease**
Demand for business loans (applications)	0%	25%	25%	38%	13%	50%	25%	**25%**
General underwriting standards	0%	0%	63%	38%	0%	38%	0%	**38%**
Credit quality of borrowers applying for credit	13%	13%	38%	38%	0%	38%	25%	**13%**
Due diligence efforts	0%	0%	75%	25%	0%	25%	0%	**25%**
Average loan size	0%	0%	88%	0%	13%	13%	0%	**13%**
Average loan maturity (months)	0%	25%	75%	0%	0%	0%	25%	**-25%**
Percent of loans with personal guarantees	0%	0%	83%	17%	0%	17%	0%	**17%**
Percent of loans requiring collateral	0%	0%	71%	29%	0%	29%	0%	**29%**
Size of interest rate spreads (pricing)	0%	25%	38%	38%	0%	38%	25%	**13%**
Loan fees	0%	0%	75%	13%	13%	25%	0%	**25%**
Senior leverage multiples	0%	13%	50%	38%	0%	38%	13%	**25%**
Total leverage multiples	0%	13%	38%	50%	0%	50%	13%	**38%**
Focus on collateral as backup means of payment	0%	14%	57%	29%	0%	29%	14%	**14%**
SBA lending	0%	17%	67%	17%	0%	17%	17%	**0%**
Lending capacity of bank	0%	0%	50%	50%	0%	50%	0%	**50%**
General business conditions	0%	38%	25%	38%	0%	38%	38%	**0%**
Appetite for risk	0%	13%	63%	25%	0%	25%	13%	**13%**

ASSET-BASED LENDING SURVEY INFORMATION

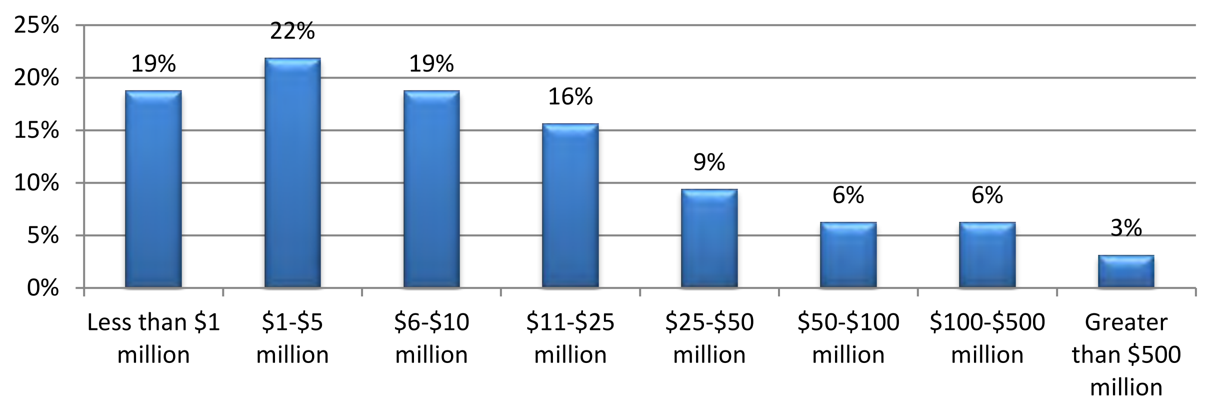
There were 13 responses to the asset-based lending survey. Over 33% of respondents believe that general business conditions will worsen over the next 12 months and over 89% said demand for loans will increase. Other key findings include:

- Over the last twelve months respondents were seeing decreased appetite for risk and increased demand for business loans.
- Respondents also expect increases in general underwriting standards, average loan size, increasing interest rates and loan fees.
- Currently, 78% lenders see access to capital as a top issue facing privately-held businesses today and domestic economic uncertainty and political uncertainty as top emerging issues.

Operational and Assessment Characteristics

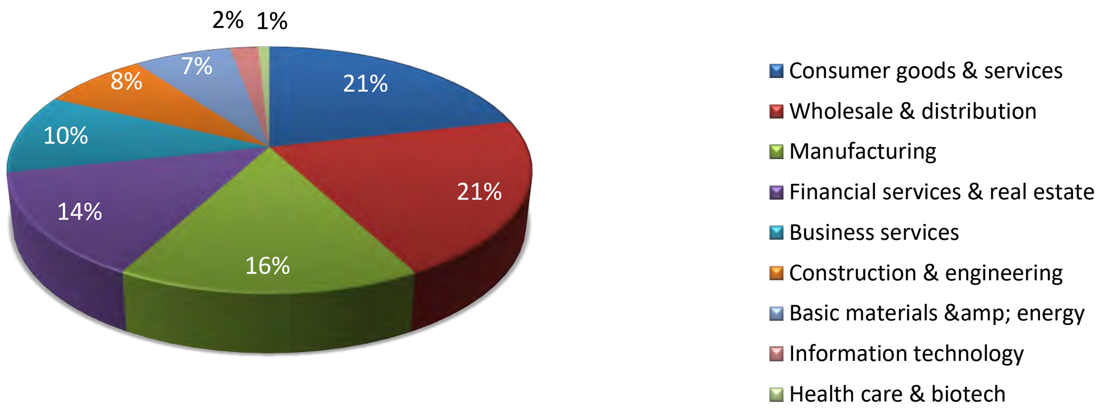
The largest concentration of loan sizes was between $1 million and $5 million.

Figure 17. Typical Investment Size



According to respondents approximately 21% of asset-based loans were issued to consumer goods & services and another 21% were issued to wholesale & distribution.

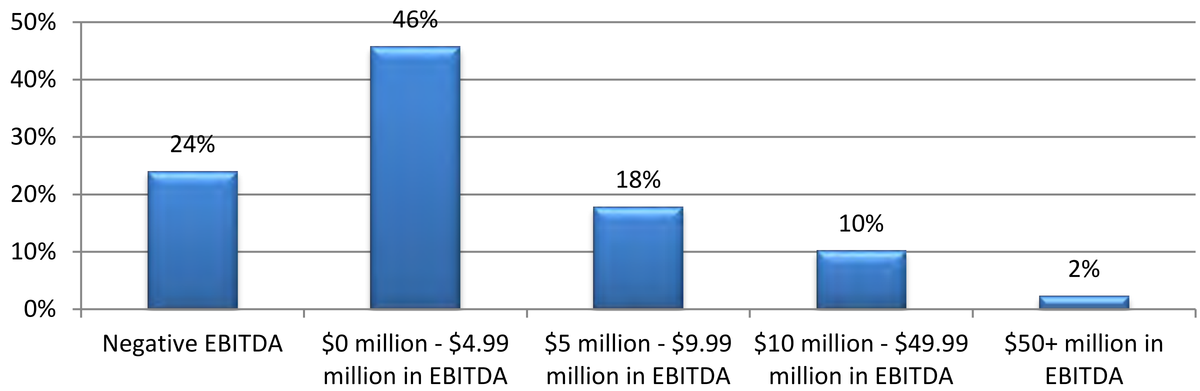
Figure 35. Industries Served by Asset-Based Lenders



ABL cont.

Approximately 46% of the companies that booked asset-based loans in the last twelve months had EBITDA size between $0 and $5 million.

Figure 18. Typical EBITDA Sizes for Companies Booked



Respondents reported on all-in rates by type and size of current booked loans and the results are reported below.

Table 13. All-in Rates on Current Asset-Based Loans (medians)

	Marketable Securities	Accounts Receivable	Inventory	Equipment	Real estate	Working capital	Typical Fixed-Rate Loan Term (months)
Less than $1 million	14.0%	14.0%	15.0%	14.0%	12.0%	15.0%	14
$1-5 million	9.3%	12.0%	12.0%	12.0%	12.0%	12.0%	38
$5-$10 million	n/a	7.8%	7.8%	9.5%	9.8%	9.0%	60
$10-25 million	5.0%	4.5%	4.5%	9.3%	8.5%	8.3%	60
$25-50 million	4.5%	4.5%	4.5%	7.8%	6.5%	7.0%	60
$50-100 million	4.5%	4.0%	4.0%	-	-	-	60
$100-500 million	4.0%	2.3%	2.0%	-	-	-	60

Respondents reported on standard advance rates and the results are reflected below.

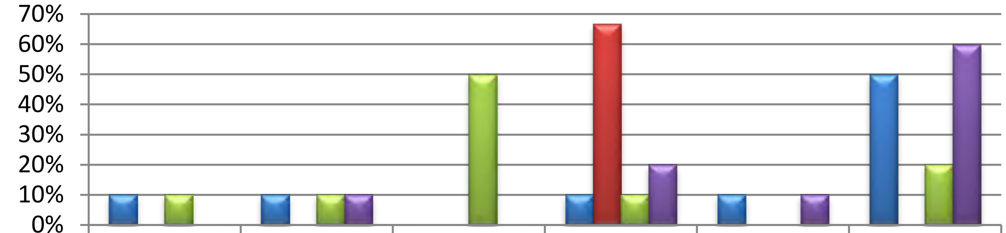
Table 14. Standard Advance Rate (or LTV ratio) for Assets (%)

	Typical Loan			Upper Limit		
	1st Quartile	Median	3rd Quartile	1st Quartile	Median	3rd Quartile
Marketable securities	5%	25%	95%	28%	68%	100%
Accounts Receivable	73%	85%	85%	85%	90%	90%
Inventory - Low quality	21%	30%	31%	40%	50%	60%
Inventory - Intermediate quality	39%	48%	51%	48%	63%	72%
Inventory - High quality	55%	65%	74%	65%	70%	78%
Equipment	71%	78%	85%	75%	85%	88%
Real Estate	9%	20%	60%	5%	65%	75%

ABL cont.

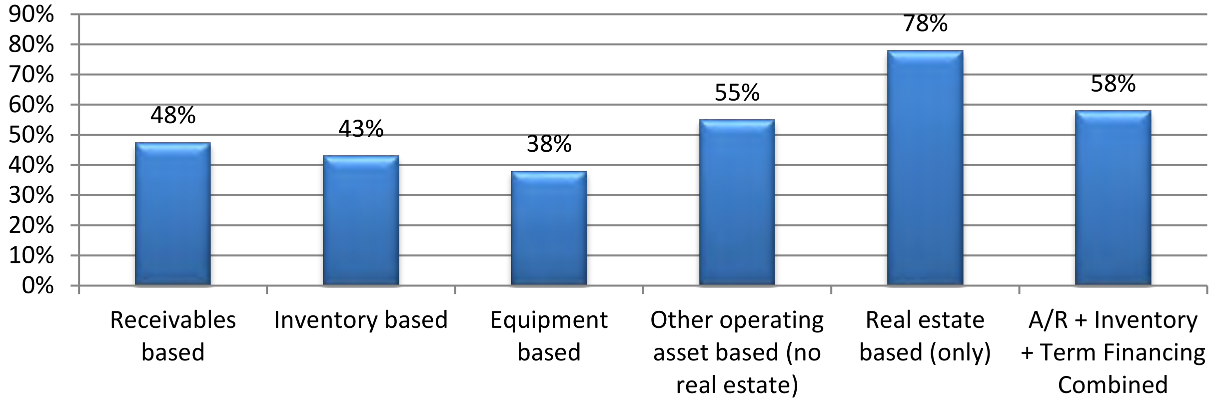
Respondents reported on valuation standards used to estimate LTV ratios.

Figure 37. Valuation Standards Used to Estimate LTV Ratio



	Purchase price	Depreciated Value (Book)	Face value	Fair Market Value	Forced liquidation	Orderly liquidation
Equipment	10%	10%	0%	10%	10%	50%
Real estate	0%	0%	0%	67%	0%	0%
Accounts Receivable	10%	10%	50%	10%	0%	20%
Inventory	0%	10%	0%	20%	10%	60%

Figure 19. Asset-Based Loans Decline Rate



Various fees as reported by lenders are as follows.

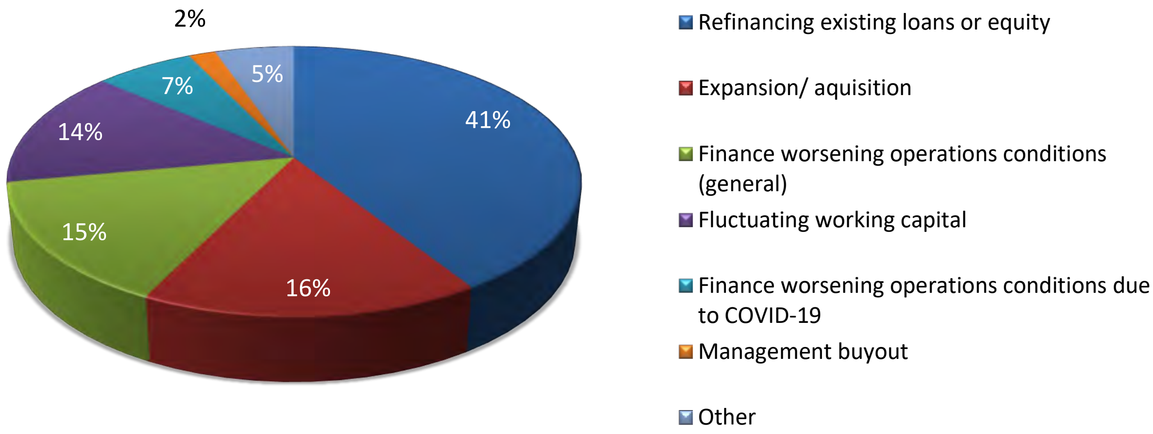
Table 15. Fees Charged

	1st Quartile	Median	3rd Quartile
Closing fee	1.0%	1.0%	1.9%
Modification fee	0.2%	0.2%	0.4%
Commitment fee	0.1%	0.2%	1.0%
Underwriting fee	0.0%	0.2%	0.2%
Arrangement fee	0.0%	0.1%	0.8%
Prepayment penalty (yr 1)	2.0%	3.0%	3.0%
Prepayment penalty (yr 2)	1.3%	2.0%	2.0%
Unused line fee	0.2%	0.4%	0.5%

ABL cont.

Refinancing existing loans or equity was the most commonly described financing motivation at 41%, followed by expansion/ acquisition at 16%.

Figure 20. Borrower Motivation to Secure Financing (past 12 months)



Total debt to cash flow, senior debt to cash flow and senior debt service coverage ratio were the most important factor when deciding whether to invest or not.

Table 16. Importance of Financial Evaluation Metrics

	Unimportant	Of little importance	Moderately important	Important	Very important	Score (1-5)
Current ratio	38%	0%	25%	25%	13%	2.8
Senior DSCR or FCC ratio	17%	0%	33%	33%	17%	3.3
Total DSCR or FCC ratio	33%	0%	33%	17%	17%	2.8
Senior debt to cash flow	17%	0%	50%	0%	33%	3.3
Total debt to cash flow	13%	13%	25%	13%	38%	3.5
Debt to net worth	43%	29%	14%	0%	14%	2.1

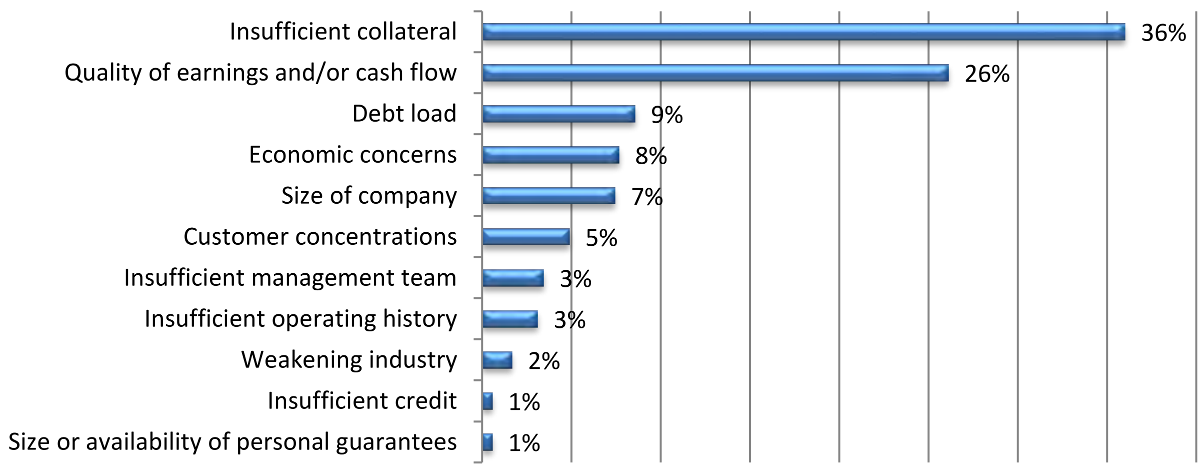
ABL cont.

Table 17. Financial Evaluation Metrics Average Data

	Average borrower data	Limit not to be exceeded
Current ratio	1.9	<1
Senior DSCR or FCC ratio	1.1	<1
Total DSCR or FCC ratio	1.2	<1
Senior debt to cash flow	1.3	1.4
Total debt to cash flow	1.8	2.0

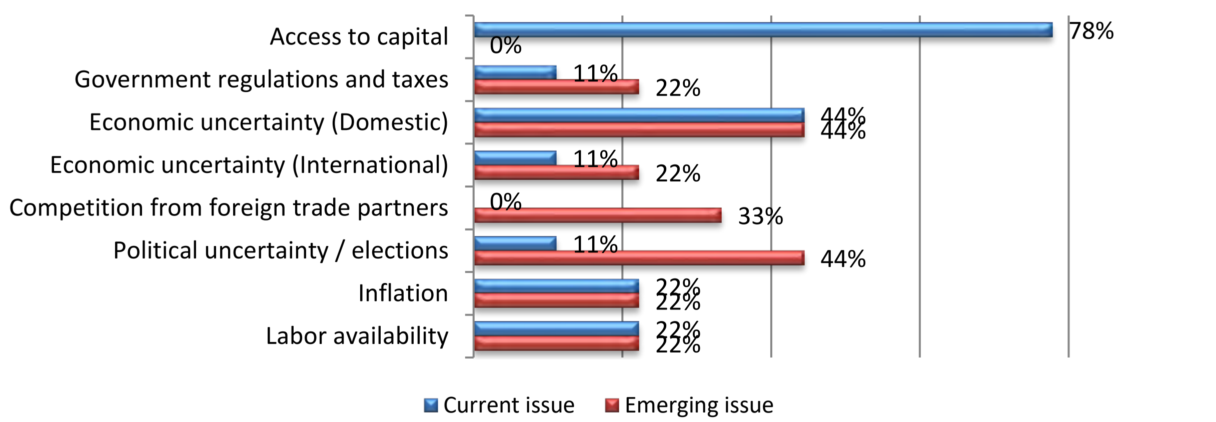
Approximately 36% of applications were declined due to insufficient collateral followed by 26% that were declined due to poor quality of earnings.

Figure 21. Reason for Declined Loans



Currently, 78% lenders see access to capital as a top issue facing privately-held businesses today and domestic economic uncertainty and political uncertainty as top emerging issues.

Figure 22. Issues Facing Privately-Held Businesses



ABL cont.

Over the last twelve months respondents were seeing decreased appetite for risk and increased demand for business loans.

Table 18. General Business and Industry Assessment: Today versus 12 Months Ago

Characteristics	Decreased significantly	Decreased slightly	Stayed about the same	Increased slightly	Increased significantly	% increase	% decrease	**Net increase/ decrease**
Demand for loans	0%	22%	11%	44%	22%	67%	22%	**44%**
General underwriting standards	0%	11%	22%	22%	44%	67%	11%	**56%**
Credit quality of borrowers	0%	22%	56%	0%	22%	22%	22%	**0%**
Due diligence efforts	0%	11%	44%	22%	22%	44%	11%	**33%**
Average loan size	0%	0%	33%	56%	11%	67%	0%	**67%**
Average loan maturity	0%	11%	67%	11%	11%	22%	11%	**11%**
Interest rate spread (pricing)	0%	0%	22%	67%	11%	78%	0%	**78%**
Loan fees	0%	0%	44%	56%	0%	56%	0%	**56%**
Loans outstanding	0%	22%	33%	33%	11%	44%	22%	**22%**
Percent of loans with personal guarantees	0%	0%	78%	22%	0%	22%	0%	**22%**
Focus on cash flow as backup means of payment	0%	0%	100%	0%	0%	0%	0%	**0%**
Nonaccrual loans	25%	13%	50%	13%	0%	13%	38%	**-25%**
Number/ tightness of financial covenants	0%	22%	67%	11%	0%	11%	22%	**-11%**
Standard advance rates	0%	0%	88%	13%	0%	13%	0%	**13%**
General business conditions	0%	11%	67%	11%	11%	22%	11%	**11%**
Appetite for risk	0%	50%	38%	13%	0%	13%	50%	**-38%**

ABL cont.

Respondents also expect increases in general underwriting standards, average loan size, worsening general business conditions, increasing interest rates and loan fees.

Table 19. General Business and Industry Assessment Expectations for the Next 12 Months

Characteristics	Decreased significantly	Decreased slightly	Stayed about the same	Increased slightly	Increased significantly	% increase	% decrease	**Net increase/ decrease**
Demand for loans	0%	0%	11%	44%	44%	89%	0%	**89%**
General underwriting standards	11%	11%	11%	67%	0%	67%	22%	**44%**
Credit quality of borrowers	0%	11%	44%	44%	0%	44%	11%	**33%**
Due diligence efforts	0%	0%	67%	22%	11%	33%	0%	**33%**
Average loan size	0%	0%	33%	67%	0%	67%	0%	**67%**
Average loan maturity	0%	0%	78%	22%	0%	22%	0%	**22%**
Interest rate spread (pricing)	0%	22%	33%	44%	0%	44%	22%	**22%**
Loan fees	0%	11%	56%	33%	0%	33%	11%	**22%**
Loans outstanding	0%	0%	22%	67%	11%	78%	0%	**78%**
Percent of loans with personal guarantees	0%	0%	78%	22%	0%	22%	0%	**22%**
Focus on cash flow as backup means of payment	0%	0%	89%	11%	0%	11%	0%	**11%**
Nonaccrual loans	0%	25%	63%	13%	0%	13%	25%	**-13%**
Number/ tightness of financial covenants	0%	11%	67%	22%	0%	22%	11%	**11%**
Standard advance rates	0%	13%	88%	0%	0%	0%	13%	**-13%**
General business conditions	0%	33%	56%	11%	0%	11%	33%	**-22%**
Appetite for risk	0%	44%	44%	11%	0%	11%	44%	**-33%**

MEZZANINE SURVEY INFORMATION

The majority of the 23 participants that responded to the mezzanine survey typically book deals in the $1 million to $50 million range. Over 23% plan on investing in business services, another 17% to manufacturing and another 16% to consumer goods & services over the next 12 months. Other key findings include:

- Relative to 12 months ago, respondents indicated increased demand for mezzanine capital and increased average investment size, decreased leverage multiples and appetite for risk. They also reported slightly improving general business conditions, increases in warrant coverage and expected returns on new investments.

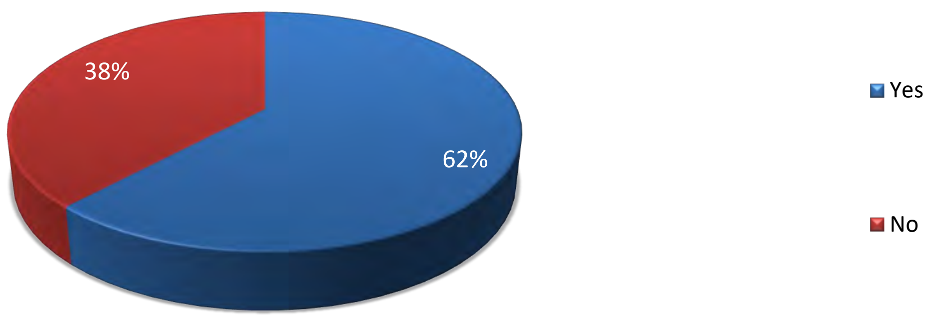
- Respondents expect increasing demand for mezzanine capital, leverage multiples, appetite for risk and improving general business conditions.

- Approximately 44% of respondents consider domestic economic uncertainty is the most important issue facing privately-held businesses today.

Operational and Assessment Characteristics

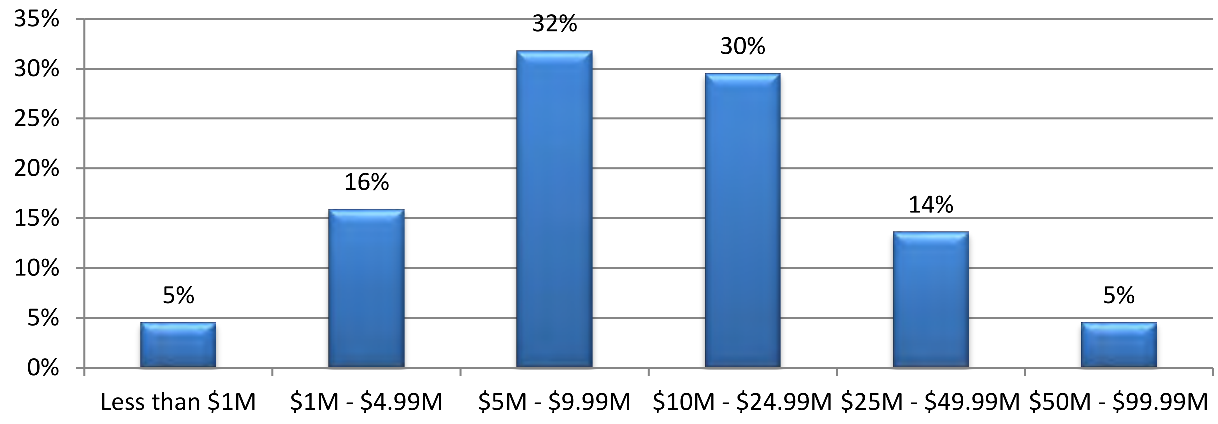
Approximately 62% of respondents are SBIC Firms.

Figure 23. SBIC (small business investment) Firms



The largest concentration of typical loan sizes is between $1 million and $50 million.

Figure 24. Typical Investment Size



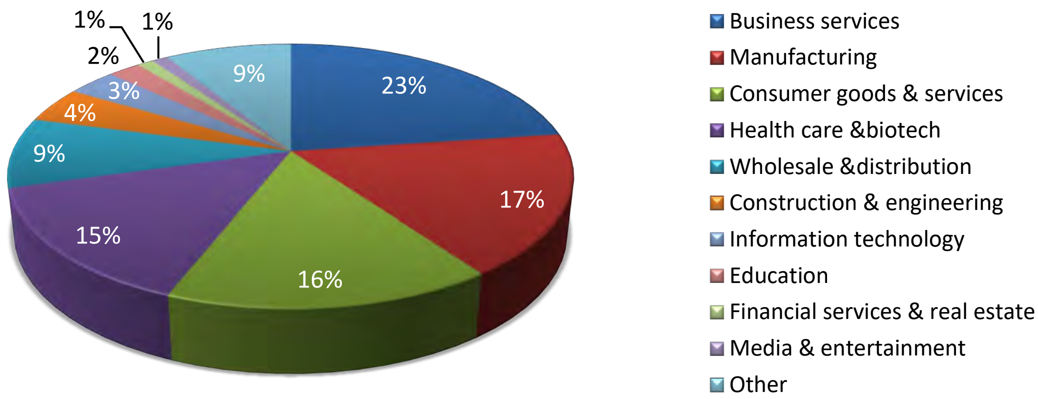
Respondents reported on business practices and the results are reflected below.

Table 20. Mezzanine Fund Data

	1st quartile	Median	3rd quartile
Vintage year (year in which first investment made)	2020	2021	2022
Size of fund ($ millions)	75	250	250
Targeted number of total investments	14	25	28
Target fund return (gross pretax cash on cash annual IRR %)	15%	15%	18%
Expected fund return (gross pretax cash on cash annual IRR %)	13%	16%	20%

The types of businesses that mezzanine lenders plan to invest in over next 12 months are very diverse with over 23% plan on investing in business services, another 17% to manufacturing and another 16% to health care & biotech.

Figure 24. Type of Business for Investments Planned over Next 12 Months



Approximately 80% of respondents made 5 investments or more over the last 12 months.

Figure 25. Total Number of Investments Made in the Last 12 Months

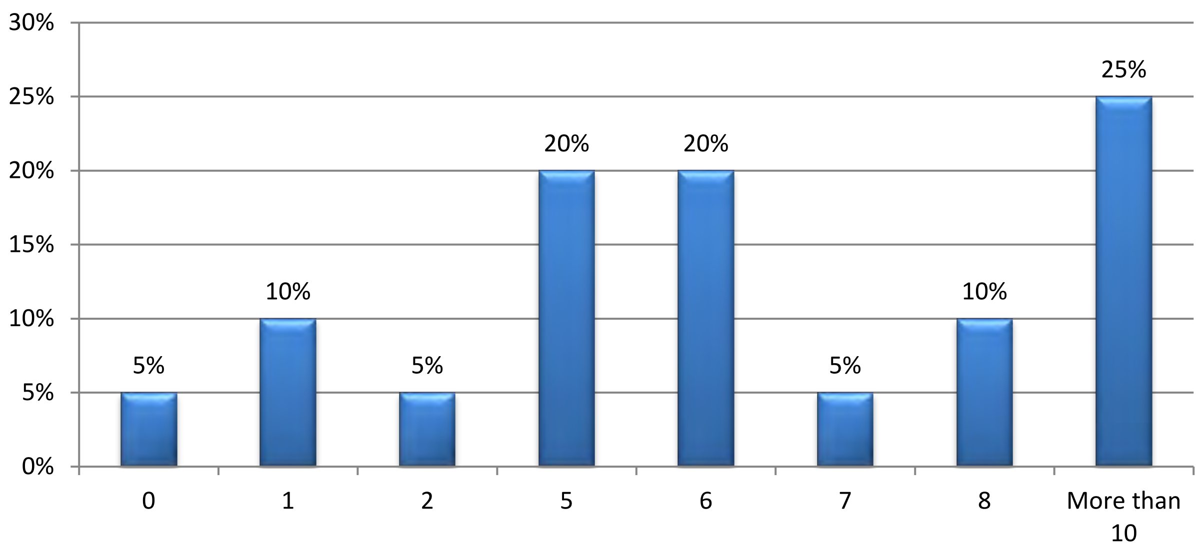
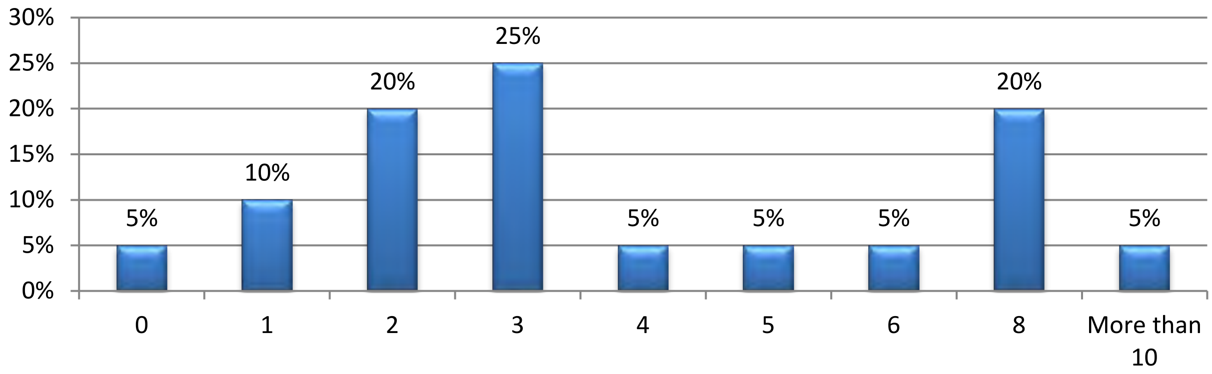


Figure 26. Number of Follow-on Investments Made in the Last 12 Months



Approximately 25% of respondents plan to make 10 investments or more over the next 12 months.

Figure 27. Number of Total Investments Planned over the Next 12 Months

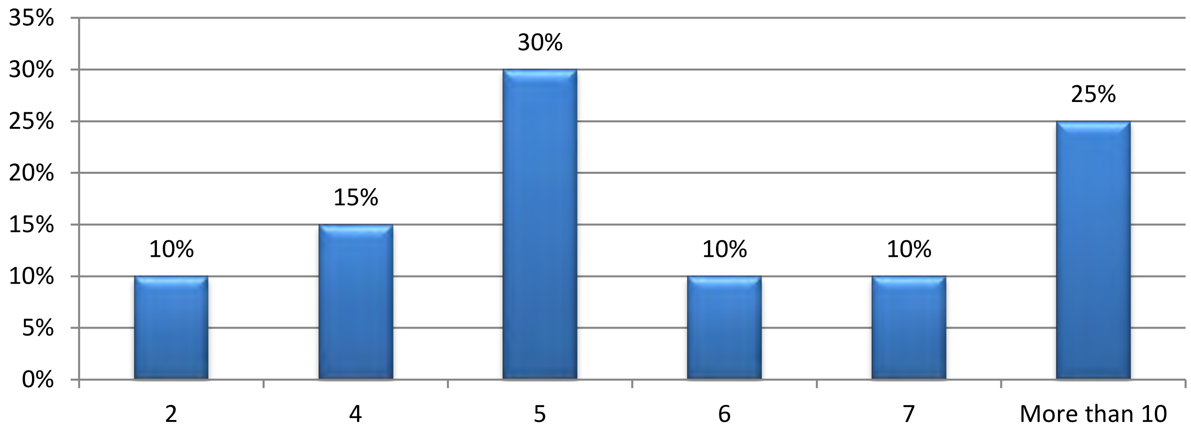
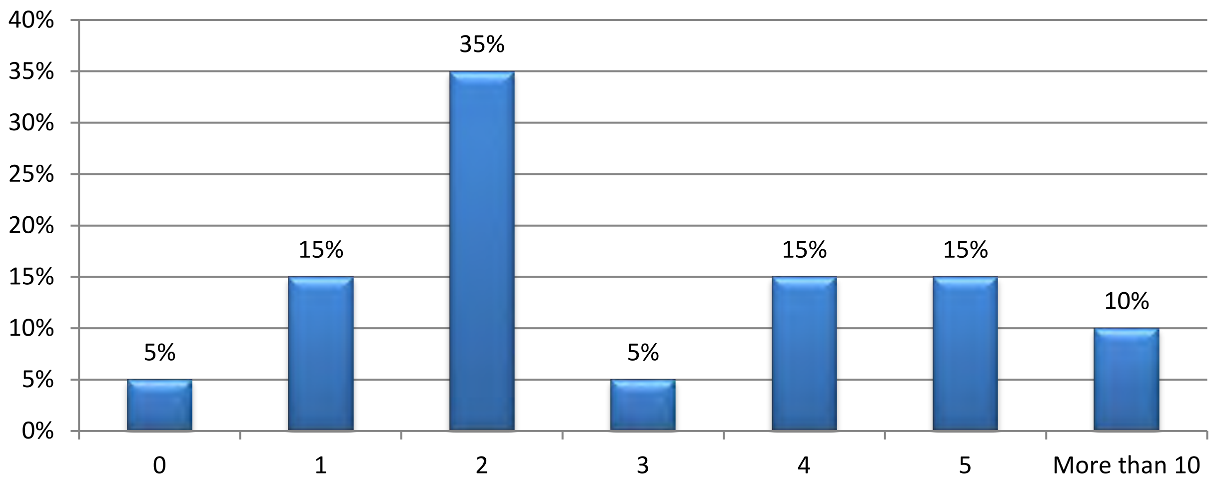


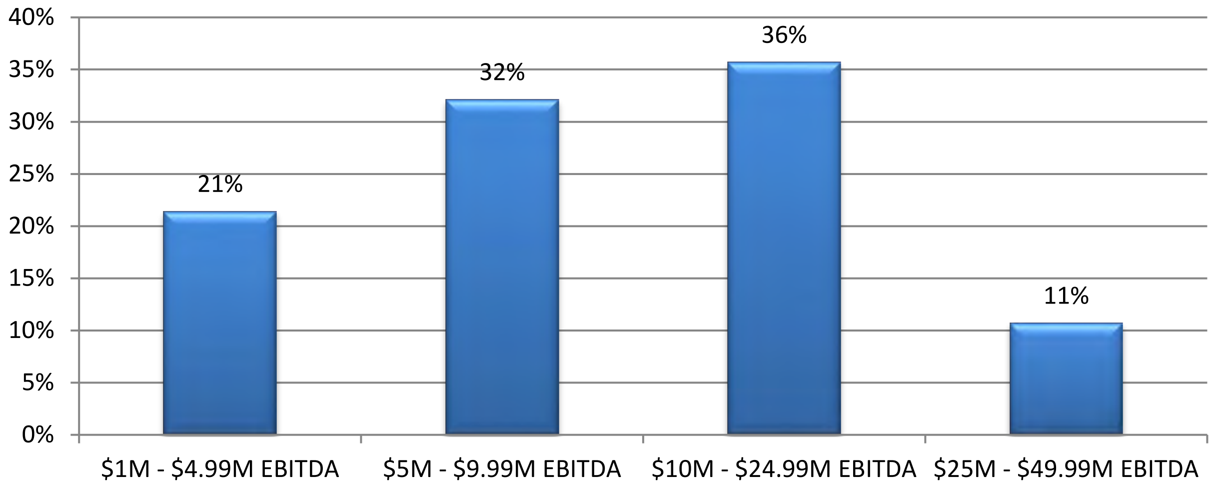
Figure 28. Number of Follow-on Investments Planned over the Next 12 Months



MEZZANINE cont.

Approximately 68% of sponsored deals were in the range between $5 million and $25 million of EBITDA.

Figure 30. Size of Sponsored Deals in the Last 12 Months



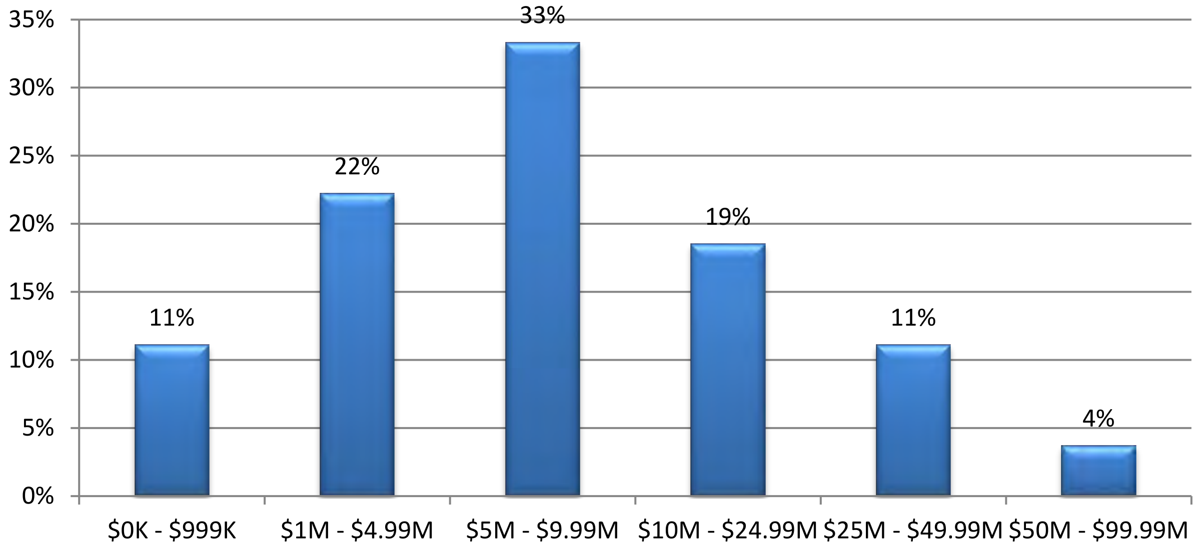
Results of responses to sponsored deals based on EBITDA size of borrowers are reported below.

Table 21. Sponsored Deals by EBITDA Size (medians)

EBITDA size	$0 - 0.99M	$1M - $4.99M	$5M - $9.99M	$10M - $24.99M	$25M - $49.99
Number of deals	1	22	28	18	4
Average loan terms (years)	4.0	5.0	5.0	5.0	1.5
Senior leverage ratio (multiple of EBITDA)	2.0	2.5	3.0	4.0	4.5
Total leverage ratio (multiple of EBITDA)	3.5	3.5	3.8	4.5	5.0
Closing fee (%)	2.5%	2.0%	1.5%	2%	2%
Cash interest rate	15%	13.5%	13%	12.5%	12%
PIK	0%	1%	1%	2%	2%
Warrants (% of FDC)	9%	0%	0%	0%	5%
Total expected returns (gross cash on pre-tax IRR)	15.5%	15.0%	14%	13%	13%

Approximately 74% of non-sponsored deals were in the range between $1 million and $25 million of EBITDA.

Figure 29. Size of Non-Sponsored Deals in the Last 12 Months



Results of responses to non-sponsored deals based on EBITDA size of borrowers are reported below.

Table 22. Non-Sponsored Deals by EBITDA Size (medians)

EBITDA size	$0K - $999K	$1M - $4.99M	$5M - $9.99M	$10M - $24.99M	$25M - $49.99M	$50M - $99.99M
Number of deals	15	21	34	14	2	1
Average loan terms (years)	2	5.3	5	5	4.3	5
Senior leverage ratio (multiple of EBITDA)	2.0	2.0	2.5	2.5	2.5	4.0
Total leverage ratio (multiple of EBITDA)	2.5	3.3	3.3	4.0	4.0	5.0
Commitment fee (%)	0%	0.8%	0.8%	1.0%	0.5%	0%
Closing fee (%)	1%	4%	1.5%	1.5%	0.8%	4%
Cash interest rate	18.0%	16%	13%	13%	13%	13%
PIK	0%	1.5%	2%	2%	2%	0%
Warrants (% of FDC)	9%	0%	5%	15%	9%	0%
Total expected returns (gross cash on pre-tax IRR)	25%	17%	17%	16%	16%	15.5%

Acquisition loan was reported by 30% of respondents as a motivation to secure mezzanine funding, followed by financing growth (20%) and refinancing (13%).

Figure 30. Borrower Motivation to Secure Mezzanine Funding (past 12 months)

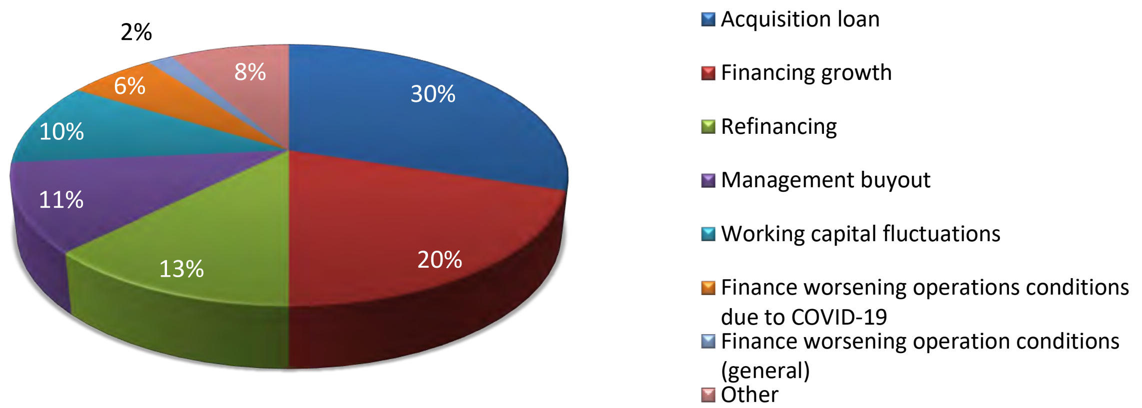
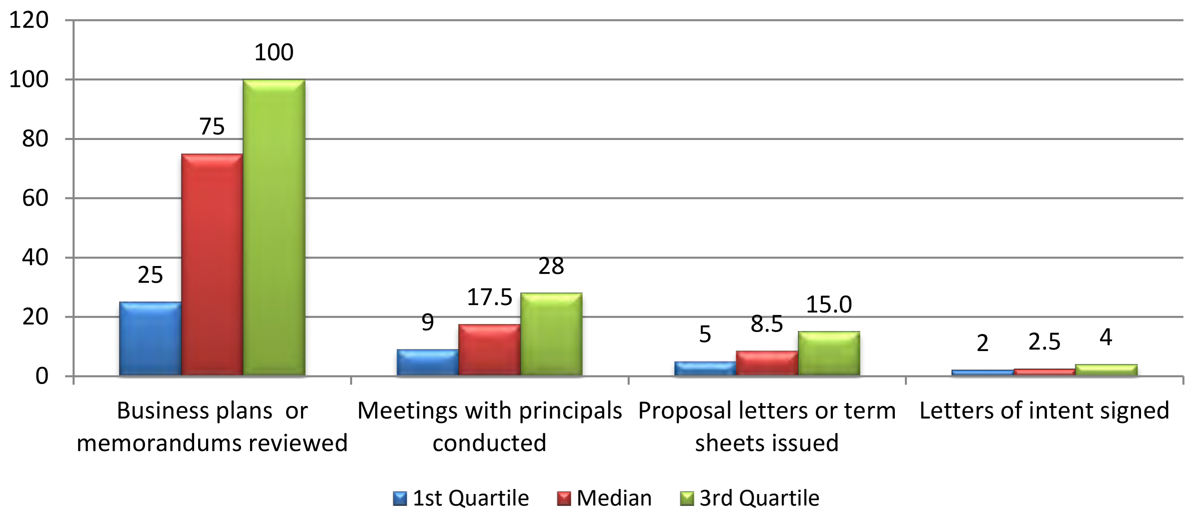


Figure 31. Items Required to Close One Deal



Total debt-to-cash flow ratio and total debt service coverage were the most important factors when deciding whether to invest or not.

Table 23. Importance of Financial Evaluation Metrics

	Unimportant	Of little importance	Moderately important	Important	Very important	Score
Senior DSCR or FCC ratio	0%	14%	14%	36%	36%	3.9
Total DSCR or FCC ratio	0%	0%	13%	20%	67%	4.5
Senior debt to cash flow ratio	0%	0%	31%	54%	15%	3.8
Total debt to cash flow ratio	0%	0%	0%	46%	54%	4.5

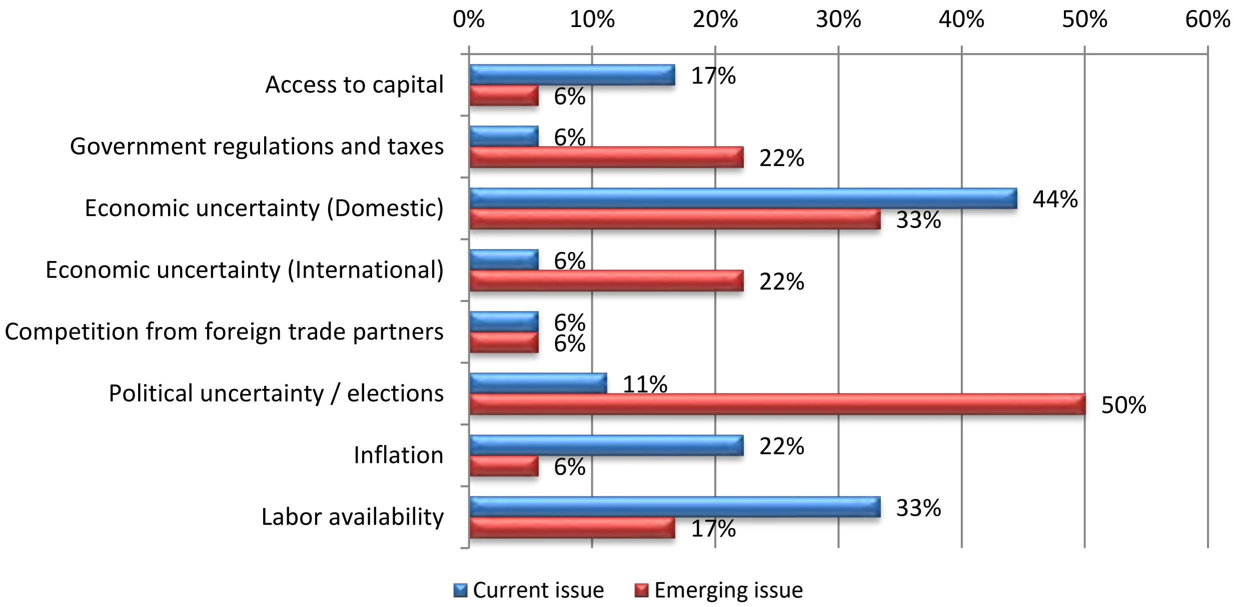
MEZZANINE cont.

Table 24. Financial Evaluation Metrics Average Data

	Average borrower data	Limit not to be exceeded
Senior DSCR or FCC ratio	1.5	1.3
Total DSCR or FCC ratio	1.6	1.2
Senior debt to cash flow ratio	1.8	2.1
Total debt to cash flow ratio	2.4	2.8

Respondents believe domestic economic uncertainty is the most important issue facing privately-held businesses today.

Figure 34. Issues Facing Privately-Held Businesses



Relative to 12 months ago, respondents indicated increased demand for mezzanine capital and average investment size. They also reported increases in warrant coverage and expected returns on new investments.

Table 25. General Business and Industry Assessment: Today versus 12 Months Ago

	Decreased significantly	Decreased slightly	Stayed about the same	Increased slightly	Increased significantly	% increase	% decrease	Net increase
Demand for mezzanine capital	6%	0%	6%	33%	56%	89%	6%	**83%**
Credit quality of borrowers seeking investment	0%	35%	35%	24%	6%	29%	35%	**-6%**
Average investment size	0%	0%	39%	50%	11%	61%	0%	**61%**
Average investment maturity (months)	0%	0%	83%	11%	6%	17%	0%	**17%**
General underwriting standards	0%	0%	56%	39%	6%	44%	0%	**44%**
Warrant coverage	0%	0%	47%	53%	0%	53%	0%	**53%**
PIK features	0%	0%	53%	29%	18%	47%	0%	**47%**
Loan fees	0%	6%	83%	11%	0%	11%	6%	**6%**
Leverage multiples	0%	44%	39%	17%	0%	17%	44%	**-28%**
Expected returns on new investments	0%	6%	47%	29%	18%	47%	6%	**41%**
General business conditions	0%	22%	44%	28%	6%	33%	22%	**11%**
Appetite for risk	0%	22%	67%	11%	0%	11%	22%	**-11%**

Respondents expect increasing demand for mezzanine capital, leverage multiples, appetite for risk and improving general business conditions.

Table 26. General Business and Industry Assessment Expectations over the Next 12 Months

	Decrease significantly	Decrease slightly	Stay about the same	Increase slightly	Increase significantly	% increase	% decrease	Net increase
Demand for mezzanine capital	0%	0%	33%	44%	22%	67%	0%	**67%**
Credit quality of borrowers seeking investment	6%	17%	33%	44%	0%	44%	22%	**22%**
Average investment size	0%	0%	56%	39%	6%	44%	0%	**44%**
Average investment maturity (months)	0%	0%	72%	28%	0%	28%	0%	**28%**
General underwriting standards	0%	6%	61%	28%	6%	33%	6%	**28%**
Warrant coverage	0%	7%	73%	20%	0%	20%	7%	**13%**
PIK features	0%	0%	76%	24%	0%	24%	0%	**24%**
Loan fees	0%	6%	94%	0%	0%	0%	6%	**-6%**
Leverage multiples	0%	11%	50%	39%	0%	39%	11%	**28%**
Expected returns on new investments	0%	11%	61%	22%	6%	28%	11%	**17%**
General business conditions	0%	17%	50%	33%	0%	33%	17%	**17%**
Size of mezzanine industry	0%	0%	50%	39%	11%	50%	0%	**50%**
Appetite for risk	0%	11%	44%	39%	6%	44%	11%	**33%**

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INVESTMENT BANKER SURVEY INFORMATION

Approximately 34% of the 69 respondents to the investment banker survey indicated slightly increasing presence of strategic buyers making deals over the last twelve months. They also reported decreases in deal flow, leverage and deal multiples, and flat general business conditions. Domestic economic uncertainty and labor availability were identified as the most important current issues facing privately-held businesses, following by inflation. Domestic economic uncertainty and political uncertainty were also identified as the most important emerging issue.

Other key findings include:

- Approximately 32% of respondents expect to close ten or more deals in the next 12 months.
- The top three reasons for deals not closing were valuation gap in pricing (49%), lack of capital to finance (20%), and unreasonable seller or buyer demand (12%).
- Respondents indicated a general balance between companies that are worthy of financing and capital available for the same. There is a reported shortage of capital for those companies with less than $10 million in EBITDA, but a general surplus for companies with $10 million in EBITDA or more.
- The most popular valuation methods used by respondents when valuing privately-held businesses were discounted future earnings, guideline company transactions and capitalization earnings methods.
- When using multiples to determine the value of a business, the most popular methods used by respondents when valuing privately-held businesses were recast (adjusted) EBITDA multiple (73%), revenue multiple (10%) and EBITDA (unadjusted) multiple (8%) approaches.

Operational and Assessment Characteristics

Approximately 5% of the respondents didn't close any deals in the last twelve months; 60% closed between one and five deals, while 35% closed six deals or more.

Figure 32. Private Business Sales Transactions Closed in the Last 12 Months

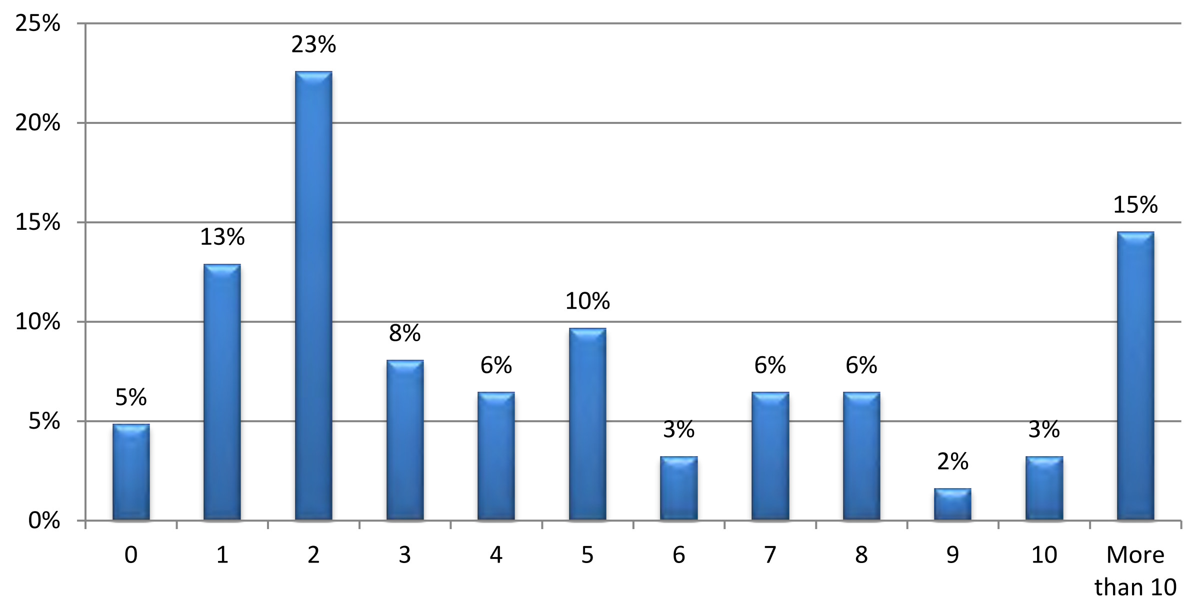
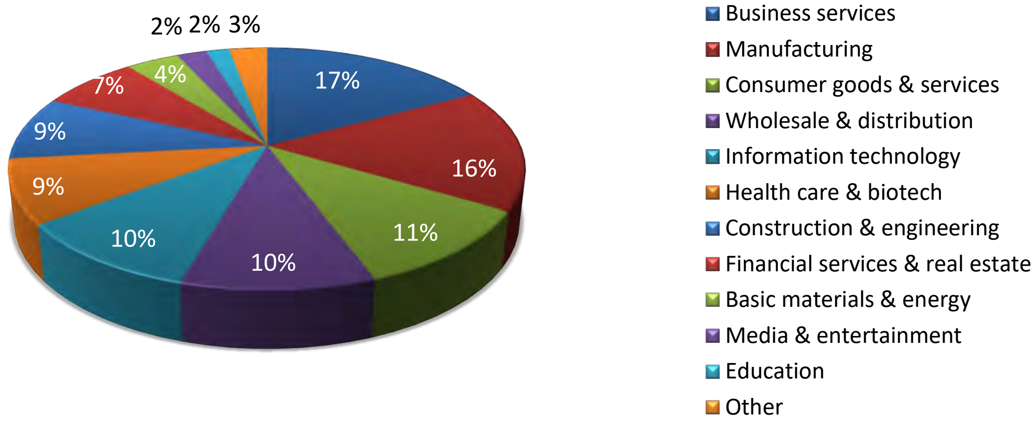
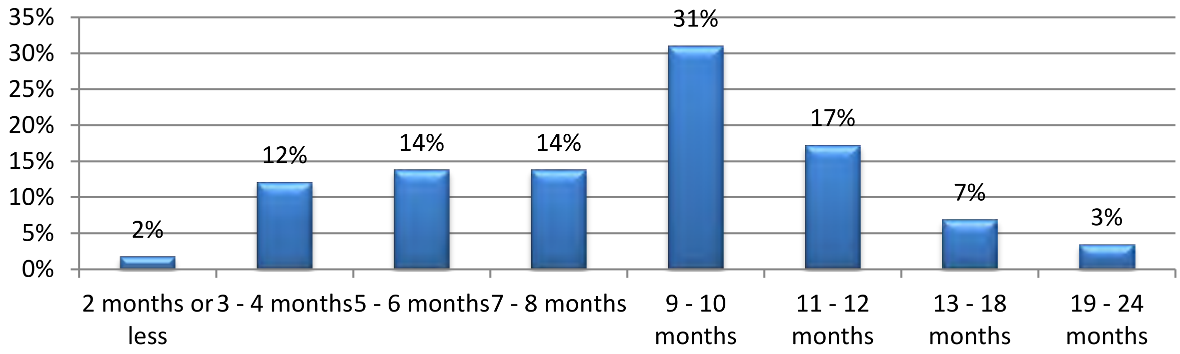


Figure 33. Business Types That Were Involved in the Transactions Closed in the Last 12 Months



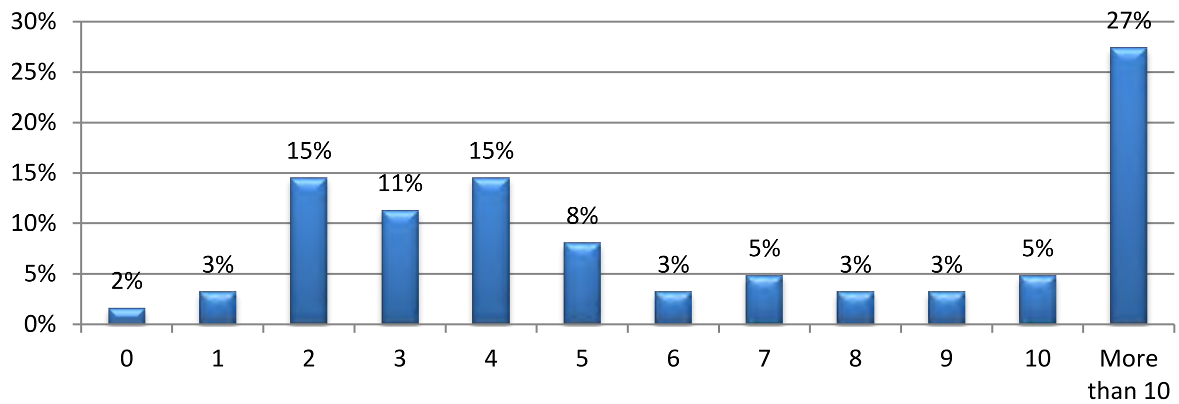
The majority of deals (76%) took 5 to 12 months to close. 8% of closed deals took more than one year to close.

Figure 34. Average Number of Months to Close One Deal



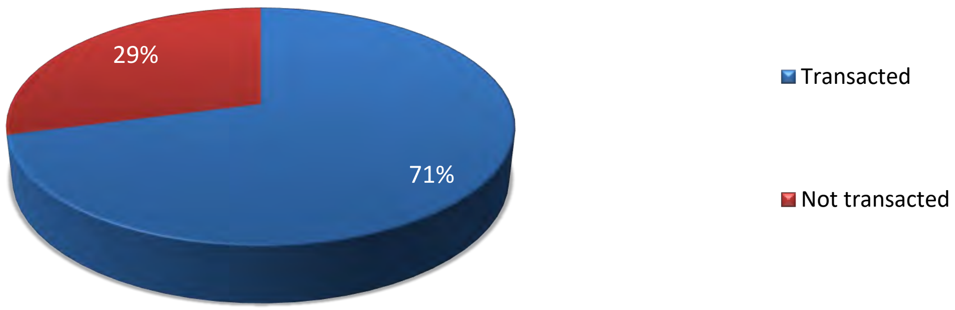
Nearly 40% of respondents expect to close between two and four deals, while 55% expect to close 5 deals or more.

Figure 35. Private Business Transactions Expected to Close in the Next 12 Months



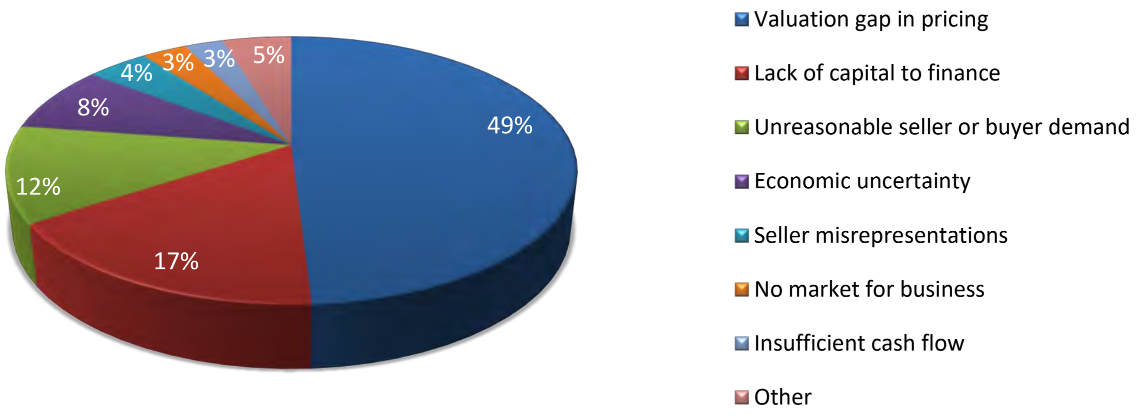
Approximately 29% of deals terminated without transacting over the past year.

Figure 36. Percentage of Business Sales Engagements Terminated Without Transacting



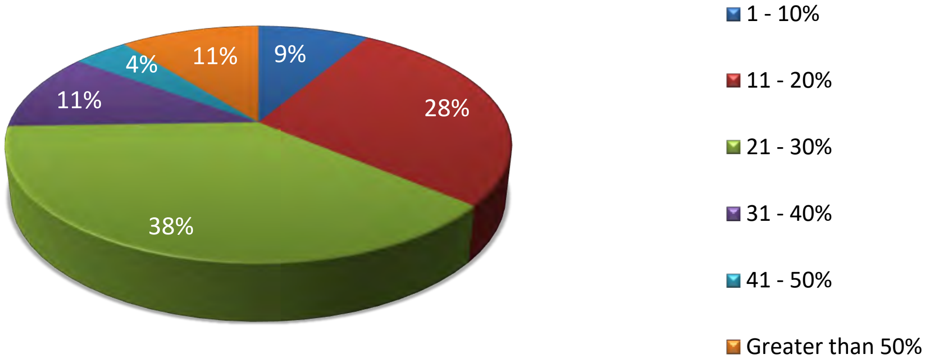
The top three reasons for deals not closing were valuation gap in pricing (49%), lack of capital to finance (17%), and unreasonable seller or buyer demand (12%).

Figure 40. Reasons for Business Sales Engagements Not Transacting



Of those transactions that didn't close due to a valuation gap in pricing, approximately 66% had a valuation gap in pricing between 11% and 30%.

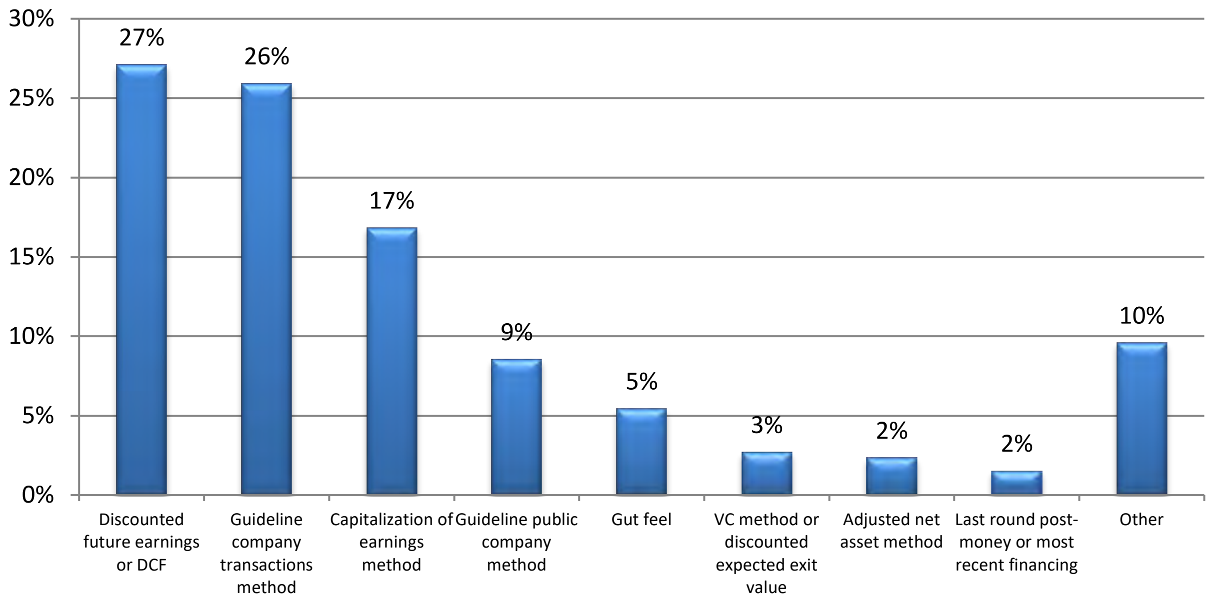
Figure 41. Valuation Gap in Pricing for Transactions That Didn't Close



INVESTMENT BANKER cont.

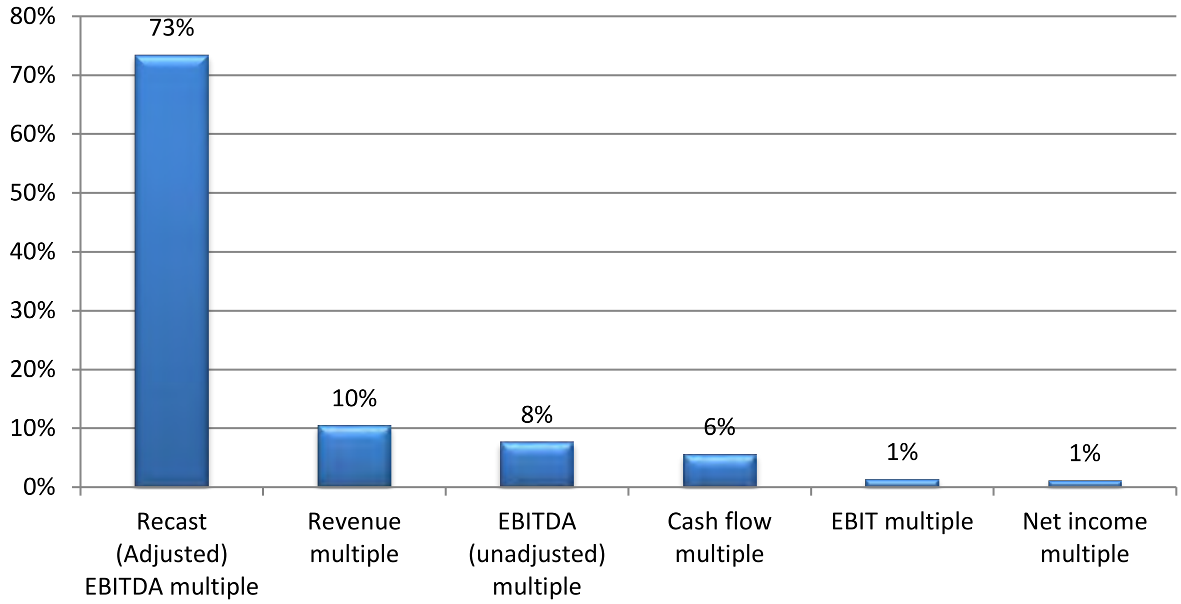
The weights of the various valuation methods used by respondents when valuing privately-held businesses included 27% for discounted future earnings method.

Figure 37. Usage of Valuation Methods



The most popular multiple method used by respondents when valuing privately-held businesses is the recast (adjusted) EBITDA multiple method, utilized by 73% of respondents.

Figure 38. Usage of Multiple Methods



Average deal multiples on transactions from the prior twelve months as observed by respondents varied from 4.4 to more than 8.8.

Table 27. Median Deal Multiples by EBITDA Size of Company

	$0K - $999K EBITDA	$1M - $4.99M EBITDA	$5M - $9.99M EBITDA	$10M - $24.99M EBITDA	$25M - $49.99M EBITDA	$50M+ EBITDA
Manufacturing	4.3	5.5	5.5	7.0	7.5	7.0
Construction & engineering	4.0	5.0	5.5	5.5	6.0	5.5
Consumer goods & services	4.0	5.3	6.0	6.8	6.5	7.0
Wholesale & distribution	4.0	5.3	6.3	6.5	6.8	7.0
Business services	4.5	6.0	6.5	6.8	8.0	10.0
Basic materials & energy	-	4.3	4.5	6.0	-	-
Healthcare & biotech	5.5	6.0	8.0	10.0	12.5	12.0
Information technology	5.0	7.5	7.5	10.0	12.0	12.0
Financial services	4.5	7.0	5.5	11.0	-	10.5
Media & entertainment	4.0	5.5	7.5	8.0	9.5	7.8
Education	-	6.5	7.5	8.0	-	-
Average	**4.4**	**5.6**	**6.4**	**7.5**	**7.9**	**8.3**

Average total leverage multiples observed by respondents varied from 2.0 to 5.7.

Table 28. Median Total Leverage Multiples by Size of Company

	$0K - $999K EBITDA	$1M - $4.99M EBITDA	$5M - $9.99M EBITDA	$10M - $24.99M EBITDA	$25M - $49.99M EBITDA	$50M+ EBITDA
Manufacturing	3.0	3.3	3.3	4.0	4.0	5.0
Construction & engineering	-	2.3	2.8	3.5	-	-
Consumer goods & services	4.0	3.0	4.5	4.3	4.3	5.3
Wholesale & distribution	2.0	2.5	3.0	3.5	3.8	4.8
Business services	2.0	3.5	4.0	4.8	-	5.5
Basic materials & energy	-	5.0	-	-	-	-
Healthcare & biotech	2.8	2.0	5.5	-	-	-
Information technology	2.0	4.5	5.0	3.5	5.5	-
Financial services	-	-	-	4.0		-
Media & entertainment	3.0	4.3	4.5	5.5	-	4.8
Education	-	-	-	-	-	-
Average	**2.5**	**3.3**	**4.1**	**4.0**	**4.5**	**4.8**

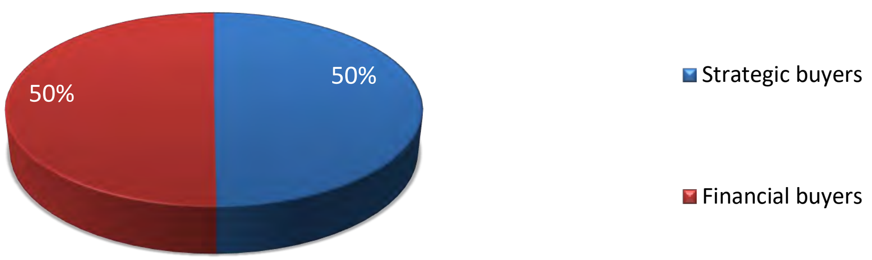
Average senior leverage multiples observed by respondents varied from 2.5 to 5.9.

Table 29. Median Senior Leverage Multiples by Size of Company

	$0K - $999K EBITDA	$1M - $4.99M EBITDA	$5M - $9.99M EBITDA	$10M - $24.99M EBITDA	$25M - $49.99M EBITDA	$50M+ EBITDA
Manufacturing	1.5	2.0	2.5	3.5	4.0	4.3
Construction & engineering	-	2.0	2.3	2.0	2.0	-
Consumer goods & services	1.8	2.5	2.3	2.8	3.0	4.8
Wholesale & distribution	1.5	2.3	2.3	3.3	3.3	4.5
Business services	2.0	2.3	3.0	2.8	6.0	5.0
Basic materials & energy	-	-	-	-	-	-
Healthcare & biotech	2.8	2.5	5.0	7.5	8.0	8.0
Information technology	1.8	2.5	2.5	3.0	6.0	-
Financial services	-	-	3.0	4.0	8.5	-
Media & entertainment	3.0	4.5	5.0	6.0	6.5	5.3
Education	-	-	2.0	-	-	-
Average	**2.0**	**2.8**	**2.8**	**3.5**	**5.0**	**4.8**

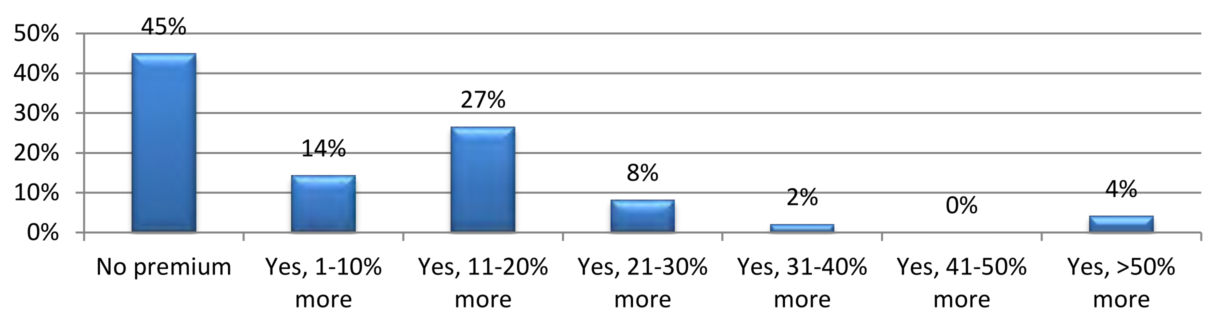
Approximately 50% of closed business sales transactions over the past 12 months involved strategic buyers.

Figure 39. Percent of Transactions Involved Strategic and Financial Buyers



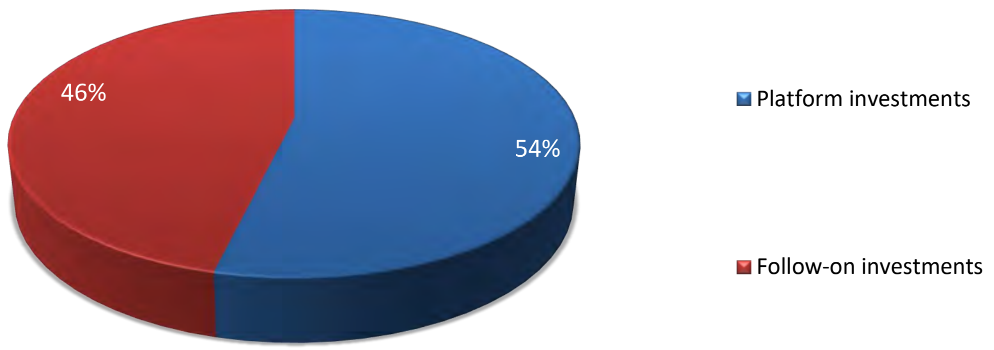
Approximately 45% of respondents did not witness any premium paid by strategic buyers, while 41% saw premiums between 1% and 20%.

Figure 40. Premium Paid by Strategic Buyers Relative to Financial Buyers



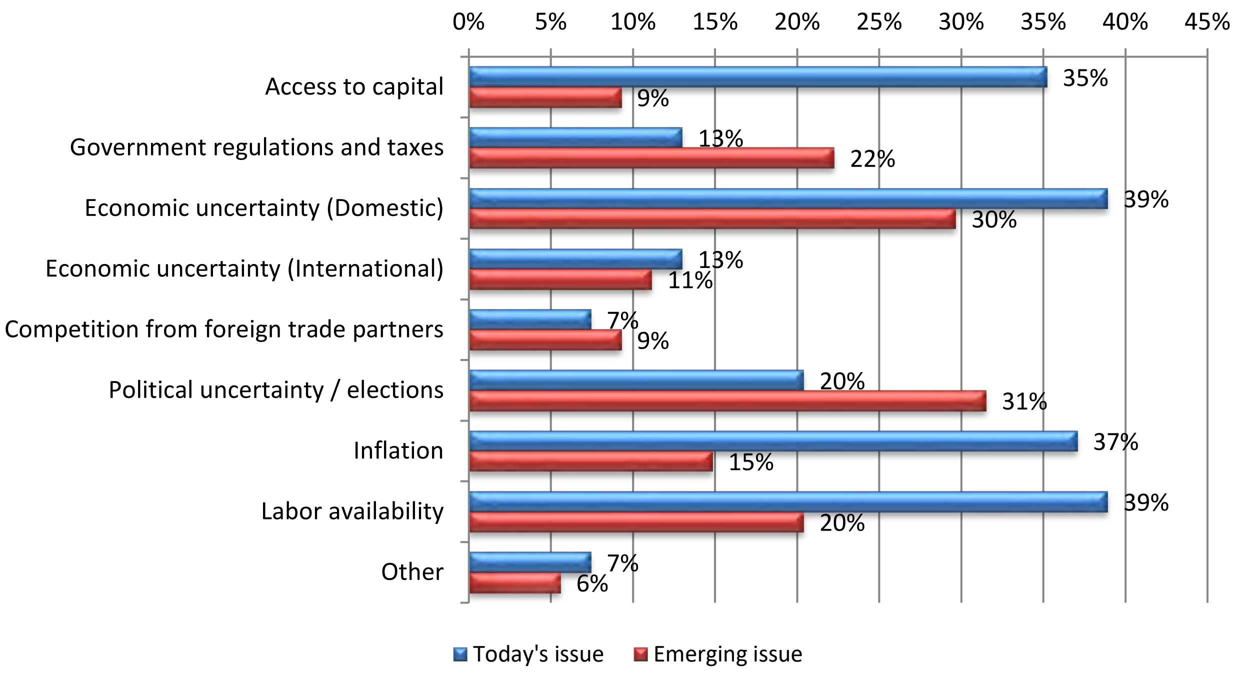
Approximately 54% of closed business sales transactions were platform investments.

Figure 41. Percent of Transactions Involved Platform Investments



Respondents believe domestic economic uncertainty and labor availability are the most important current issues facing privately-held businesses.

Figure 42. Issues Facing Privately-Held Businesses



Respondents indicated a general balance between companies worthy of financing and capital available for the same. There is a reported shortage of capital for those companies with less than $10 million in EBITDA but a general surplus for companies with $10 million in EBITDA or more.

Table 30. Balance of Available Capital with Quality Companies

EBITDA	Companies worthy of financing GREATLY exceed capital available	Companies worthy of financing exceed capital available	General balance	Capital available exceeds companies worthy of financing	Capital available GREATLY exceeds companies worthy of financing	**Score**
$0K - $999K EBITDA	27%	39%	15%	12%	6%	**-0.7**
$1M - $4.99M EBITDA	8%	43%	20%	25%	5%	**-0.2**
$5M - $9.99M EBITDA	0%	36%	42%	18%	3%	**-0.1**
$10M - $24.99M EBITDA	4%	18%	43%	32%	4%	**0.1**
$25M - $49.99M EBITDA	5%	9%	36%	41%	9%	**0.4**
$50M - $99.99M EBITDA	5%	11%	37%	26%	21%	**0.5**
$100M+ EBITDA	10%	15%	35%	25%	15%	**0.2**

Respondents indicated a general difficulty with arranging senior debt for businesses with less than $10 million in EBITDA.

Table 31. How Difficult to Arrange Senior Debt for Transactions over the Past 12 Months

EBITDA	Extremely difficult	Difficult	Somewhat difficult	Neutral	Somewhat easy	Easy	Extremely easy	**Score**
$1M EBITDA	44%	24%	12%	12%	4%	0%	4%	**-1.8**
$5M EBITDA	9%	29%	29%	18%	12%	0%	3%	**-0.9**
$10M EBITDA	3%	15%	26%	38%	6%	12%	0%	**-0.4**
$15M EBITDA	0%	8%	20%	28%	20%	12%	12%	**0.4**
$25M EBITDA	0%	0%	27%	40%	20%	7%	7%	**0.3**
$50M EBITDA	0%	0%	20%	40%	10%	10%	20%	**0.7**
$100M+ EBITDA	8%	0%	17%	33%	0%	17%	25%	**0.7**

Approximately 22% of respondents to the investment banker survey indicated decreasing presence of strategic buyers making deals over the last twelve months. They also reported decreases in deal flow, leverage and deal multiples, and slightly improved general business conditions.

Table 32. General Business and Industry Assessment: Today versus 12 Months Ago

	Decreased significantly	Decreased slightly	Stayed about the same	Increased slightly	Increased significantly	% increase	% decrease	**Net increase/ decrease**
Deal flow	13%	25%	25%	29%	7%	36%	38%	**-2%**
Leverage multiples	8%	43%	34%	15%	0%	15%	51%	**-36%**
Deal multiples	6%	44%	33%	17%	0%	17%	50%	**-33%**
Amount of time to sell business	2%	2%	39%	46%	11%	57%	4%	**54%**
Difficulty financing/selling business	2%	13%	30%	37%	19%	56%	15%	**41%**
General business conditions	2%	24%	44%	31%	0%	31%	25%	**5%**
Strategic buyers making deals	4%	19%	50%	22%	6%	28%	22%	**6%**
Margin pressure on companies	0%	11%	24%	52%	13%	65%	11%	**54%**
Buyer interest in minority transactions	8%	8%	65%	19%	0%	19%	17%	**2%**

During the next twelve months, respondents expect increases in leverage multiples, percentage of strategic buyers making deals, and improving general business conditions.

Table 33. General Business and Industry Assessment Expectations over the Next 12 Months

	Decrease significantly	Decrease slightly	Stay about the same	Increase slightly	Increase significantly	% increase	% decrease	**Net increase/ decrease**
Deal flow	2%	7%	17%	54%	20%	74%	9%	**65%**
Leverage multiples	2%	7%	54%	35%	2%	37%	9%	**28%**
Deal multiples	0%	11%	54%	35%	0%	35%	11%	**24%**
Amount of time to sell business	0%	20%	65%	11%	4%	15%	20%	**-6%**
Difficulty financing/selling business	0%	24%	52%	19%	6%	24%	24%	**0%**
General business conditions	2%	7%	54%	37%	0%	37%	9%	**28%**
Strategic buyers making deals	0%	2%	60%	34%	4%	38%	2%	**36%**
Margin pressure on companies	0%	17%	57%	19%	8%	26%	17%	**9%**
Buyer interest in minority transactions	4%	4%	80%	10%	2%	12%	8%	**4%**

PRIVATE EQUITY SURVEY INFORMATION

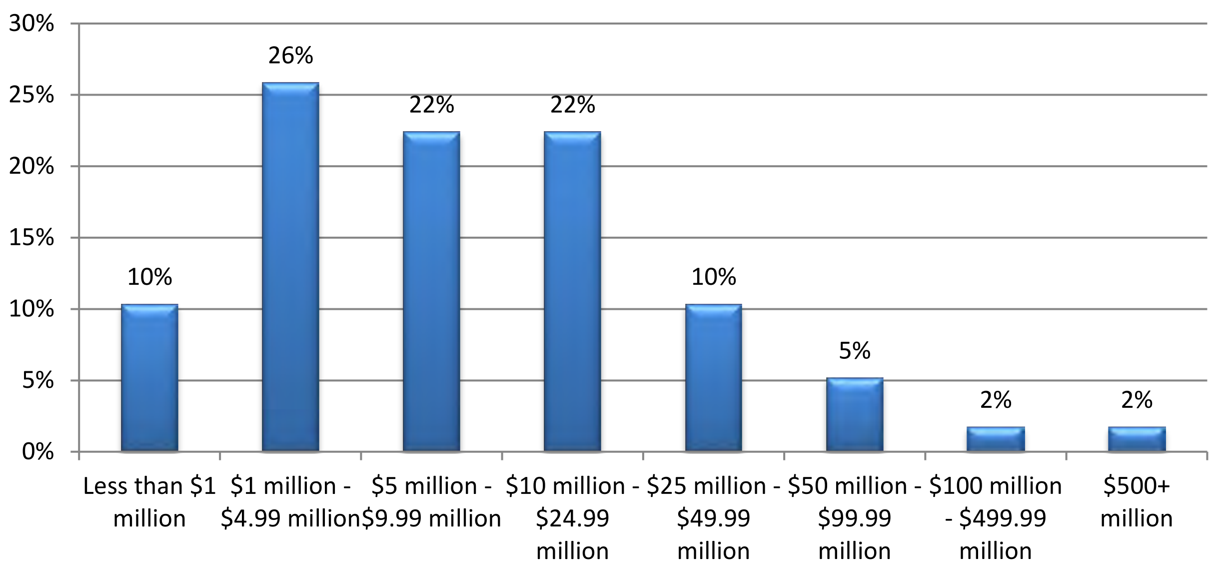
Approximately 81% of the 42 participants who responded to the private equity group survey indicated that they make investments in the $1 million to $25 million range. 39% of respondents said that demand for private equity is up from twelve months ago, this is up from 29% of respondents indicating increased demand in 2022. Other key findings include:

- Respondents indicated slightly decreased quality of companies seeking investment. They also reported decrease in expected returns on new investments, improved general business conditions and decreased deal multiples.
- Respondents expect further increases in demand for private equity, decreasing deal multiples and improving general business conditions.
- The types of businesses respondents plan to invest in over next 12 months are very diverse with over 31% targeting business services and 27% planning to invest in manufacturing.
- Respondents believe domestic economic uncertainty is the most important current issue facing privately-held businesses while political uncertainty is the top emerging issue.
- The most popular valuation methods used by respondents when valuing privately-held businesses were discounted future earnings (21%) and guideline company transactions (21%) approaches.
- When using multiples to determine the value of a business, the most popular methods used by respondents when valuing privately-held businesses were recast EBITDA multiple (58%) and EBITDA multiple (23%).

Operational and Assessment Characteristics

The largest concentration of checks written by investors was in the $1 - $25 million range.

Figure 43. Typical Investment Size



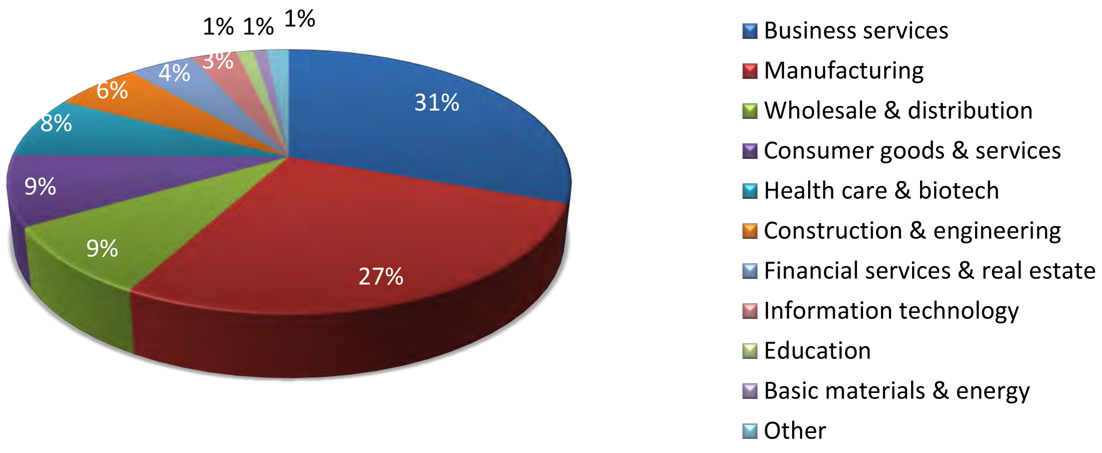
Respondents reported on business practices, and the results are reflected below.

Table 34. PEG Fund Data

	1st Quartile	Median	3rd Quartile
Vintage year (year in which first investment made)	2019	2020	2021
Size of fund ($ millions)	37.5	75	168
Targeted number of total investments	3	8	8
Target fund return (gross pretax cash on cash annual IRR %)	20%	25%	30%
Expected fund return (gross pretax cash on cash annual IRR%)	20%	25%	30%

The types of businesses respondents plan to invest in over next 12 months are very diverse with over 31% targeting business services and 27% planning to invest in manufacturing.

Figure 44. Type of Business for Investments Planned over Next 12 Months



Approximately 39% of respondents didn't make any investments over the last twelve months.

Figure 45. Total Number of Investments Made in the Last 12 Months

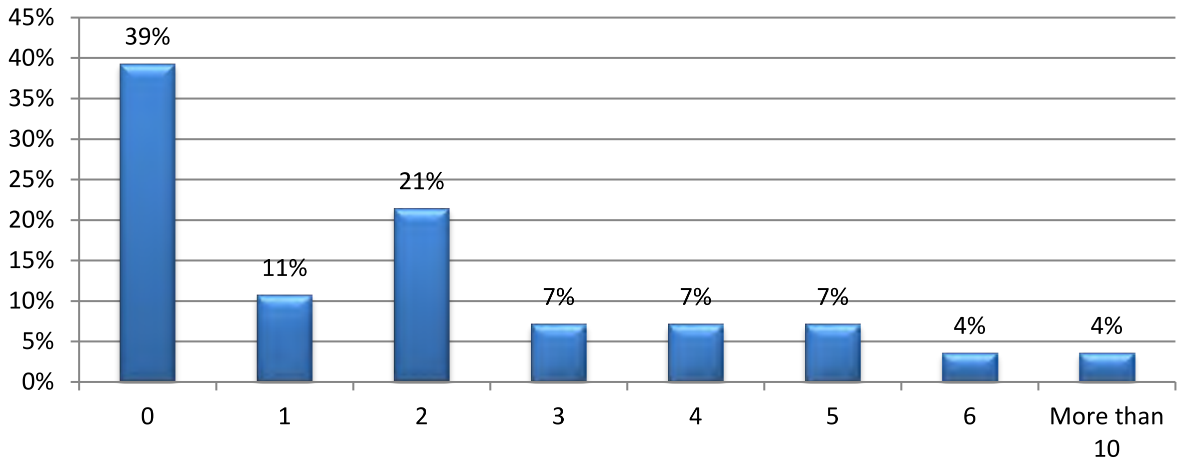
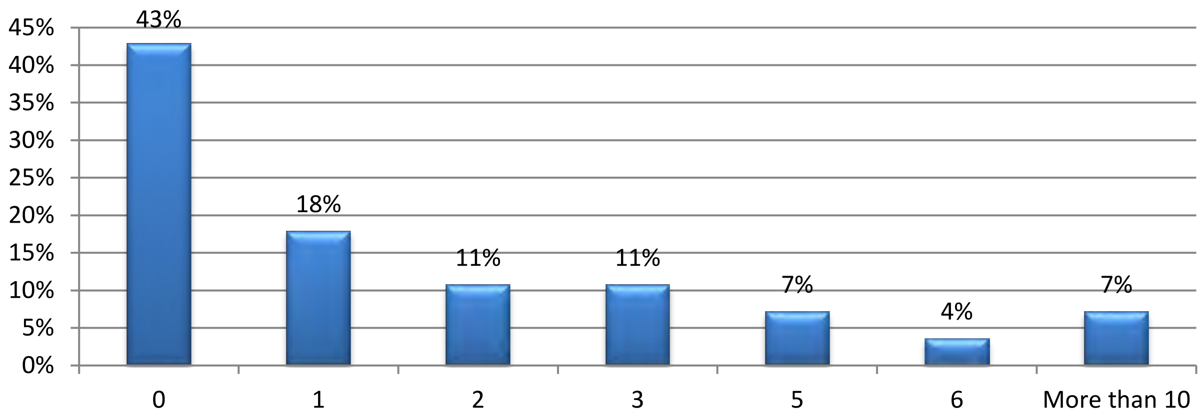


Figure 46. Number of Follow-on Investments Made in the Last 12 Months



The majority (72%) of respondents plan to make one to three investments over the next 12 months.

Figure 47. Number of Total Investments Planned over the Next 12 Months

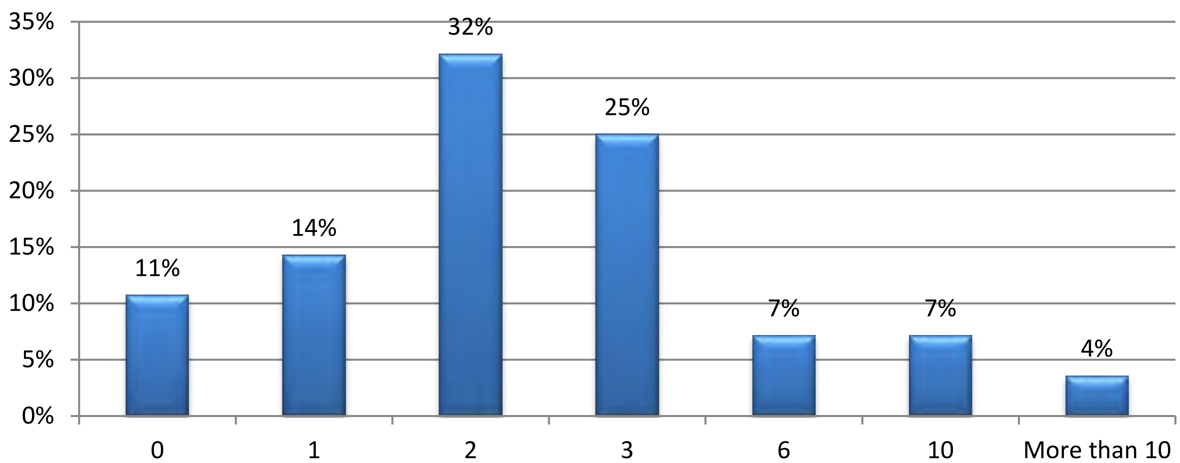
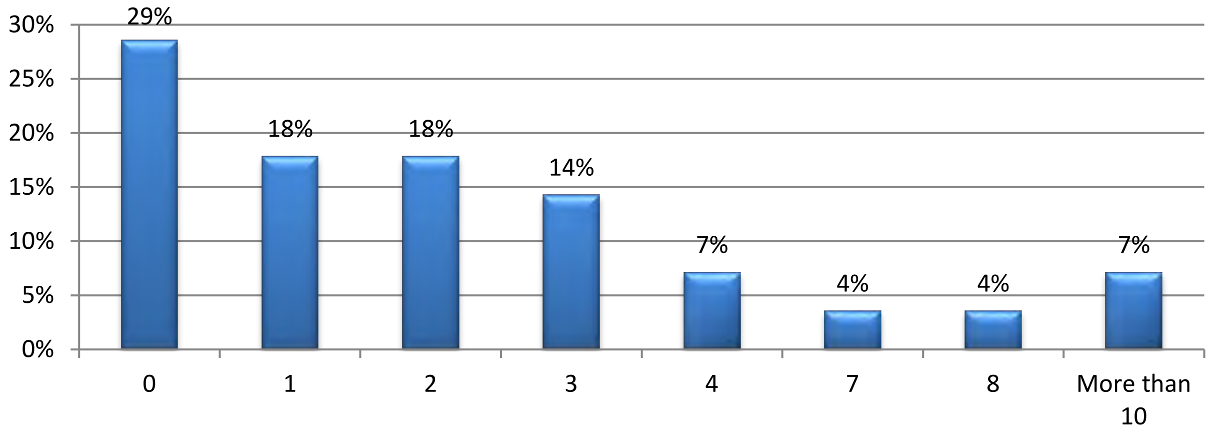
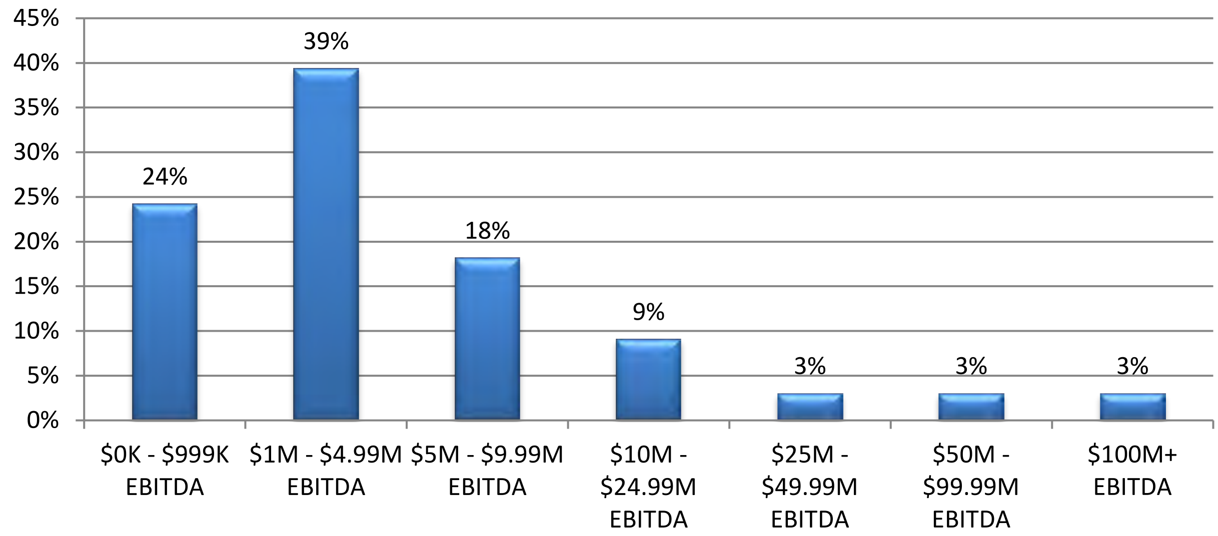


Figure 48. Number of Follow-on Investments Planned over the Next 12 Months


30%
25%
20%
15%
10%
5%
0%
29%
18%
18%
14%
7%
4%
4%
7%
0
1
2
3
4
7
8
More than 10

Approximately 39% of buyout investments were in the range between $1 million and $5 million of EBITDA.

Figure 49. Size of Buyout Investments in the Last 12 Months



Average deal multiples for buyout deals for the prior twelve months vary from 4.0 to 10.0 times EBITDA depending on the size of the company. Expected returns vary from 19.5% to 25%.

Table 35. General Characteristics – Buyout Transactions (medians)

	$0K - $999K EBITDA	$1M - $4.99M EBITDA	$5M - $9.99M EBITDA	$10M - $24.99M EBITDA	$25M - $49.99M EBITDA
Number of investments (total)	7	18	6	1	0
Average size of investment (in million USD)	1	7.5	15	65	100+
Expected time to exit (years) (median)	5.5	5	5	5	5
Equity as % of new capital structure (median)	55%	55%	55%	55%	45%
% of total equity purchased (median)	95%	95%	95%	80%	65%
Average EBITDA multiple	4.0	6.0	7.0	10.0	10.0
Average revenue multiple	1.0	1.0	1.0	-	-
Median total expected returns (gross cash on cash pre-tax IRR)	25%	21%	20.5%	20%	19.5%

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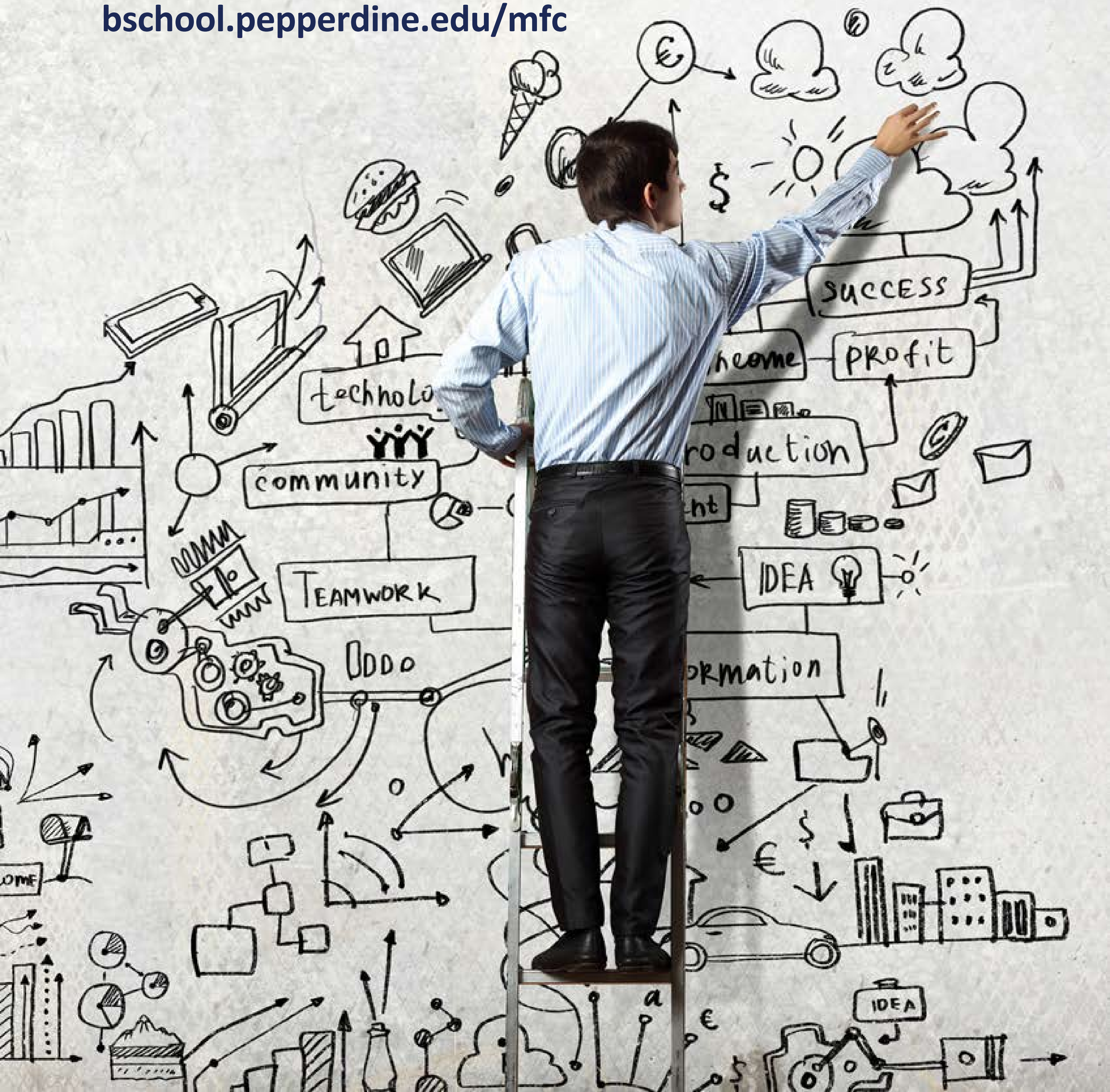
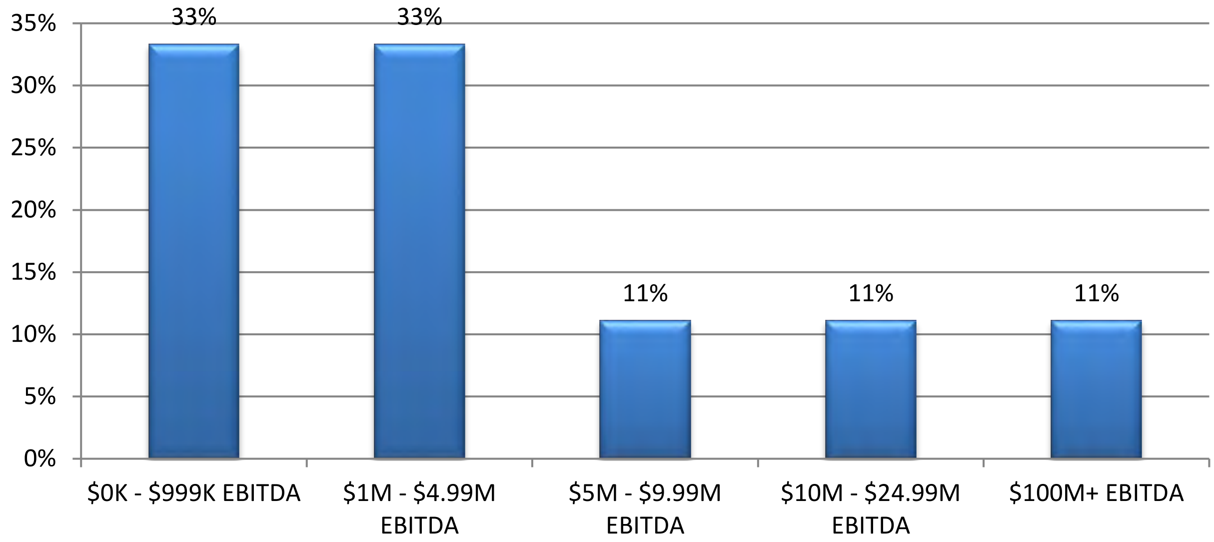


Approximately 66% of buyout investments were in the range between $0 million and $5 million of EBITDA.

Figure 50. Size of Non-Buyout Investments in the Last 12 Months



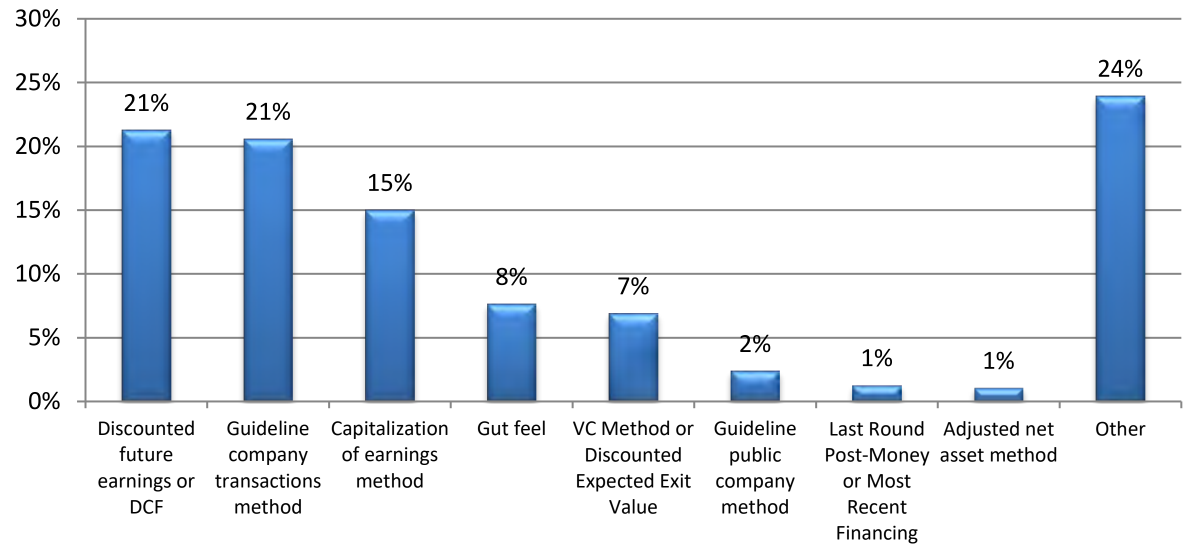
Average deal multiples for non-buyout deals for the prior twelve months vary from 4.0 to 8.0 times EBITDA depending on the size of the company. Expected returns vary from 20% to 28%.

Table 36. General Characteristics – Non-Buyout Transactions (medians)

	$0K - $999K EBITDA	$1M - $4.99M EBITDA	$5M - $9.99M EBITDA
Number of investments (total)	3	6	2
Average size of investment (in million USD)	0.5	7.5	35
Expected time to exit (years) (median)	6.5	3.5	3
Equity as % of new capital structure (median)	95%	25%	15%
% of total equity purchased (median)	60%	25%	15%
Average EBITDA multiple	4.0	7.0	8.0
Average revenue multiple	1.2	1.5	2.5
Median total expected returns (gross cash on cash pre-tax IRR)	28%	25%	20%

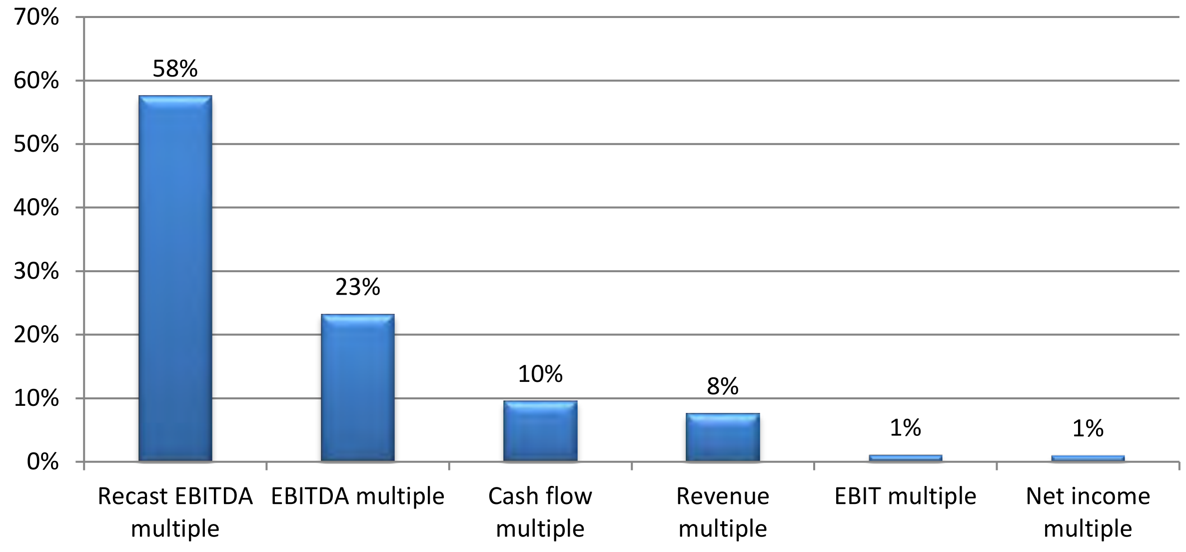
When valuing a business, approximately 21% of the weight is placed on discounted future earnings method and another 21% on guideline company transactions method.

Figure 51. Usage of Valuation Approaches



The weights of the various multiple methods used by respondents when valuing privately-held businesses included 58% for recast (adjusted) EBITDA multiple and 23% for EBITDA multiple.

Figure 52. Usage of Multiple Methods



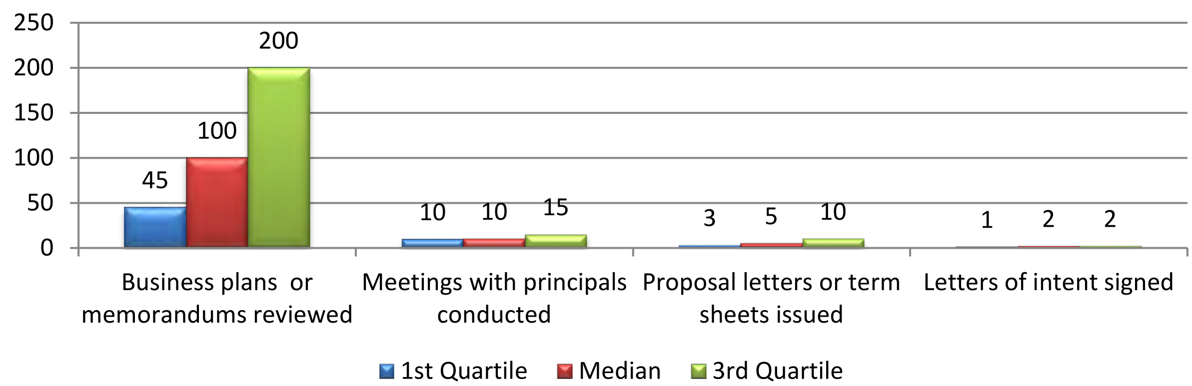
Average deal multiples on transactions from the prior twelve months as observed by respondents varied from 5.3 to 10.

Table 37. Median Deal Multiples by EBITDA Size of Company

	$1M EBITDA	$5M EBITDA	$10M EBITDA	$100M EBITDA	Average
Manufacturing	5.5	6	8	10	**7.4**
Construction & engineering	4.5	5	5	-	**4.8**
Consumer goods & services	-	-	8.5	-	**8.5**
Wholesale & distribution	4.25	-	-	-	**4.3**
Business services	4	6.25	6.5	-	**5.6**
Health care & biotech	5.5	-	8.5	-	**7.0**
Information technology	8	-	-	-	**8.0**
Financial services & real estate	-	-	2	-	**2.0**
Average	**5.3**	**5.8**	**6.4**	**10.0**	**6.9**

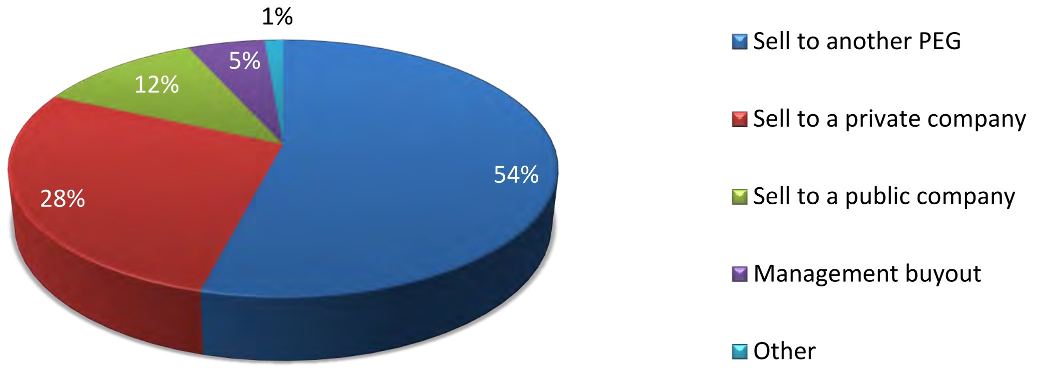
Respondents reported on items required to close one deal.

Figure 53. Items Required to Close One Deal



Respondents reported exit strategies that include selling to another private equity group (54%), selling to private company (28%), and selling to a public company (12%).

Figure 54. Exit Plans for Portfolio Companies


1%
5%
12%
54%
28%
Sell to another PEG
Sell to a private company
Sell to a public company
Management buyout
Other

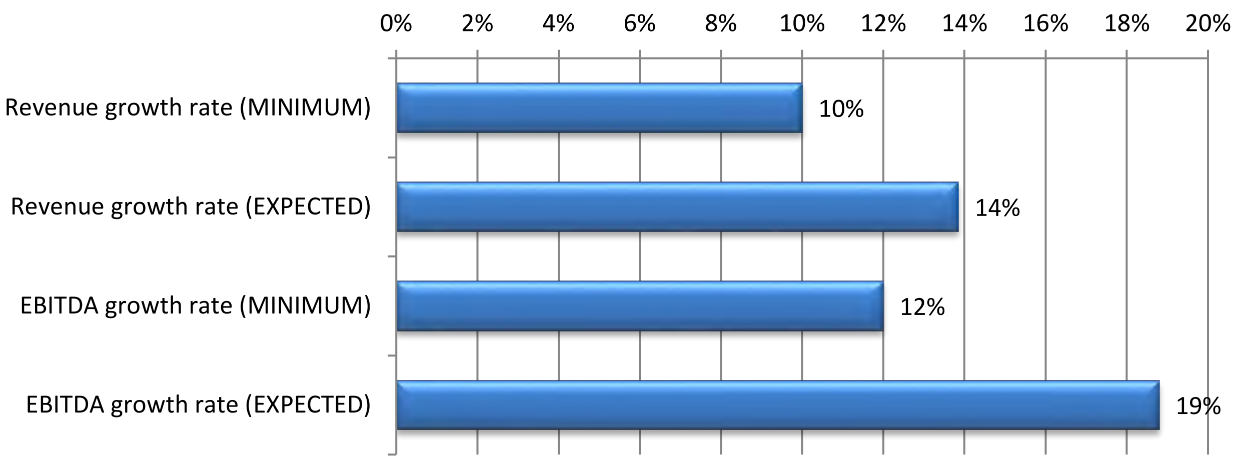
Most of the respondents believe the number of companies "worthy of financing" exceeds "capital available" for the companies with less than $1M in EBITDA. Whereas for the larger companies, "capital available" exceeds the number of companies "worthy of financing."

Table 38. The Balance of Available Capital with Quality Companies for the Following EBITDA Size

	Companies worthy of financing GREATLY exceed capital available (capital shortage)	Companies worthy of financing exceed capital available	General balance between companies worthy of financing and capital available	Capital available exceeds companies worthy of financing	Capital available GREATLY exceeds companies worthy of financing (capital surplus)	**Score**
$0K - $999K EBITDA	21%	14%	36%	21%	7%	**-0.2**
$1M - $4.99M EBITDA	6%	13%	38%	31%	13%	**0.3**
$5M - $9.99M EBITDA	0%	12%	18%	41%	29%	**0.9**
$10M - $14.99M EBITDA	15%	0%	8%	46%	31%	**0.8**
$15M - $24.99M EBITDA	8%	0%	17%	33%	42%	**1.0**
$25M - $49.99M EBITDA	8%	8%	8%	25%	50%	**1.0**
$50M - $99.99M EBITDA	8%	8%	8%	8%	67%	**1.2**
$100M+ EBITDA	17%	0%	8%	8%	67%	**1.1**

Respondents reported average minimum revenue growth rate, when investing in a company today, is 10%

Figure 55. Minimum and Expected Annual Growth Rates for Investee



Respondents identified importance of the following items regarding business risk.

Table 39. Importance of Items Regarding Business Risk

Characteristics	Unimportant	Of little importance	Moderately important	Important	Very important	Score (1 to 5)
Firm size	0%	16%	16%	53%	16%	**2.7**
Customer concentrations	0%	0%	11%	32%	58%	**3.5**
Market leadership	0%	16%	21%	47%	16%	**2.6**
Historical operating performance	0%	0%	11%	74%	16%	**3.1**
Industry sector	0%	0%	11%	47%	42%	**3.3**
Future prospects of company	0%	0%	16%	21%	63%	**3.5**
Management team	0%	0%	21%	37%	42%	**3.2**
Other	0%	0%	0%	50%	50%	**3.5**

Relative to twelve months ago, respondents indicated increases in demand for private equity and amount of non-control investments. They also reported a decrease in expected returns on new investments, deal multiples and quality of companies seeking investment.

Table 40. General Business and Industry Assessment: Today versus 12 Months Ago

	Decrease significantly	Decreased slightly	Stayed about the same	Increased slightly	Increased significantly	% increase	% decrease	**Net increase**
Demand for private equity	0%	17%	44%	17%	22%	39%	17%	**22%**
Quality of companies seeking investment	0%	37%	32%	26%	5%	32%	37%	**-5%**
Average investment size	6%	12%	47%	35%	0%	35%	18%	**18%**
Non-control investments (< 50% equity ownership)	0%	0%	64%	36%	0%	36%	0%	**36%**
Expected investment holding period	0%	0%	58%	37%	5%	42%	0%	**42%**
Deal multiples	0%	58%	21%	11%	11%	21%	58%	**-37%**
Exit opportunities	11%	37%	32%	21%	0%	21%	47%	**-26%**
Expected returns on new investments	0%	39%	39%	11%	11%	22%	39%	**-17%**
Value of portfolio companies	0%	33%	28%	33%	6%	39%	33%	**6%**
General business conditions	0%	28%	33%	39%	0%	39%	28%	**11%**
Size of private equity industry	11%	11%	42%	26%	11%	37%	21%	**16%**
Appetite for risk	11%	44%	28%	17%	0%	17%	56%	**-39%**

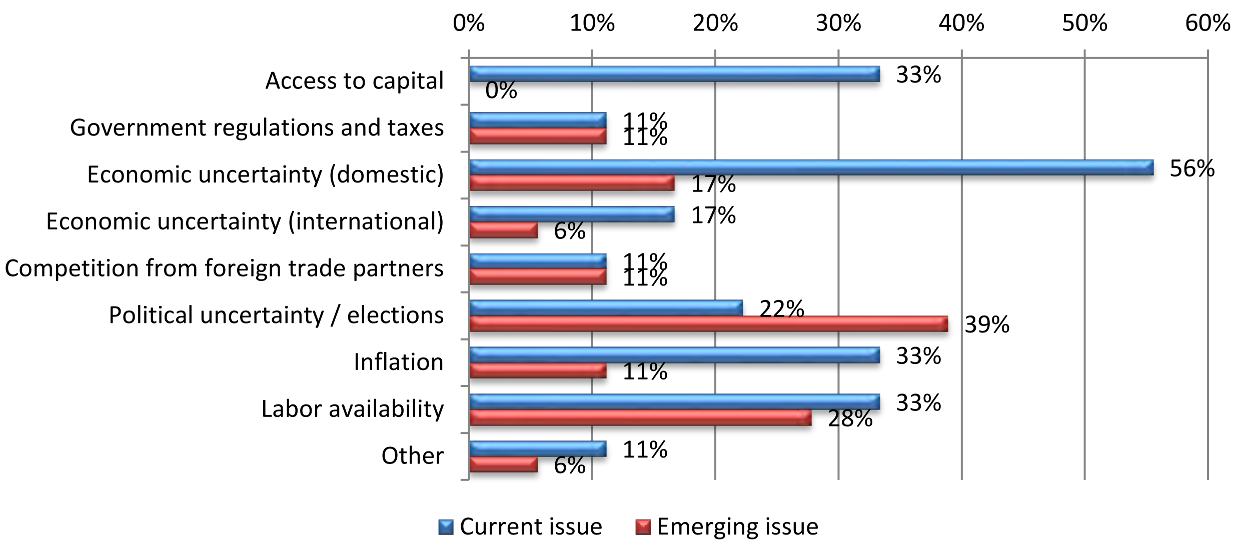
Respondents expect further increases in demand for private equity, further decreasing expected returns on new investments, and improving general business conditions.

Table 41. General Business and Industry Assessment Expectations over the Next 12 Months

	Decreased significantly	Decreased slightly	Stayed about the same	Increased slightly	Increased significantly	% increase	% decrease	**Net increase**
Demand for private equity	0%	0%	44%	44%	11%	56%	0%	**56%**
Quality of companies seeking investment	0%	17%	39%	39%	6%	44%	17%	**28%**
Average investment size	0%	0%	72%	28%	0%	28%	0%	**28%**
Non-control investments (< 50% equity ownership)	0%	0%	82%	18%	0%	18%	0%	**18%**
Expected investment holding period	0%	6%	76%	6%	12%	18%	6%	**12%**
Deal multiples	0%	28%	67%	6%	0%	6%	28%	**-22%**
Exit opportunities	0%	17%	39%	44%	0%	44%	17%	**28%**
Expected returns on new investments	0%	17%	72%	11%	0%	11%	17%	**-6%**
Value of portfolio companies	0%	17%	33%	50%	0%	50%	17%	**33%**
General business conditions	6%	17%	22%	50%	6%	56%	22%	**33%**
Size of private equity industry	0%	17%	50%	28%	6%	33%	17%	**17%**
Appetite for risk	6%	6%	39%	50%	0%	50%	11%	**39%**

Respondents believe domestic economic uncertainty is the most important current issue facing privately-held businesses while political uncertainty is the top emerging issue.

Figure 56. Issues Facing Privately-Held Businesses



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VENTURE CAPITAL SURVEY INFORMATION

Of the 26 participants who responded to the venture capital survey, approximately 64% of respondents expect an increasing size of the venture capital industry. The majority (42%) of respondents plan to make five or more investments over the next 12 months.

Other key findings include:

- The types of businesses respondents plan to invest in the next 12 months are very diverse with over 42% targeting information technology and another 14% planning to invest in healthcare & biotech.
- Respondents' exit strategies include selling to a public company (35%) followed by selling to a private company (22%).
- Respondents believe access to capital is the most important current issue facing privately-held businesses today and political uncertainty is the top emerging issue.

Operational and Assessment Characteristics

Approximately 32% of respondents made five investments or more over the last twelve months.

Figure 57. Total Number of Investments Made in the Last 12 Months

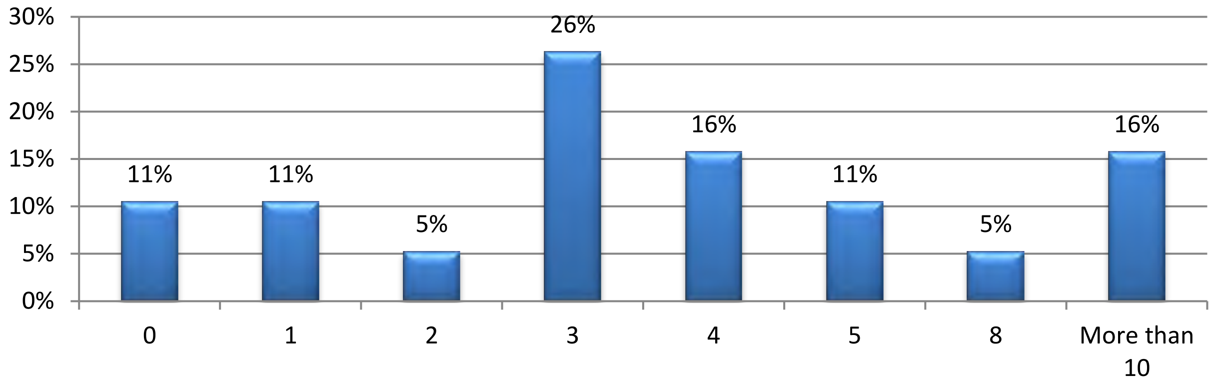
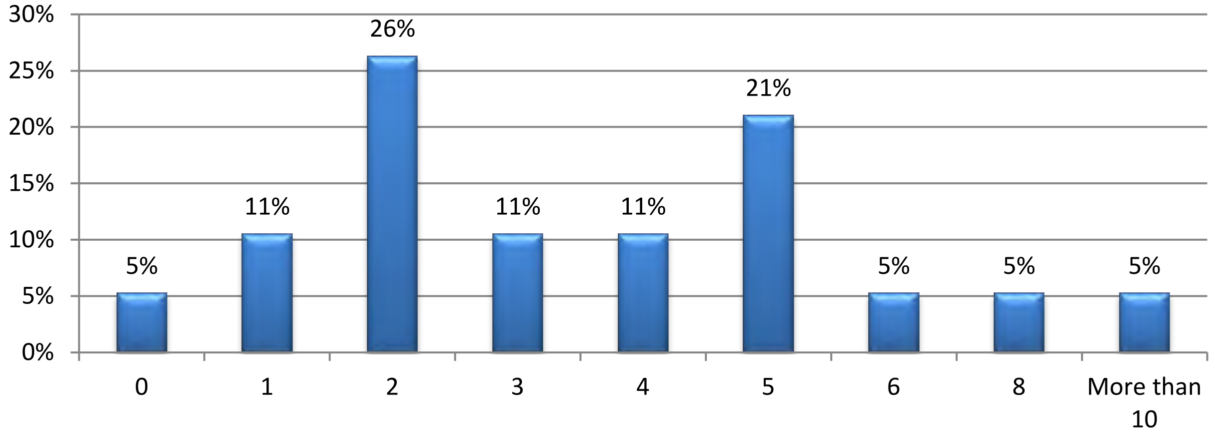


Figure 58. Number of Follow-on Investments Made in the Last 12 Months



VENTURE CAPITAL cont.

The majority (42%) of respondents plan to make five investments or more over the next 12 months.

Figure 59. Number of Total Investments Planned over the Next 12 Months

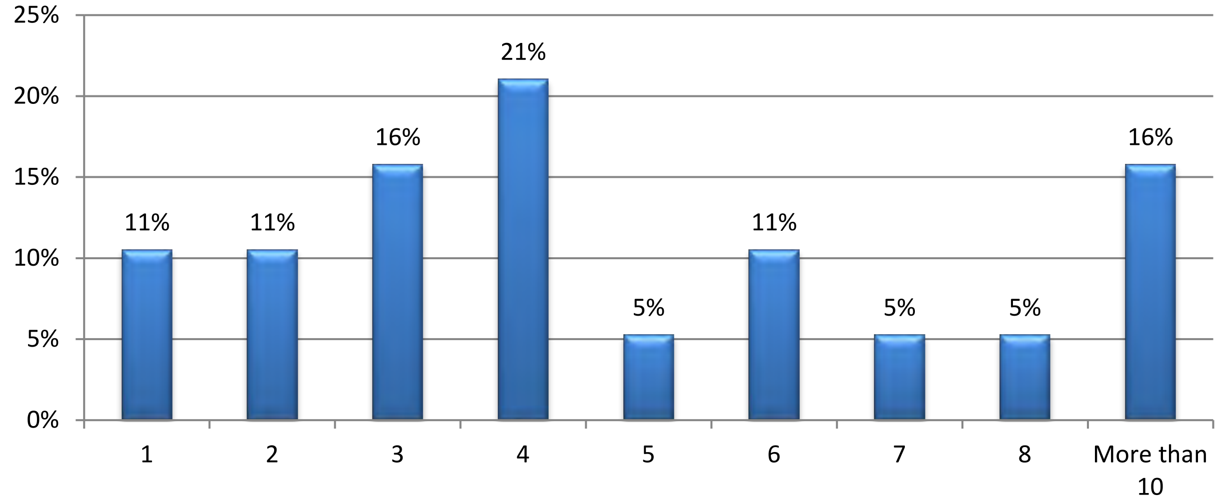
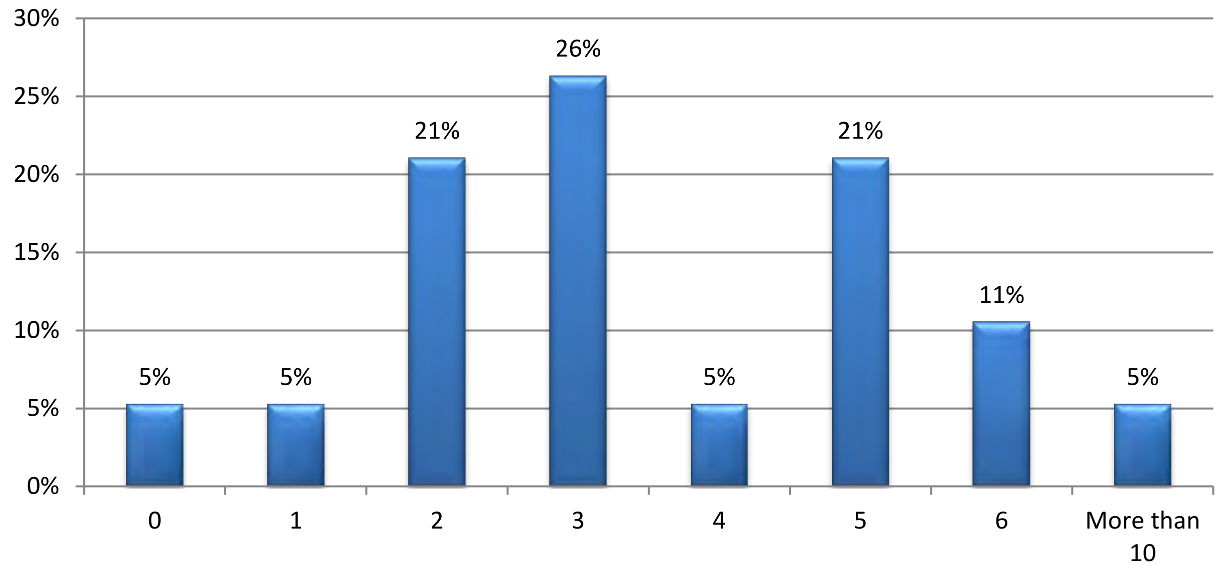


Figure 60. Number of Follow-on Investments Planned over the Next 12 Months



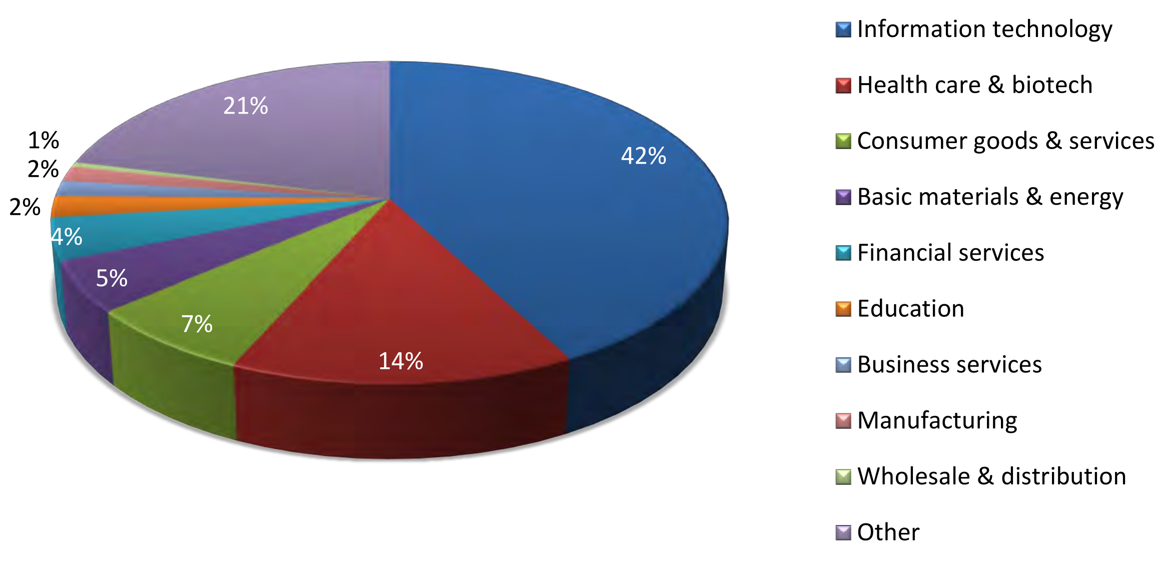
Respondents reported on business practices and the results are reflected below.

Table 42. VC Fund Data

	1st quartile	Median	3rd quartile
Vintage year (year in which first investment made)	2017	2020	2022
Size of fund ($ millions)	$17.5	$37.5	$125
Targeted number of total investments	8	17.5	27.5
Target fund return (gross pretax cash on cash annual IRR %)	13%	18%	18%
Expected fund return (gross pretax cash on cash annual IRR %)	25%	30%	38%

Over the next 12 months, venture capital investors are mainly targeting information technology (42%) and healthcare & biotech (14%).

Figure 61. Type of Business for Investments Planned over Next 12 Months



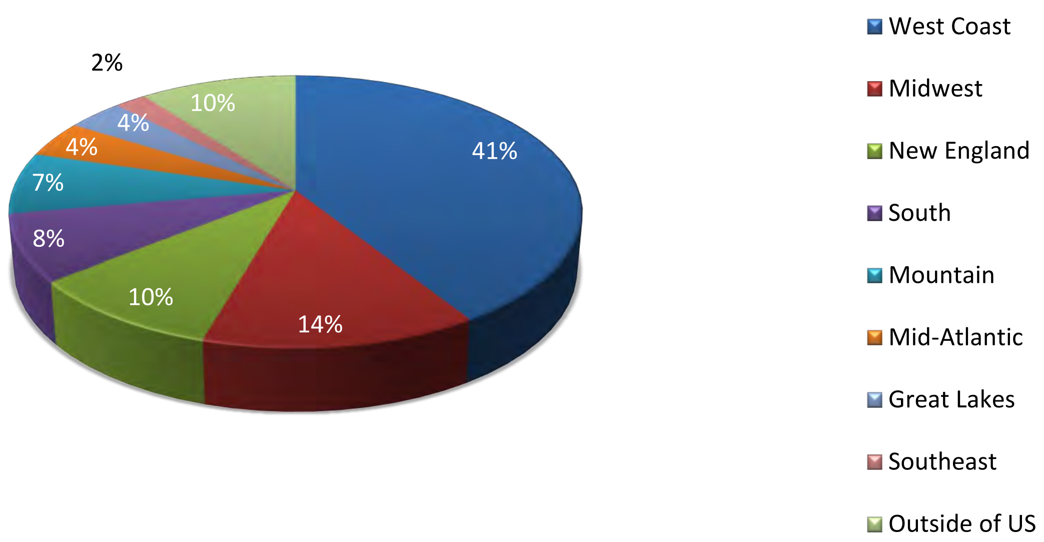
Respondents reported on a variety of statistics pertaining to their investments.

Table 43. General Information on Investments by Company Stages

	Pre-Seed	Seed	Startup / Early Stage	Growth / Expansion	Later Stage
Number of Investments Made in Last twelve months					
	14	27	65	32	18
Average Size of Investment ($ million)					
1st Quartile	-	1.0	1.0	1.5	-
Median	-	1.3	1.0	2.0	-
3rd Quartile	-	2.0	3.3	3.3	-
Average Revenue Multiple					
1st Quartile	-	1.4	1	2.5	-
Median	-	5.8	1.5	4.0	-
3rd Quartile	-	10+	5	6.0	-
Average % of Total Equity Purchased (fully diluted basis)					
1st Quartile	7.5%	5.0%	7.5%	5.0%	-
Median	**10.0%**	**15.0%**	**15.0%**	**5.0%**	**-**
3rd Quartile	12.5%	15.0%	15.0%	15.0%	-
Total Expected Returns (gross cash on cash pretax IRR) on new investments					
1st Quartile	34.8%	19.3%	21.8%	21.8%	-
Median	**51.5%**	**25.5%**	**25.5%**	**23.0%**	**-**
3rd Quartile	68.3%	43.0%	29.3%	25.5%	-
Expected Time to Exit (years)					
1st Quartile	-	6.0	4.0	4.0	-
Median	**-**	**6.5**	**5.0**	**4.0**	**-**
3rd Quartile	-	7.0	7.0	5.0	-
Average Company Value at Time of Investment (post-money $ millions)					
1st Quartile	2.9	4.0	11.3	35.0	-
Median	**4.3**	**15.0**	**25.0**	**55.0**	**-**
3rd Quartile	5.6	15.0	35.0	60.0	-

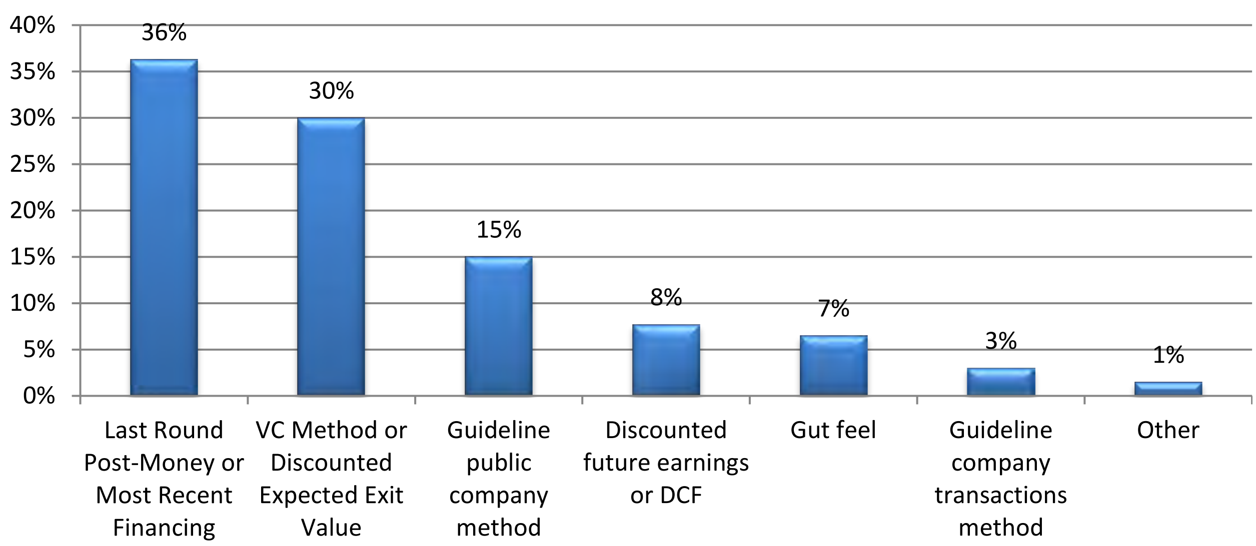
Respondents reported on where they plan to invest over the next 12 months.

Figure 62. Geographic Location of Planned Investment over Next 12 Months



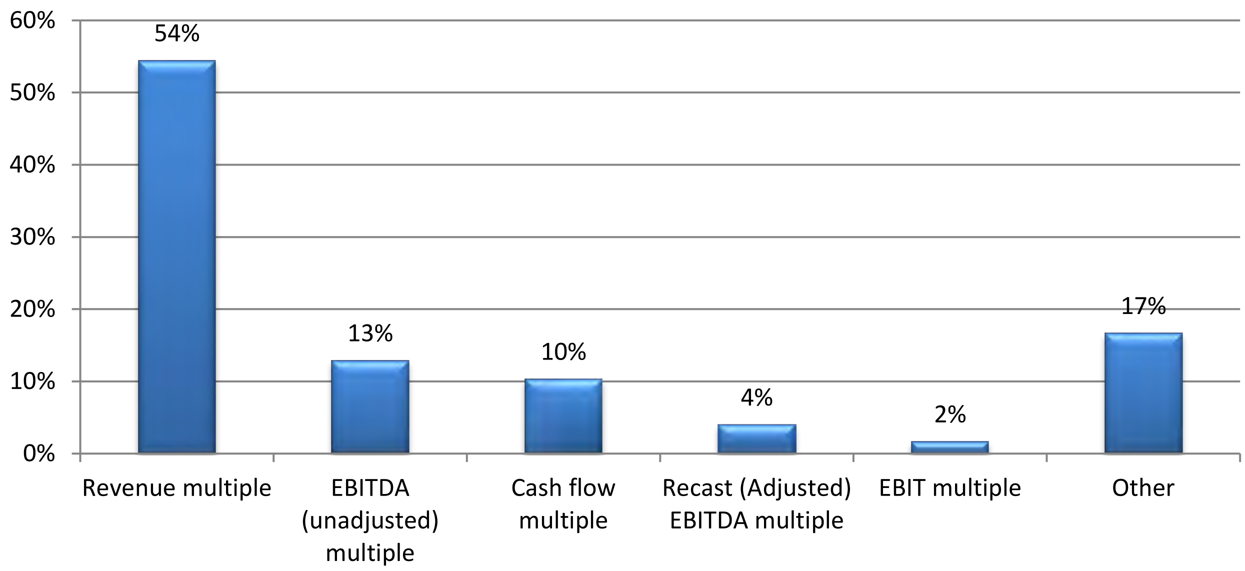
When valuing the company, approximately 36% of respondents use last round post-money or most recent financing, another 30% use VC method or discounted expected exit value and 15% use guideline public company method.

Figure 63. Usage of Valuation Methods



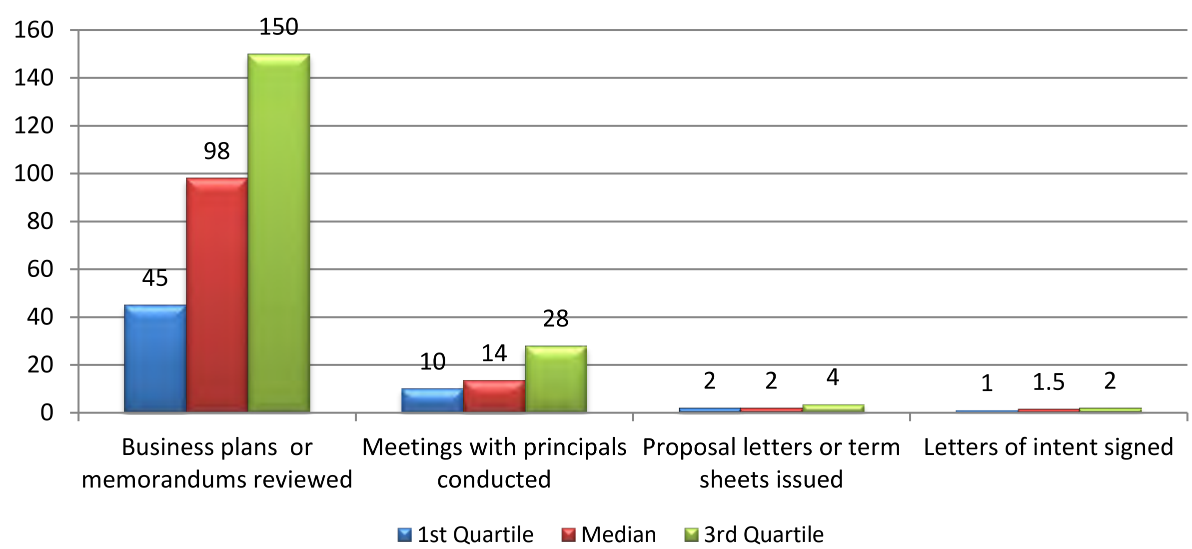
The weights of the various multiple methods used by respondents when valuing privately-held businesses included 54% for revenue multiple and 13% for EBITDA (unadjusted) multiple methods.

Figure 64. Usage of Multiple Methods



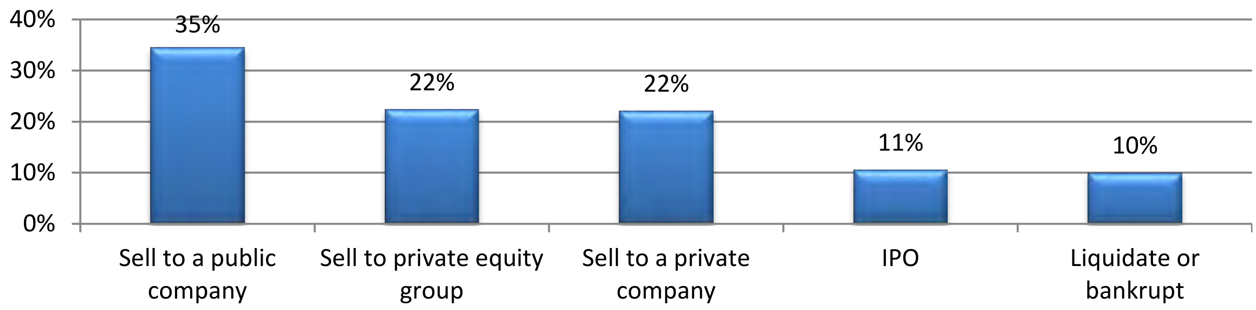
Respondents reported on items required to close one deal.

Figure 70. Items Required to Close One Deal



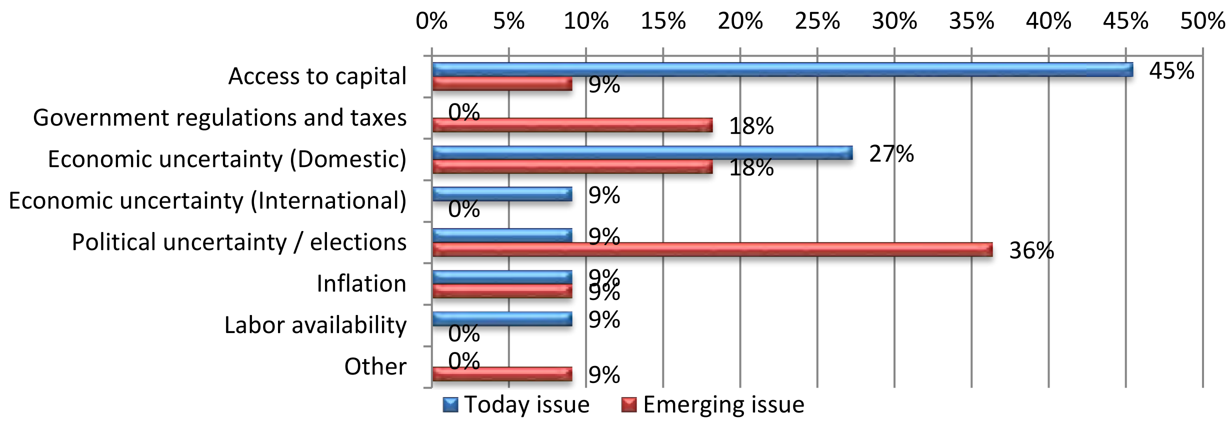
Respondents' exit strategies include selling to a public company (35%) followed by selling to a private company (22%).

Figure 65. Exit Plans for Portfolio Companies



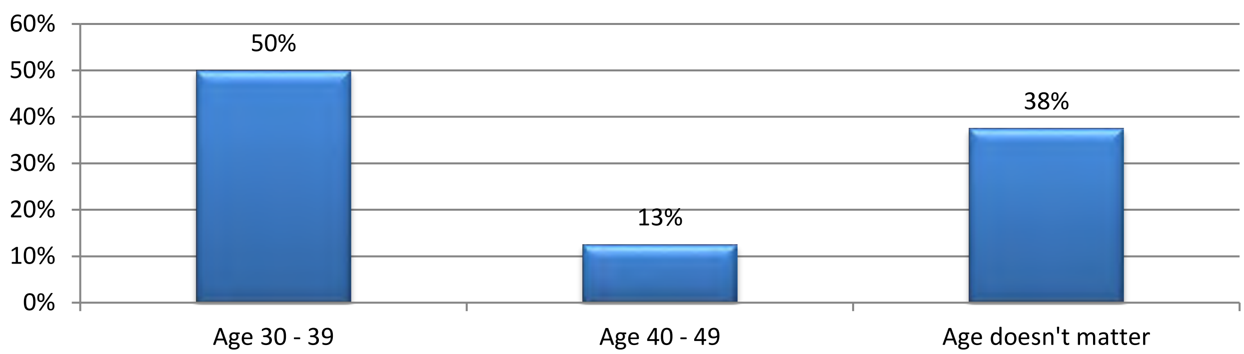
Respondents believe access to capital is the most important current issue facing privately-held businesses today and political uncertainty is the top emerging issue.

Figure 66. Current Issues Facing Privately-Held Businesses



Approximately 50% of respondents think the age from 30 to 39 years old is the best age for a founder to start their business and get funded.

Figure 67. The Best Age for a Founder to Start Their Business and Get Funded



Respondents indicated increases in demand for venture capital and follow-on investments, decreases in value of portfolio companies and presence of super angels in space formerly occupied by VCs, and worsened general business conditions.

Table 44. General Business and Industry Assessment: Today versus 12 Months Ago

	Decreased significantly	Decreased slightly	Stayed about the same	Increased slightly	Increased significantly	% increase	% decrease	**Net increase**
Demand for venture capital	0%	18%	9%	36%	36%	73%	18%	**55%**
Quality of companies seeking investment	9%	18%	18%	27%	27%	55%	27%	**27%**
Follow-on investments	18%	18%	0%	9%	55%	64%	36%	**27%**
Average investment size	18%	27%	9%	36%	9%	45%	45%	**0%**
Exit opportunities	27%	45%	18%	0%	9%	9%	73%	**-64%**
Time to exit deals	0%	9%	9%	36%	45%	82%	9%	**73%**
Expected returns on new investments	9%	18%	55%	0%	18%	18%	27%	**-9%**
Value of portfolio companies	9%	36%	27%	27%	0%	27%	45%	**-18%**
General business conditions	9%	18%	55%	18%	0%	18%	27%	**-9%**
Presence of super angels in space formerly occupied by VCs	27%	9%	45%	18%	0%	18%	36%	**-18%**
Size of venture capital industry	9%	45%	36%	9%	0%	9%	55%	**-45%**
Appetite for risk	45%	27%	18%	9%	0%	9%	73%	**-64%**

Respondents expect improving general business conditions over the next twelve months.

Table 45. General Business and Industry Assessment Expectations over the Next 12 Months

	Decreased significantly	Decreased slightly	Stayed about the same	Increased slightly	Increased significantly	% increase	% decrease	**Net increase**
Demand for venture capital	9%	9%	18%	55%	9%	64%	18%	**45%**
Quality of companies seeking investment	9%	0%	36%	45%	9%	55%	9%	**45%**
Follow-on investments	9%	9%	9%	45%	27%	73%	18%	**55%**
Average investment size	9%	18%	36%	36%	0%	36%	27%	**9%**
Exit opportunities	18%	9%	27%	45%	0%	45%	27%	**18%**
Time to exit deals	9%	18%	27%	18%	27%	45%	27%	**18%**
Expected returns on new investments	9%	0%	55%	36%	0%	36%	9%	**27%**
Value of portfolio companies	9%	18%	9%	55%	9%	64%	27%	**36%**
General business conditions	18%	9%	18%	55%	0%	55%	27%	**27%**
Presence of super angels in space formerly occupied by VCs	18%	9%	45%	27%	0%	27%	27%	**0%**
Size of venture capital industry	18%	27%	27%	27%	0%	27%	45%	**-18%**
Appetite for risk	18%	18%	27%	36%	0%	36%	36%	**0%**

ANGEL INVESTOR SURVEY INFORMATION

Of the 58 participants who responded to the angel investor survey, the majority (68%) of respondents plan to make between one and five investments in the next twelve months. Other key findings include:

- Approximately 28% of respondents base valuations on gut feel when valuing privately-held businesses, another 16% base valuations on discounted future earnings method.
- When using multiples to determine the value of a business, the most popular methods used by respondents were revenue multiple (45%), followed by recast EBITDA multiple (14%) and EBITDA multiple (13%).
- The types of businesses respondents plan to invest in over next 12 months are very diverse with 32% targeting healthcare & biotech and another 30% planning to invest to information technology.
- Respondents indicated increased demand for angel capital, size of angel industry, slightly decreased expected returns on new investments and worsened general business conditions.
- Respondents' exit strategies include selling to a private company (41%) and selling to a public company (23%).

Operational and Assessment Characteristics

Approximately 65% of respondents made between one and five investments over the last twelve months.

Figure 68. Total Number of Investments Made in the Last 12 Months

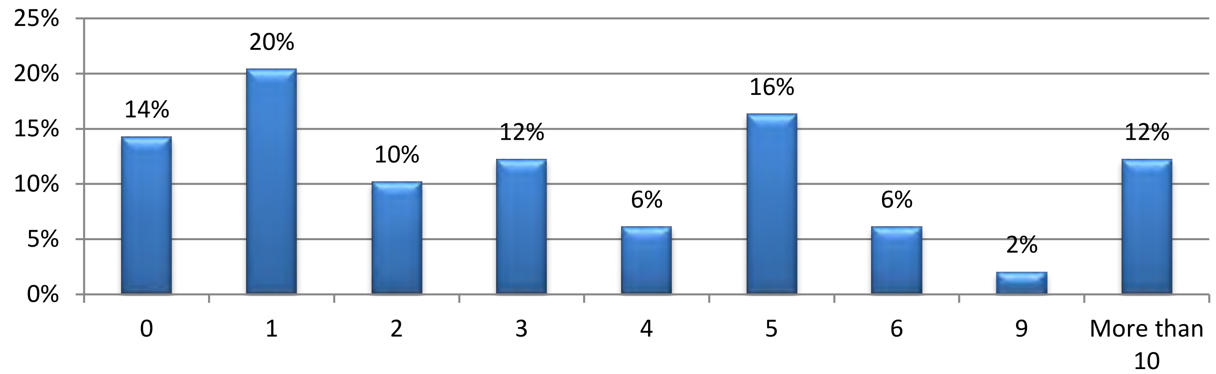
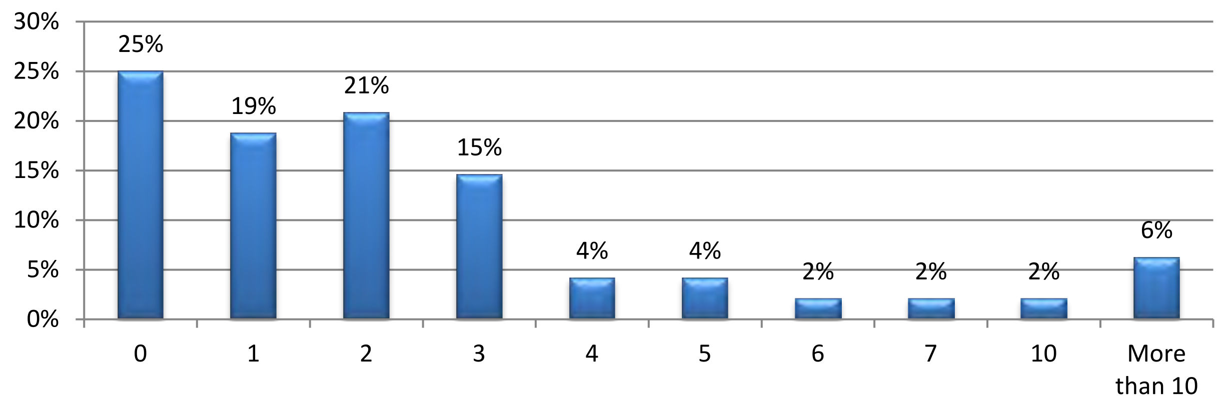


Figure 69. Number of Follow-on Investments Made in the Last 12 Months



ANGEL cont.

The majority (68%) of respondents plan to make between one and five investments over the next 12 months.

Figure 70. Number of Total Investments Planned Over Next 12 Months

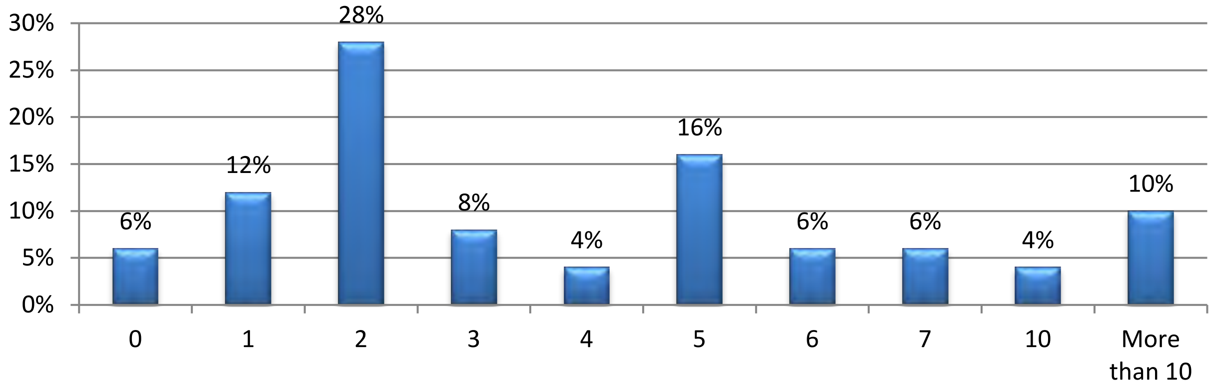
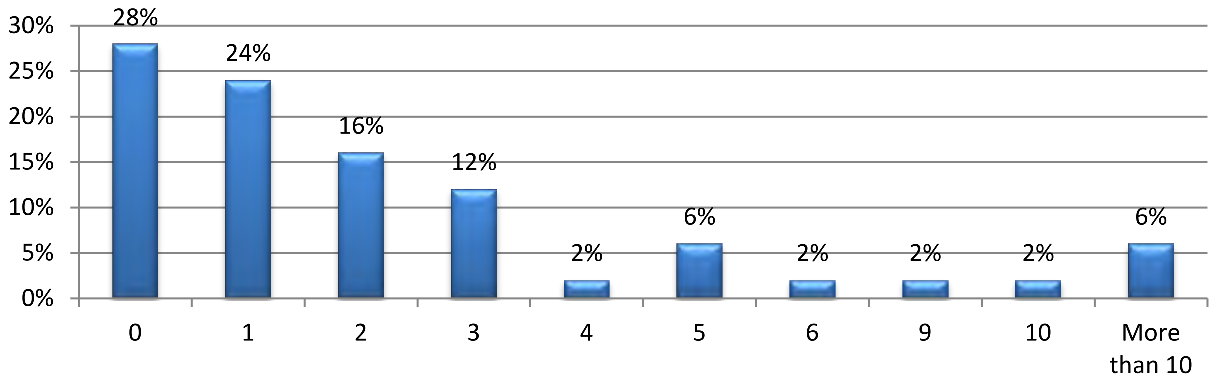
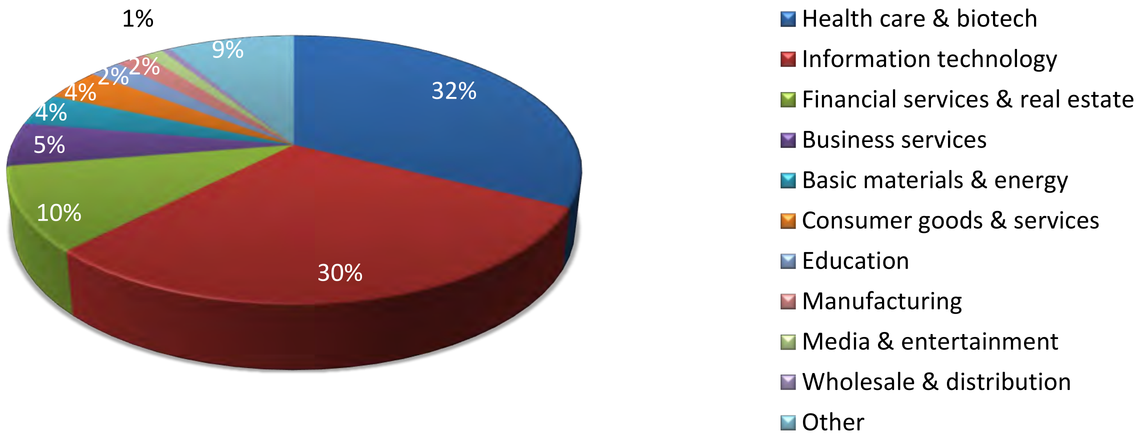


Figure 71. Number of Follow-on Investments Planned Over Next 12 Months



The types of businesses respondents plan to invest in over next 12 months are very diverse with over 32% targeting healthcare & biotech and another 30% planning to invest in information technology.

Figure 72. Type of Business for Investments Planned over Next 12 Months



ANGEL cont.

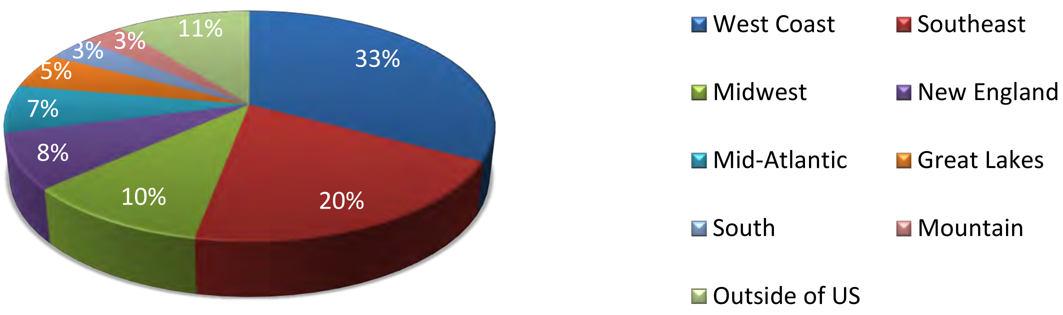
Respondents reported on a variety of stats pertaining to their investments.

Table 46. General Information on Investments by Company Stages

	Pre-Seed	**Seed**	**Startup / Early Stage**	**Growth / Expansion**	**Later Stage**
Number of investments made in last twelve months					
	61	221	151	120	49
Average size of investments					
1st Quartile	$25,000	$25,000	$25,000	$31,250	$87,500
Median	$25,000	$75,000	$150,000	$150,000	$150,000
3rd Quartile	$75,000	$150,000	$150,000	$250,000	$250,000
Average revenue multiple					
1st Quartile	<1	<1	1.0	3.0	4.5
Median	<1	1.0	2.0	4.0	5.0
3rd Quartile	2.0	3.4	4.5	4.5	6.0
Average % of total equity purchased					
1st Quartile	2%	1.5%	1%	1%	1%
Median	7.5%	4%	3%	3%	1.0%
3rd Quartile	15%	10%	9%	7%	2%
Total EXPECTED Returns (gross cash on cash pretax IRR) on New Investments (%)					
1st Quartile	25%	23%	22%	20%	18%
Median	**33%**	**30%**	**28%**	**23%**	**20%**
3rd Quartile	53%	48%	42%	33%	25%
Expected Time to Exit (years)					
1st Quartile	5.0	4.3	3.3	3.0	3.0
Median	6.0	5.0	4.0	4.0	3.0
3rd Quartile	>7	5.0	5.0	5.0	3.5
Average Company Value at Time of Investment (post-money value)					
1st Quartile	$1,000,000	$4,000,000	$4,000,000	$20,000,000	$47,500,000
Median	**$2,500,000**	**$7,500,000**	**$10,000,000**	**$25,000,000**	**$55,000,000**
3rd Quartile	$4,000,000	$15,000,000	$15,000,000	$30,000,000	$67,500,000

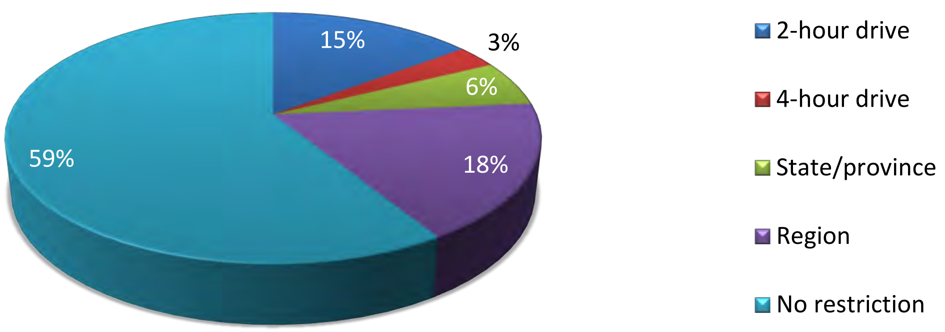
Respondents reported on where they plan to invest over the next 12 months.

Figure 73. Geographic Location of Planned Investment over Next 12 Months



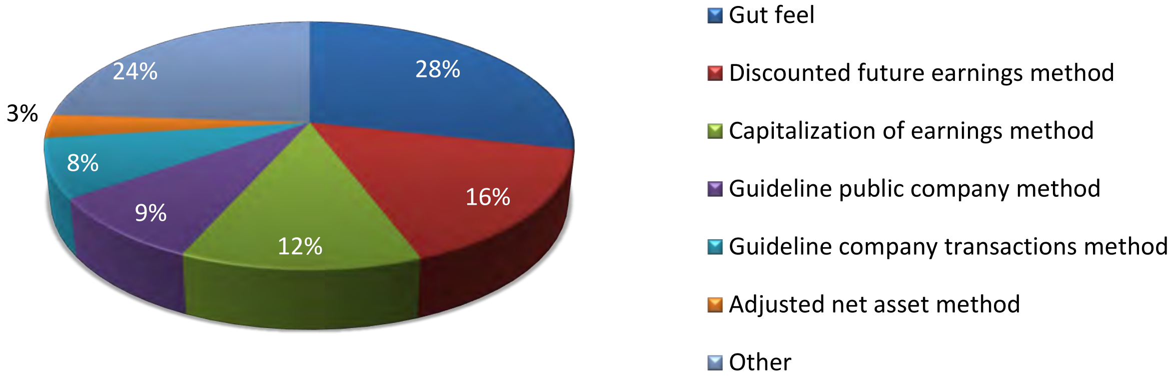
Respondents reported on their geographical limits for investments.

Figure 74. Geographical Limit for Investment



Approximately 28% of respondents' base valuations on gut feel when valuing privately-held businesses, another 16% base valuations on discounted future earnings method.

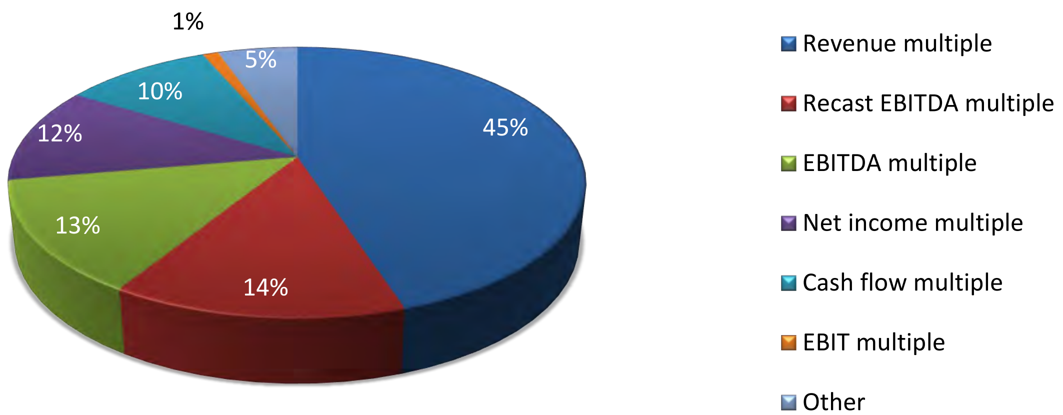
Figure 81. Usage of Valuation Methods



ANGEL cont.

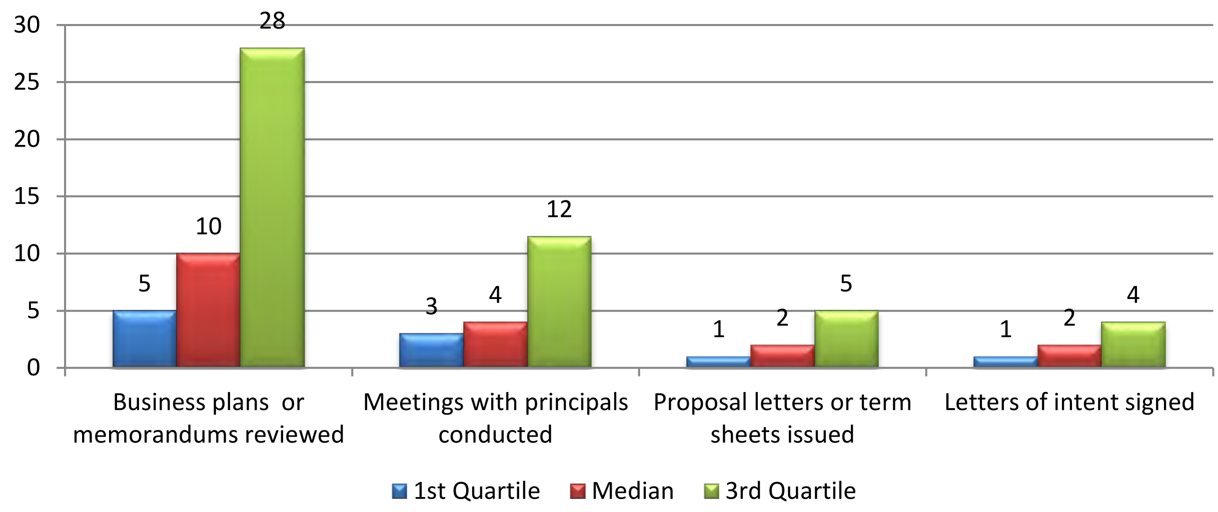
The weights of the various multiple methods used by respondents when valuing privately-held businesses included 45% for revenue multiple, 14% for recast EBITDA multiple method and 13% for EBITDA multiple.

Figure 75. Usage of Multiple Methods



Respondents reported on items required to close one deal.

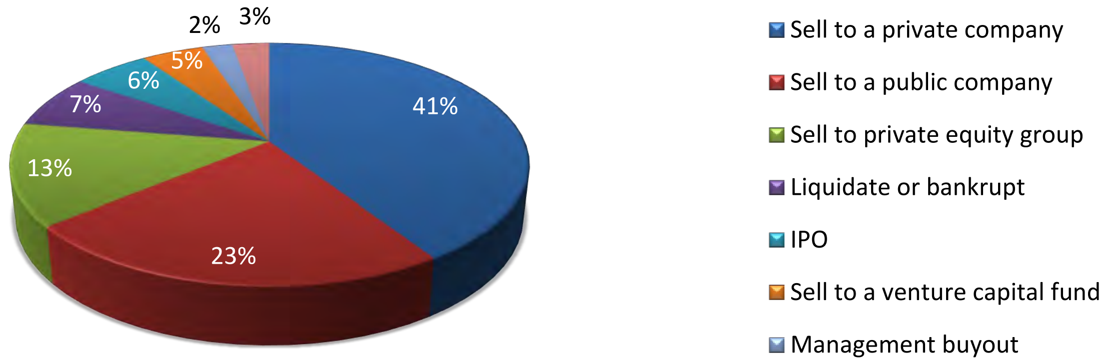
Figure 76. Items Required to Close One Deal



ANGEL cont.

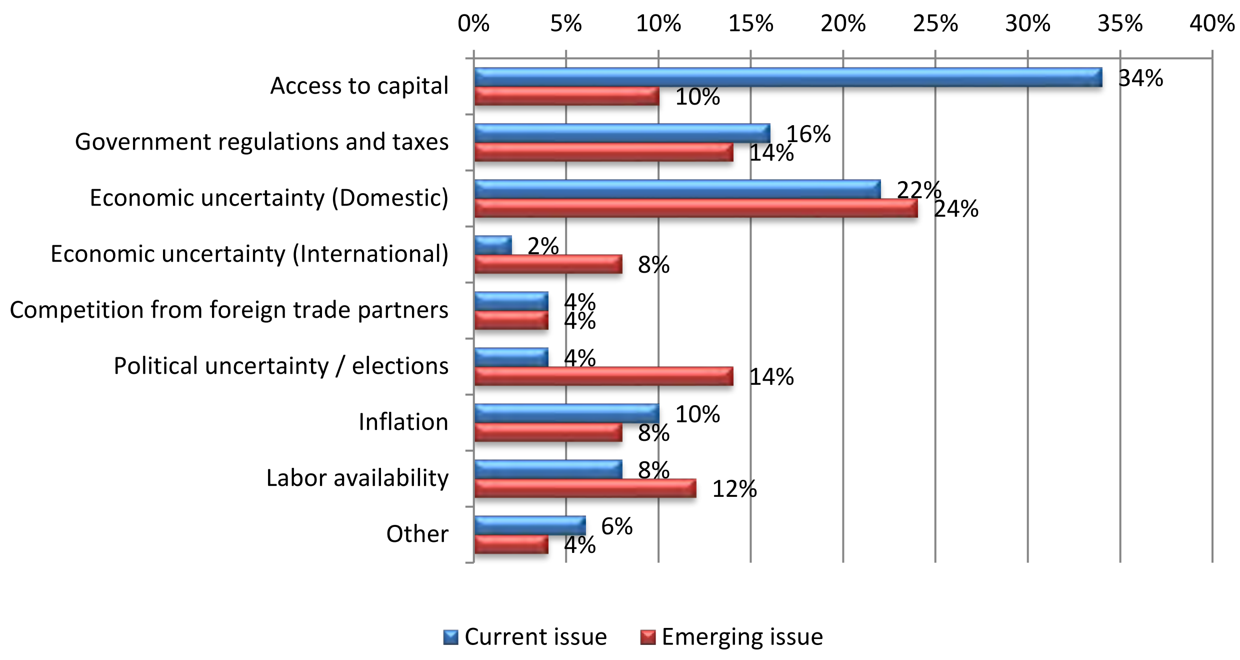
Respondents' exit strategies include selling to a private company (41%) and selling to a public company (23%).

Figure 77. Exit Plans for Portfolio Companies



Respondents believe access to capital is the most important current issue facing privately-held businesses.

Figure 85. Issues Facing Privately-Held Businesses



ANGEL cont.

Respondents indicated increase in demand for angel capital, decrease in quality of companies seeking investment and expected returns on new investments, and slightly worsened general business conditions.

Table 47. General Business and Industry Assessment: Today versus 12 Months Ago

	Decreased significantly	Decreased slightly	Stayed about the same	Increased slightly	Increased significantly	% increase	% decrease	**Net increase**
Demand for angel capital	0%	6%	31%	25%	38%	63%	6%	**56%**
Size of angel finance industry	13%	13%	44%	28%	3%	31%	25%	**6%**
Quality of companies seeking investment	3%	35%	39%	23%	0%	23%	39%	**-16%**
Follow-on investments	6%	10%	35%	23%	26%	48%	16%	**32%**
Average investment size	6%	25%	47%	16%	6%	22%	31%	**-9%**
Exit opportunities	26%	42%	23%	10%	0%	10%	68%	**-58%**
Time to exit deals	3%	6%	23%	26%	42%	68%	10%	**58%**
Expected returns on new investments	3%	25%	50%	13%	9%	22%	28%	**-6%**
Value of portfolio companies	3%	35%	32%	23%	6%	29%	39%	**-10%**
General business conditions	13%	26%	29%	26%	6%	32%	39%	**-6%**
Appetite for risk	19%	41%	31%	3%	6%	9%	59%	**-50%**

Respondents expect slightly worsening general business conditions and decreasing appetite for risk.

Table 48. General Business and Industry Assessment Expectations over the Next 12 Months

	Decreased significantly	Decreased slightly	Stayed about the same	Increased slightly	Increased significantly	% increase	% decrease	**Net increase**
Demand for angel capital	0%	3%	28%	38%	31%	69%	3%	**66%**
Size of angel finance industry	3%	25%	31%	34%	6%	41%	28%	**13%**
Quality of companies seeking investment	3%	23%	42%	29%	3%	32%	26%	**6%**
Follow-on investments	3%	9%	34%	28%	25%	53%	13%	**41%**
Average Investment Size	3%	9%	47%	38%	3%	41%	13%	**28%**
Exit opportunities	6%	32%	19%	23%	19%	42%	39%	**3%**
Time to exit deals	0%	16%	31%	38%	16%	53%	16%	**38%**
Expected returns on new investments	0%	22%	53%	19%	6%	25%	22%	**3%**
Value of portfolio companies	3%	28%	31%	25%	13%	38%	31%	**6%**
General business conditions	9%	31%	22%	28%	9%	38%	41%	**-3%**
Appetite for risk	6%	28%	47%	16%	3%	19%	34%	**-16%**

BUSINESS APPRAISER SURVEY INFORMATION

According to the 292 business appraiser survey respondents, labor availability is the most important issue facing privately-held business today. Respondents indicated increases in number of engagements, fees for services, slightly increased competition, and improved general business conditions over the last twelve months. They also expect worsening business conditions in the next twelve months.

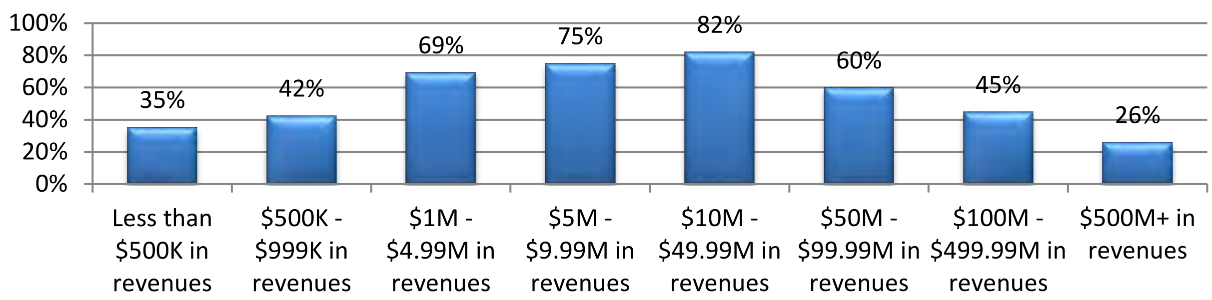
Other key findings include:

- When using valuation methods to determine the value of a business, the most popular methods used by respondents were discounted future earnings method (36%), capitalization of earnings method (25%) and guideline company transactions method (16%).
- Recast (adjusted) EBITDA multiple is the most popular when using multiple valuation method
- Respondents use an average risk-free rate of 4.1% and a market (equity) risk premium of 6.2%
- Average long-term terminal growth is estimated at 3.2%

Operational and Assessment Characteristics

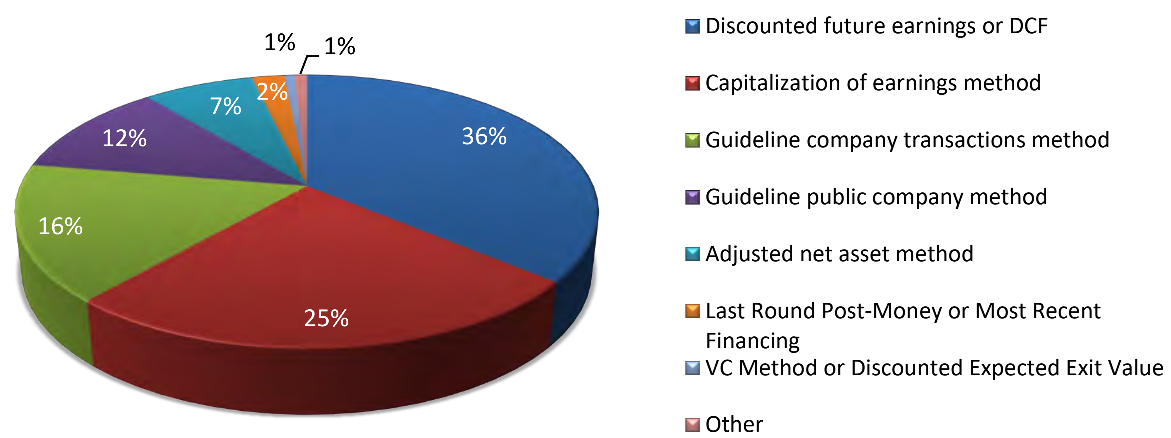
Most of the companies valued by respondents have annual revenues from $1 million to $100 million.

Figure 78. Annual Revenues of Companies Valued



Appraisers, on average, apply a 36% weight to discounted future earnings method when valuing a privately-held business.

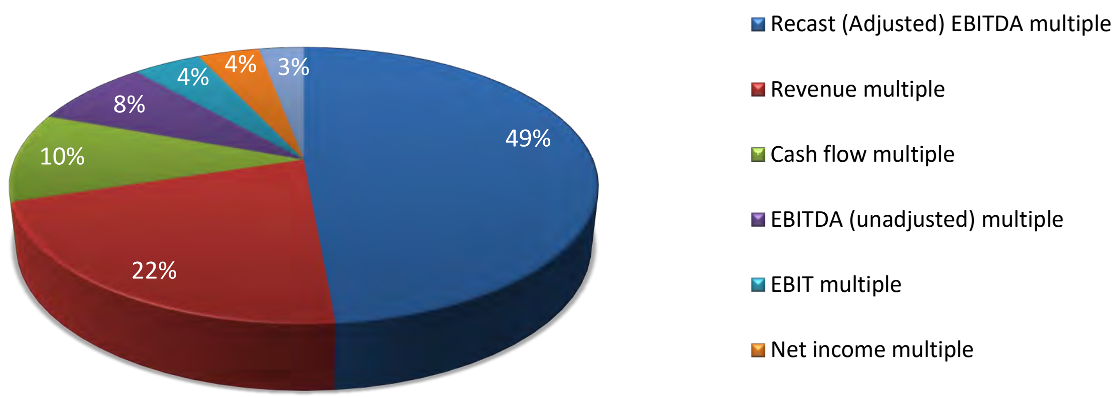
Figure 79. Usage of Valuation Methods



APPRAISERS cont.

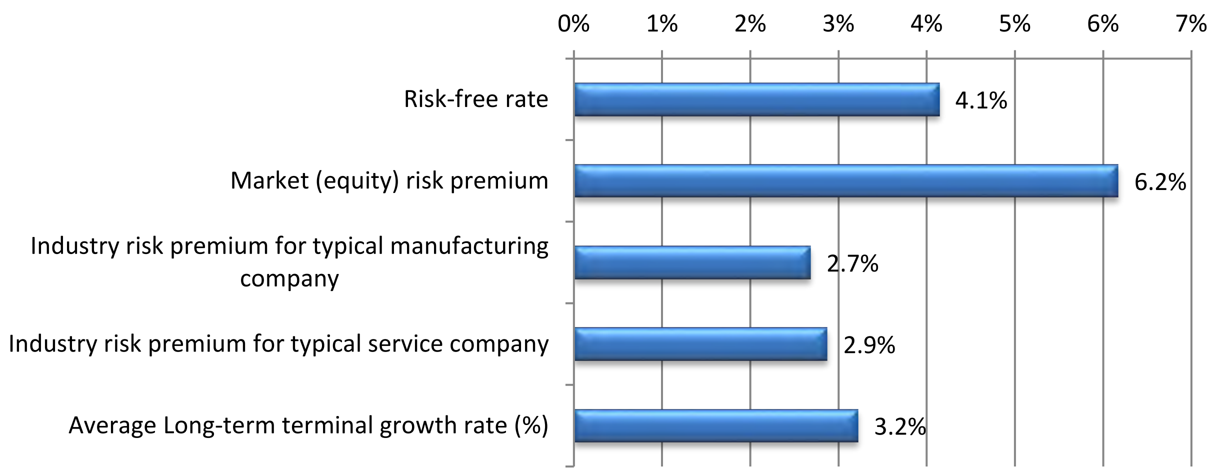
Respondents using multiples-based approaches indicate a preference for using recast (adjusted) EBITDA multiples (49%), followed by revenue multiples (22%).

Figure 80. Usage of Multiple Methods



Respondents indicated using an average risk-free rate of 4.1%, average market (equity) risk premium of 6.2% and average long-term growth rate of 3.2%.

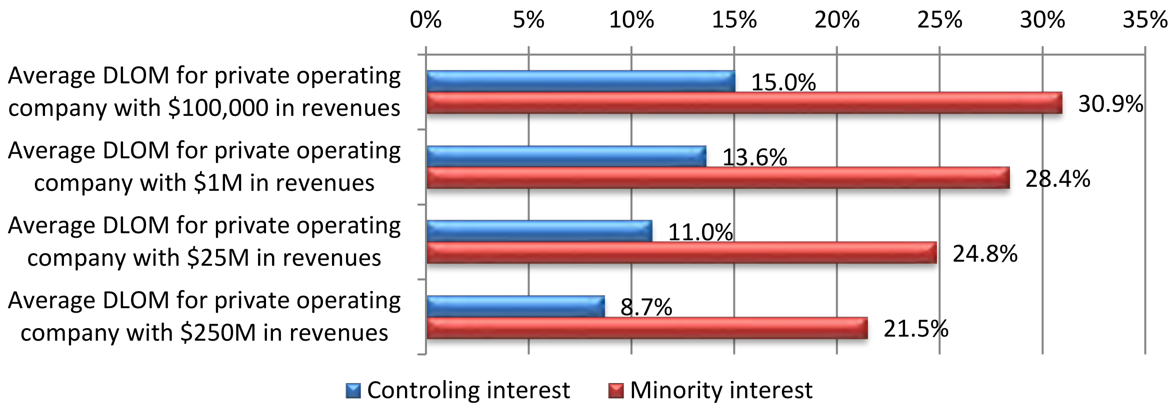
Figure 81. Average Risk-Free Rate, Market (equity) Risk Premium, Industry Risk Premiums and Long-Term Growth Rate



APPRAISERS cont.

Figure below indicates considerable differences in DLOMs across sizes of companies and subject interests.

Figure 82. Discount for Lack of Marketability (DLOM) by Revenue Sizes



Only 27% of respondents are comfort applying public cost of capital to privately-held companies with annual revenues less than $1 million.

Figure 83. Overall Comfort Level with Applying Public Cost of Capital to Privately-held Companies of Various Sizes

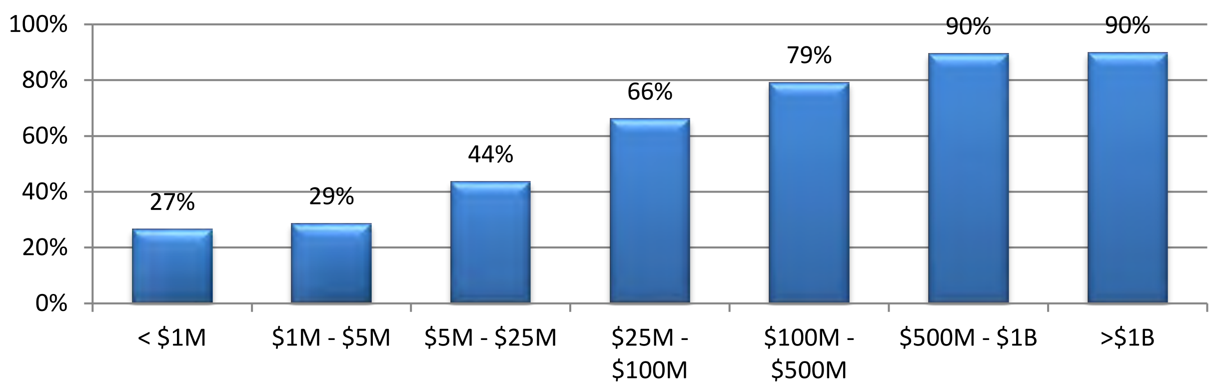
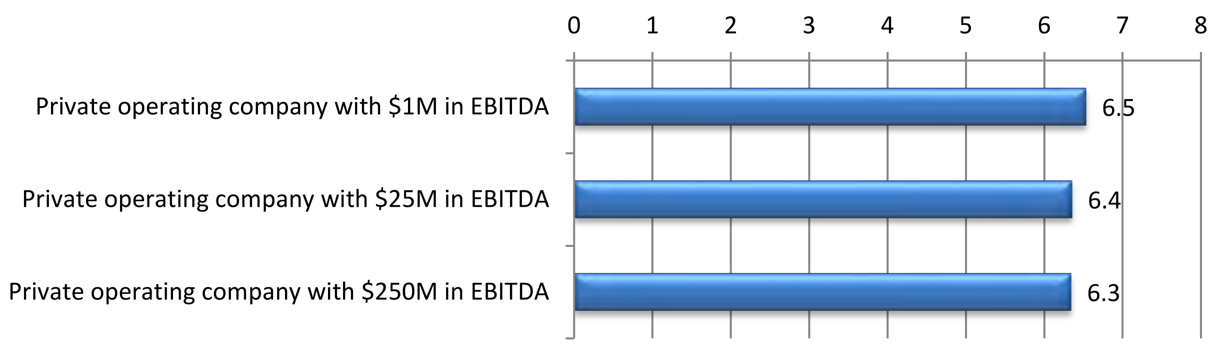


Figure 84. Explicit Forecast Period for High-Growth Companies by Revenue Sizes (years)



APPRAISERS cont.

Figure 85. Size Premiums for Private Companies by Revenue Size

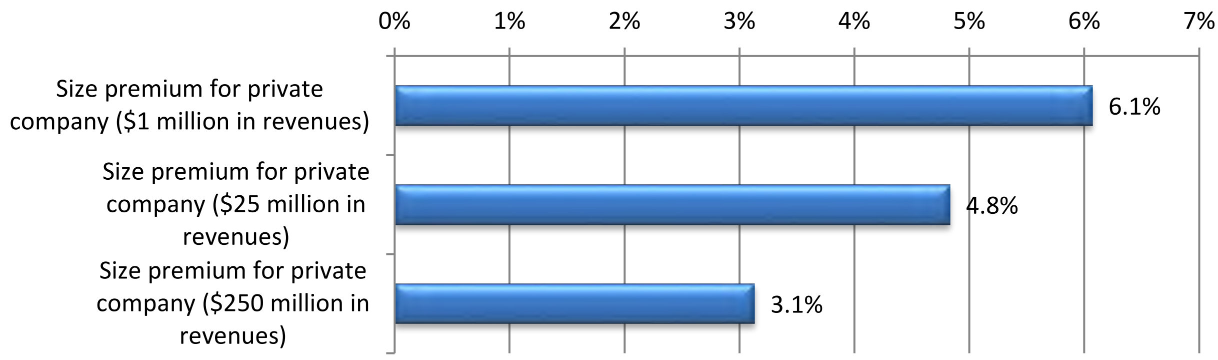
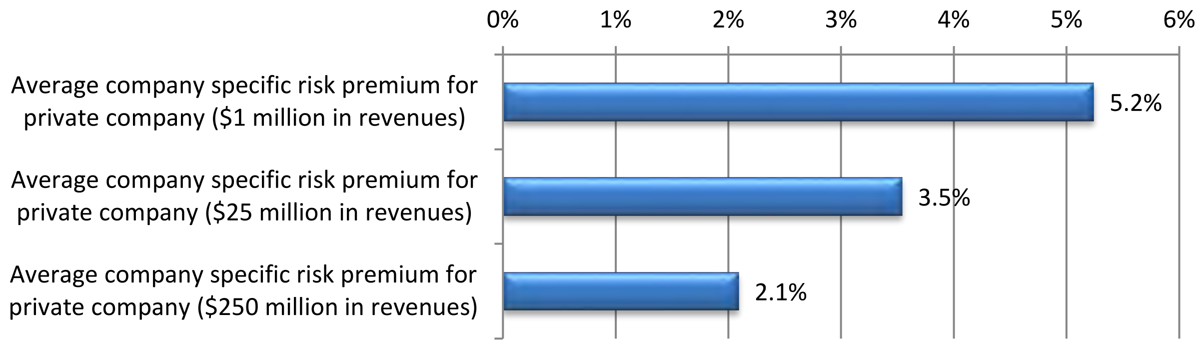
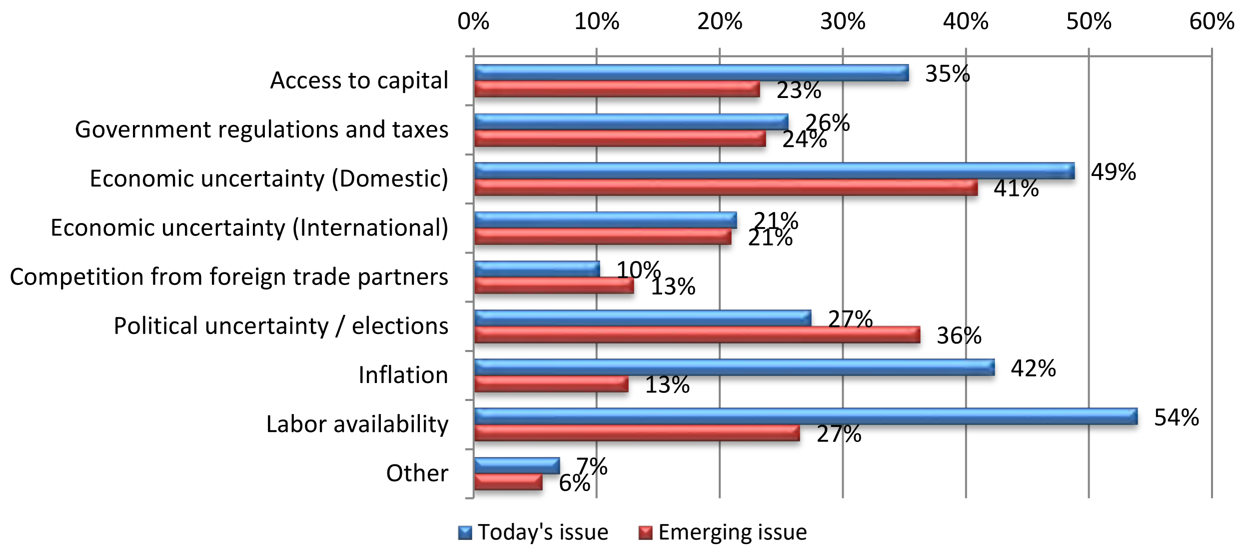


Figure 86. Company Specific Risk Premiums by Revenue Size



Respondents believe labor availability and domestic economic uncertainty are the most important issues facing privately-held businesses today.

Figure 87. Issues Facing Privately-Held Businesses



Respondents indicated increases in number of engagements, fees for services, slightly increased competition, and improved general business conditions over the last twelve months.

Table 49. General Business and Industry Assessment: Today versus 12 Months Ago

	Decreased significantly	Decreased slightly	Stayed about the same	Increased slightly	Increased significantly	% increase	% decrease	**Net increase/ decrease**
Number of engagements	6%	16%	36%	32%	11%	43%	21%	**22%**
Time to complete a typical appraisal	2%	10%	67%	18%	2%	20%	12%	**8%**
Fees for services	0%	3%	34%	56%	7%	63%	3%	**60%**
Competition	0%	9%	68%	20%	3%	24%	9%	**15%**
Cost of capital	0%	7%	26%	51%	17%	68%	7%	**61%**
Market (equity) risk premiums	0%	9%	52%	38%	1%	39%	9%	**31%**
Discounts for lack of marketability (DLOM)	0%	3%	90%	7%	1%	8%	3%	**5%**
Company specific risk premiums	0%	7%	71%	21%	1%	22%	7%	**15%**
General business conditions	2%	19%	41%	37%	1%	38%	21%	**17%**
Appetite for risk	3%	26%	52%	18%	1%	19%	29%	**-9%**

Respondents expect worsening business conditions in the next twelve months.

Table 50. General Business and Industry Assessment Expectations over the Next 12 Months

	Decreased significantly	Decreased slightly	Stayed about the same	Increased slightly	Increased significantly	% increase	% decrease	**Net increase/ decrease**
Number of engagements	3%	7%	33%	48%	8%	2%	9%	**-7%**
Time to complete a typical appraisal	1%	12%	73%	12%	0%	2%	13%	**-11%**
Fees for services	0%	2%	38%	54%	2%	3%	3%	**0%**
Competition	0%	4%	65%	25%	2%	4%	4%	**0%**
Cost of capital	0%	25%	57%	14%	2%	2%	25%	**-23%**
Market (equity) risk premiums	0%	11%	71%	13%	1%	3%	11%	**-8%**
Discounts for lack of marketability (DLOM)	0%	2%	85%	5%	1%	7%	2%	**5%**
Company specific risk premiums	0%	6%	80%	9%	0%	5%	6%	**-1%**
General business conditions	3%	13%	52%	28%	2%	2%	16%	**-14%**
Appetite for risk	3%	11%	56%	26%	1%	4%	14%	**-10%**

BROKER SURVEY INFORMATION

Approximately 59% of the 62 participants for the broker survey said they expect to close between two and five deals in the next 12 months.

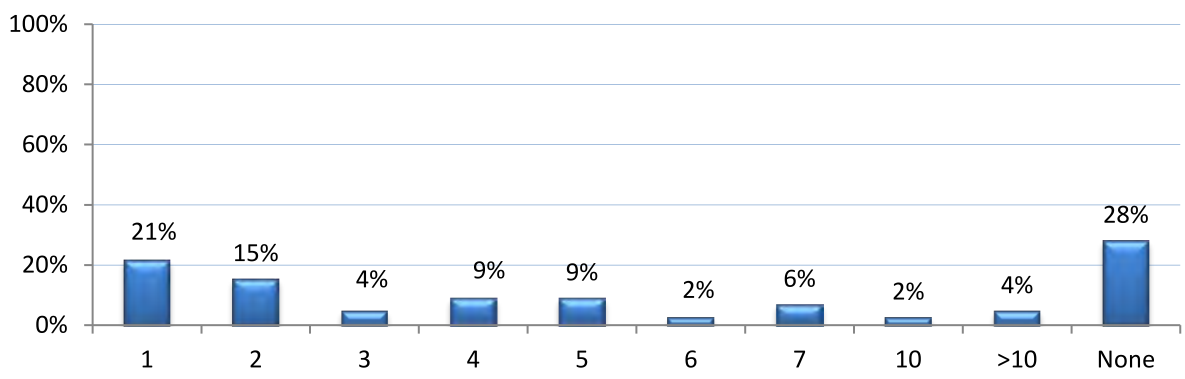
Other key findings include:

- Approximately 43% of business listings/ engagements terminated without closing in the last 12 months.
- Respondents indicated increases in deal flow, ratio of businesses sold to total listings, business exit opportunities, and worsened general business conditions.
- 35% of respondents closed more deals in 2023 than in 2022.

Operational and Assessment Characteristics

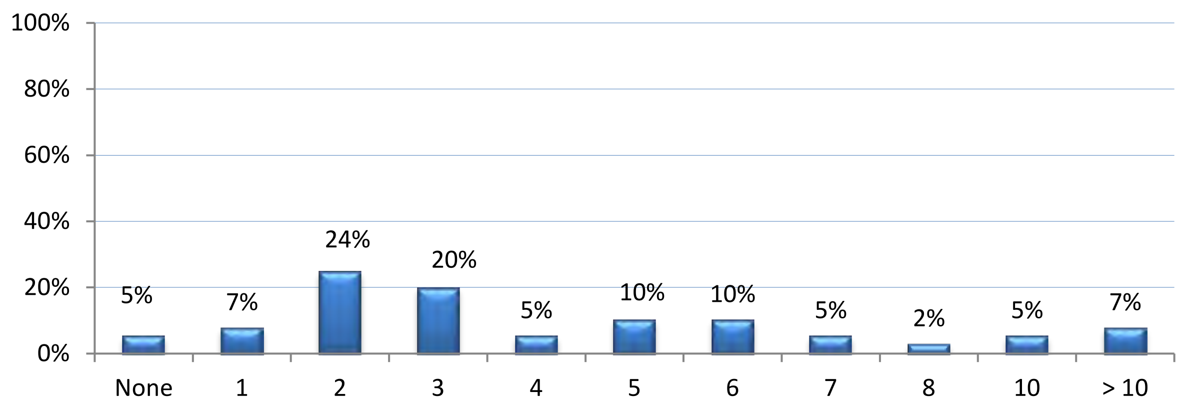
Approximately 28% of the respondents didn't close any deal in the last twelve months; 40% closed between one to three deals, while 32% closed four or more transactions.

Figure 88. Private Business Sales Transactions Closed in the Last Twelve Months



Approximately 68% of respondents are planning to close between two and six business sales transactions in the next 12 months.

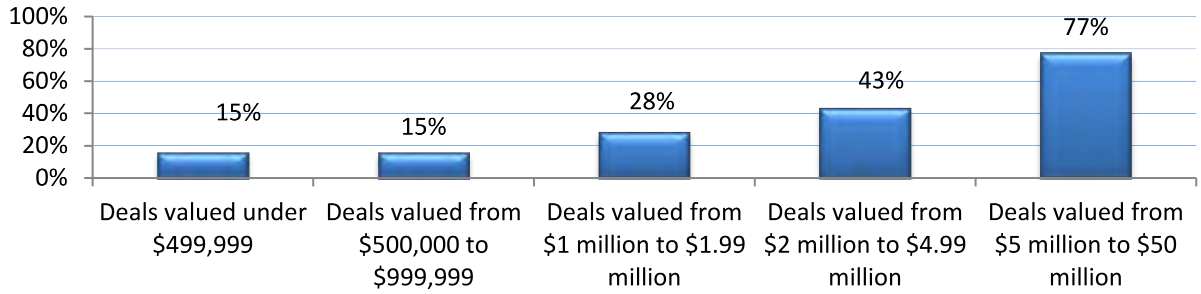
Figure 89. Private Business Sales Transactions Expected to Close in the Next Twelve Months



BROKER cont.

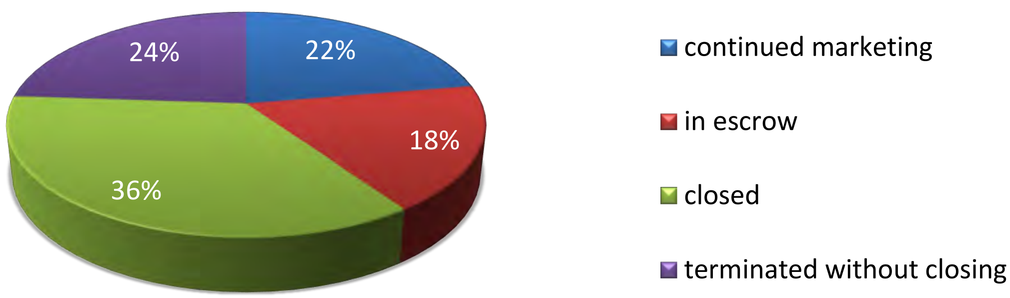
Respondents indicated typical sizes of transactions they are currently working on.

Figure 90. Typical Size of Business Transactions



Respondents indicate out of all business transactions they worked on in the last 12 months 36% were closed, 22% are continued marketing, 18% are in escrow and 24% were terminated without closing.

Figure 91. Business Transactions in the Last 12 Months



Nearly 35% of respondents closed more transactions in 2023 than in 2022, 17% of respondents closed equal amount.

Figure 92. Did Respondents Close More Transactions in 2023 than in Previous Years

	Yes	No	Equal amount
2022	35%	48%	17%
2021	35%	56%	9%
2020	37%	47%	12%
2019	24%	55%	14%
2018	17%	48%	21%

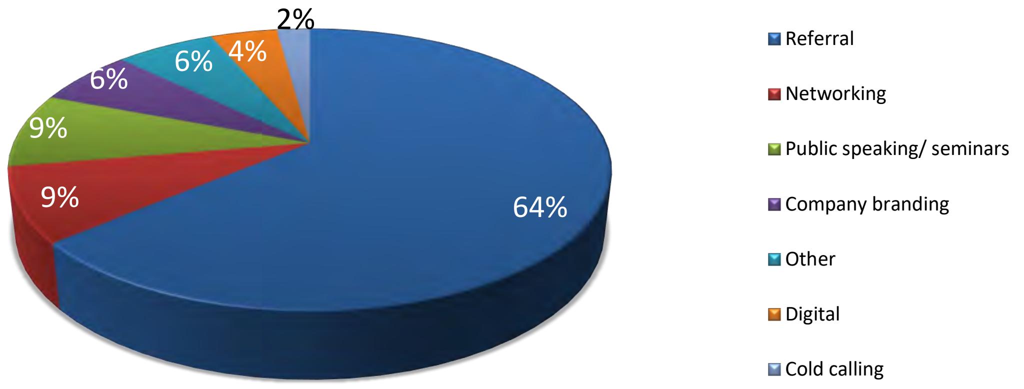
Respondents indicate difficulty to arrange senior debt for transactions with annual revenues under $15 million.

Table 51. How Difficult to Arrange Senior Debt for Transactions over the Past 12 Months

Revenue size	Extremely difficult	Difficult	Somewhat difficult	Neutral	Somewhat easy	Easy	Extremely easy	**Score (-3 to 3)**
$100K	33%	27%	27%	0%	13%	0%	0%	**-1.7**
$500K	20%	20%	27%	20%	13%	0%	0%	**-1.1**
$1M	13%	13%	47%	20%	7%	0%	0%	**-1.1**
$5M	10%	25%	25%	15%	20%	5%	0%	**-0.8**
$10M	0%	16%	37%	26%	11%	11%	0%	**-0.4**
$15M	0%	11%	37%	32%	11%	11%	0%	**-0.3**
$25M+	0%	5%	38%	14%	19%	14%	10%	**0.3**

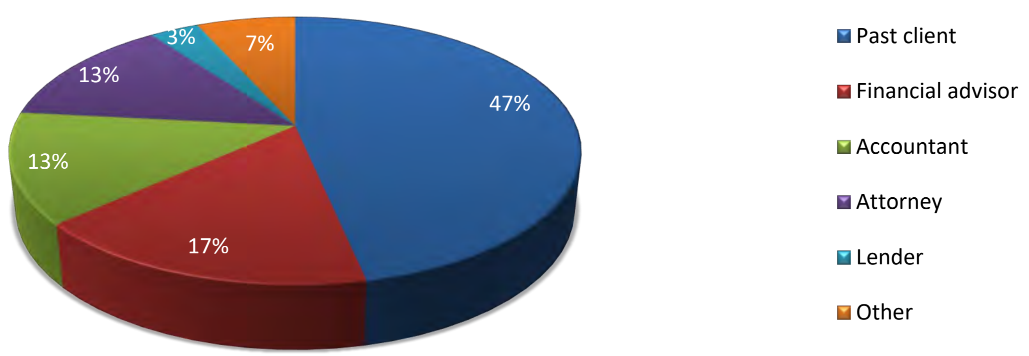
Approximately 64% of respondents indicate best clients arrived by referrals.

Figure 93. Best Client Arrived By:



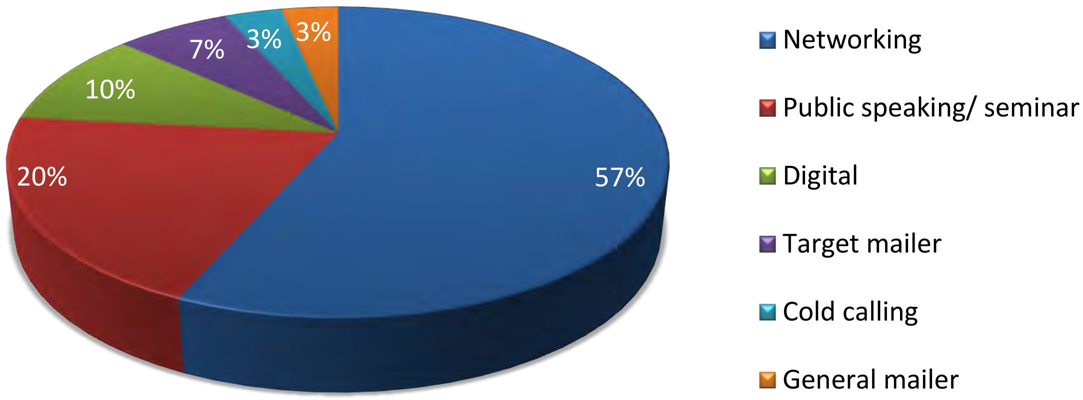
Nearly 47% of referrals were past clients.

Figure 94. Types of Referrals



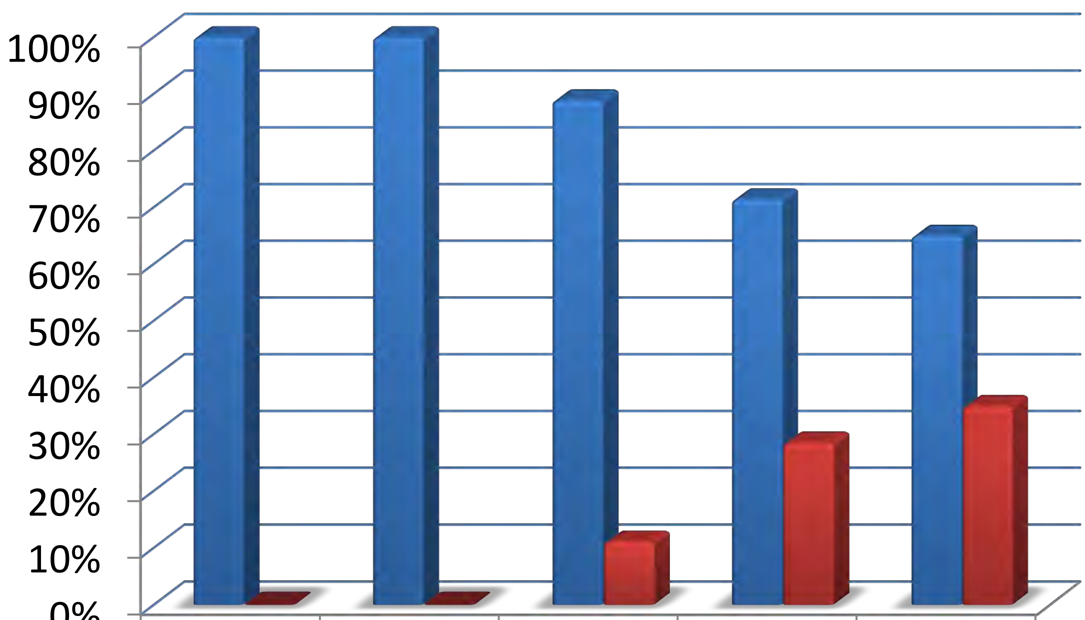
BROKER cont.

Figure 95. Best Marketing Tactic Use in Finding Client Besides Referral



All respondents indicated it was 'buyer's market' for deals valued under $500 thousands, whereas only 65% of respondents indicated it was 'buyer's market' for deals valued between $5 million and $50 million.

Figure 96. Was It Buyer's or Seller's Market in the Last 3 Months



	Deals valued under $499,999	Deals valued from $500,000 to $999,999	Deals valued from $1 million to $1.99 million	Deals valued from $2 million to $4.99 million	Deals valued from $5 million to $50 million
Buyer's market	100%	100%	89%	71%	65%
Seller's market	0%	0%	11%	29%	35%

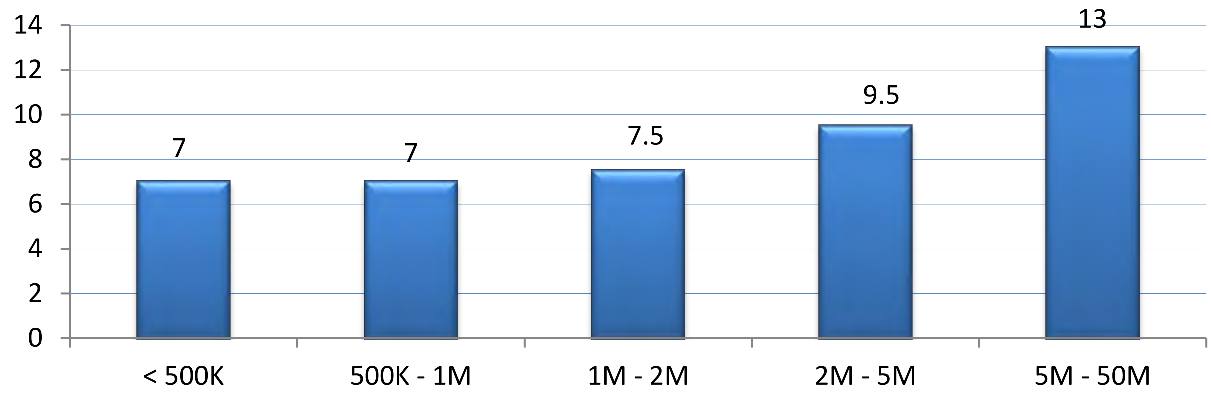
BROKER cont.

Table 52. Number of New Clients in the Last 3 Months

Deal size	Greatly decreased	Decreased	Stayed the same	Increased	Greatly increased	Score (1 to 5)
Deals valued under $499,999	0%	17%	0%	33%	50%	1.8
Deals valued from $500,000 to $999,999	0%	17%	0%	33%	50%	1.8
Deals valued from $1 million to $1.99 million	0%	22%	0%	11%	67%	2.7
Deals valued from $2 million to $4.99 million	0%	21%	7%	14%	57%	3.1
Deals valued from $5 million to $50 million	0%	37%	11%	16%	37%	2.9

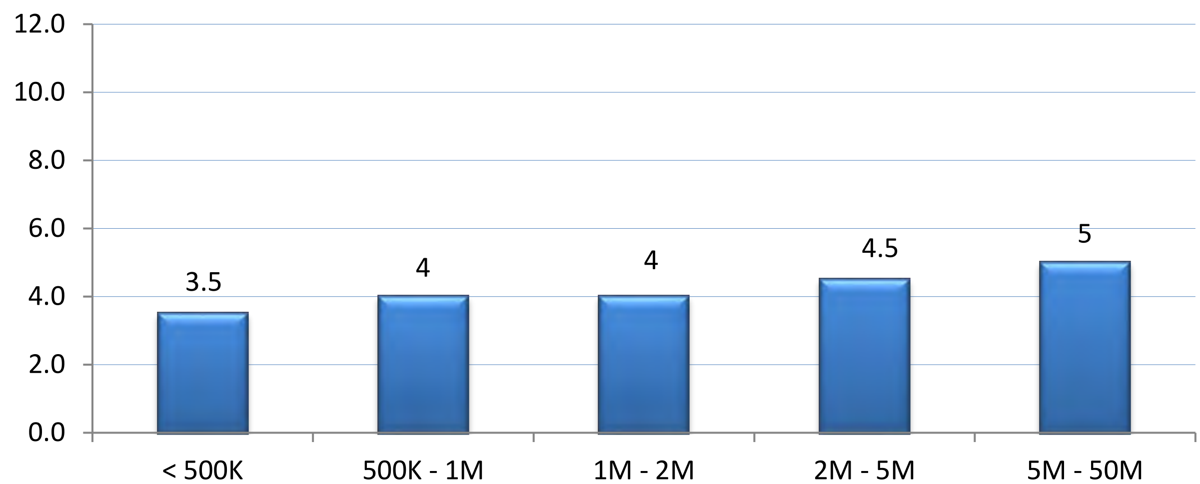
Median number of months from listing / engagement to close varies from 7 to 13 months.

Figure 97. Median Number of Months from Listing / Engagement to Close by Deal Size



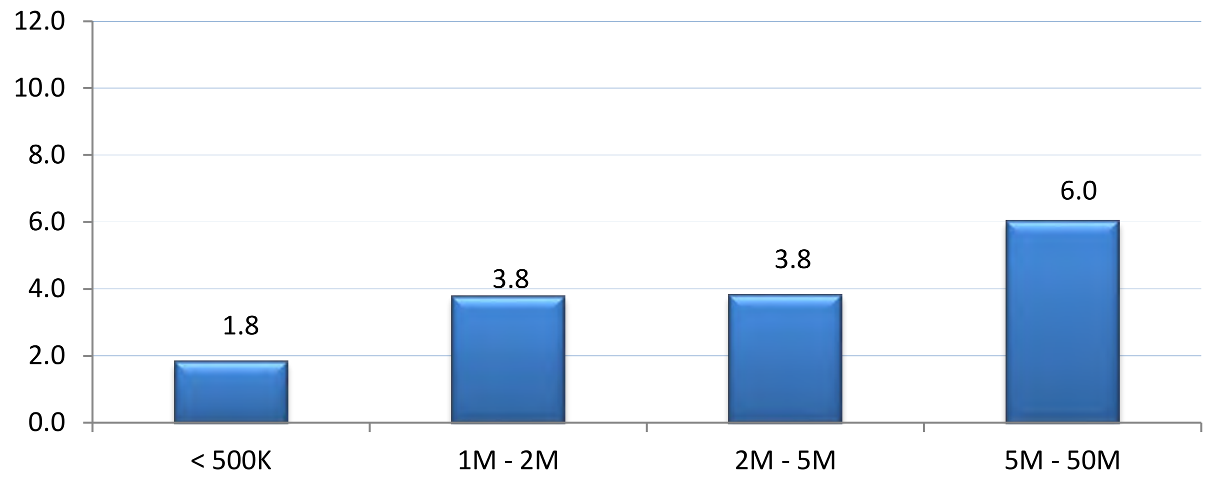
Median number of months from LOI / Offer to close varies from 3.5 to 5 months.

Figure 98. Median Number of Months from LOI / Offer to Close by Deal Size



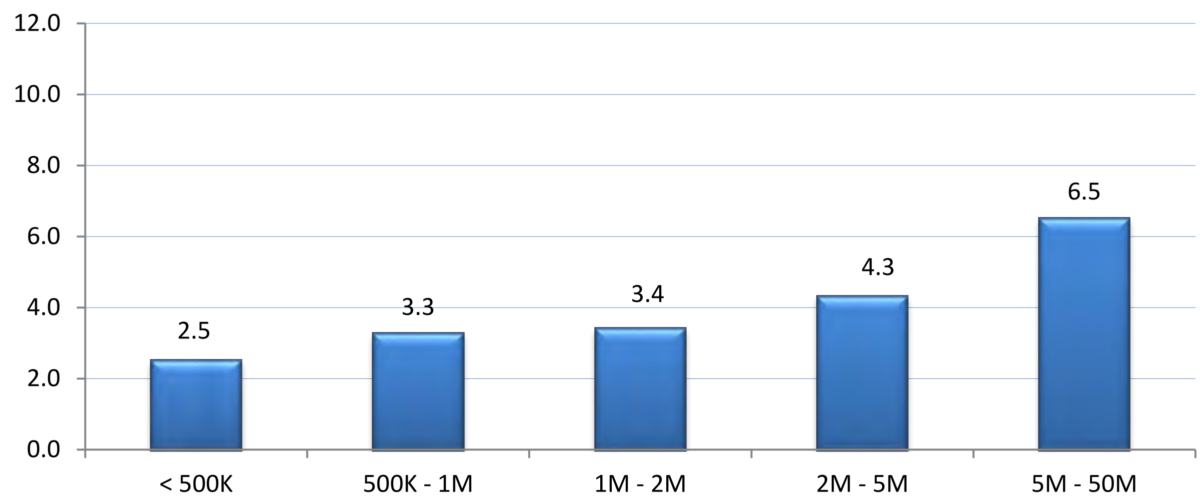
Median SDE multiple paid varies between 1.8 and 6.0.

Figure 99. Median SDE Multiple Paid by Deal Size



Median EBITDA multiple paid varies between 2.5 and 6.5.

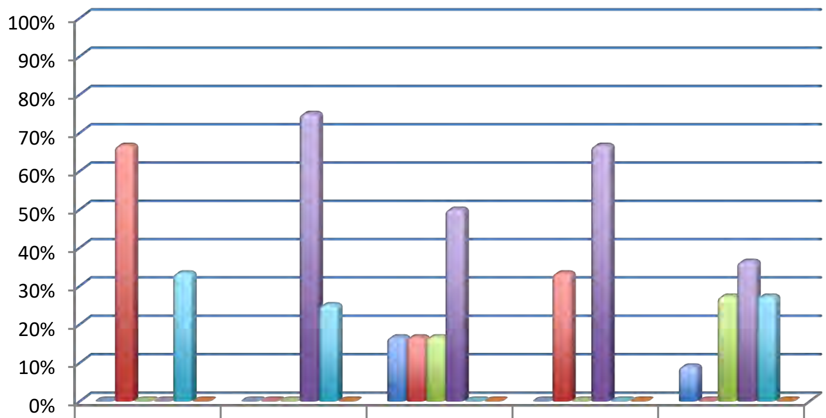
Figure 100. Median EBITDA Multiple Paid by Deal Size



BROKER cont.

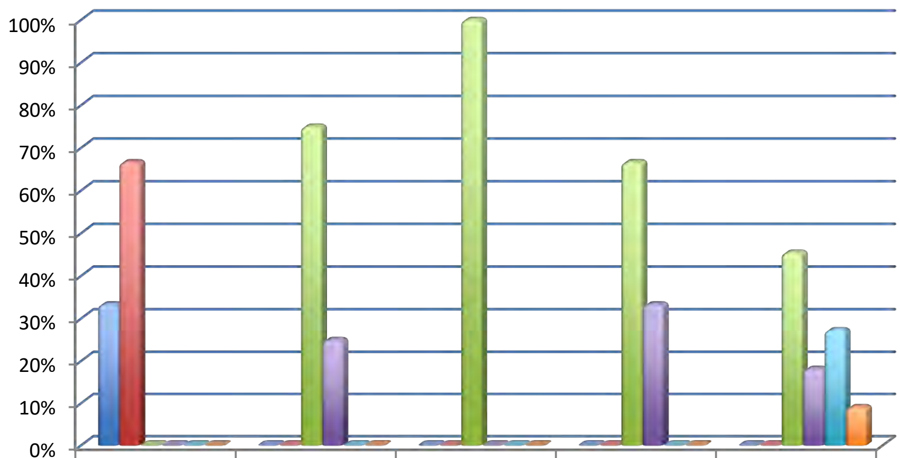
SDE not including working capital was the most popular multiple type used for deals valued under $500K, while EBITDA not including working capital was the most popular type for deals valued between $500K and $50 million.

Figure 101. Multiple Types by Deal Size



	< 500K	500K - 1M	1M - 2M	2M - 5M	5M - 50M
SDE including working capital	0%	0%	17%	0%	9%
SDE not including working capital	67%	0%	17%	33%	0%
EBITDA including working capital	0%	0%	17%	0%	27%
EBITDA not including working capital	0%	75%	50%	67%	36%
TTM EBITDA including working capital	33%	25%	0%	0%	27%
TTM EBITDA not including working capital	0%	0%	0%	0%	0%

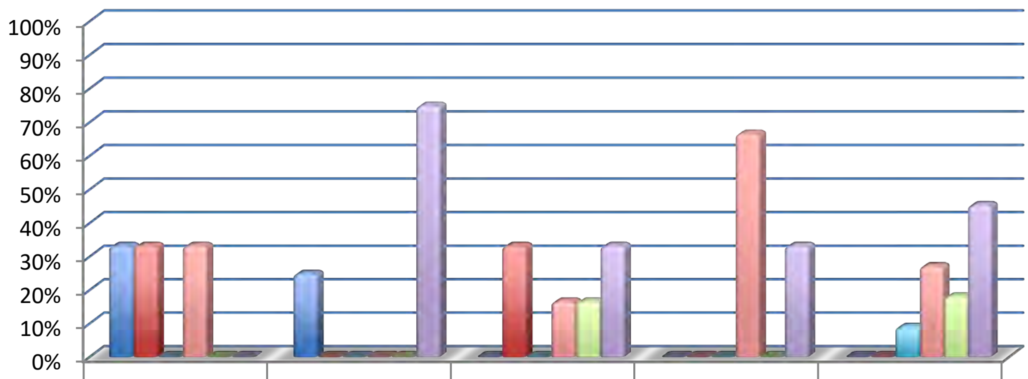
Figure 102. Buyer Type by Deal Size



	< 500K	500K - 1M	1M - 2M	2M - 5M	5M - 50M
1st time individual	33%	0%	0%	0%	0%
individual who owned a business	67%	0%	0%	0%	0%
existing company/strategic buyer	0%	75%	100%	67%	45%
PE firm - Platform	0%	25%	0%	33%	18%
PE firm - Add-on	0%	0%	0%	0%	27%
Other	0%	0%	0%	0%	9%

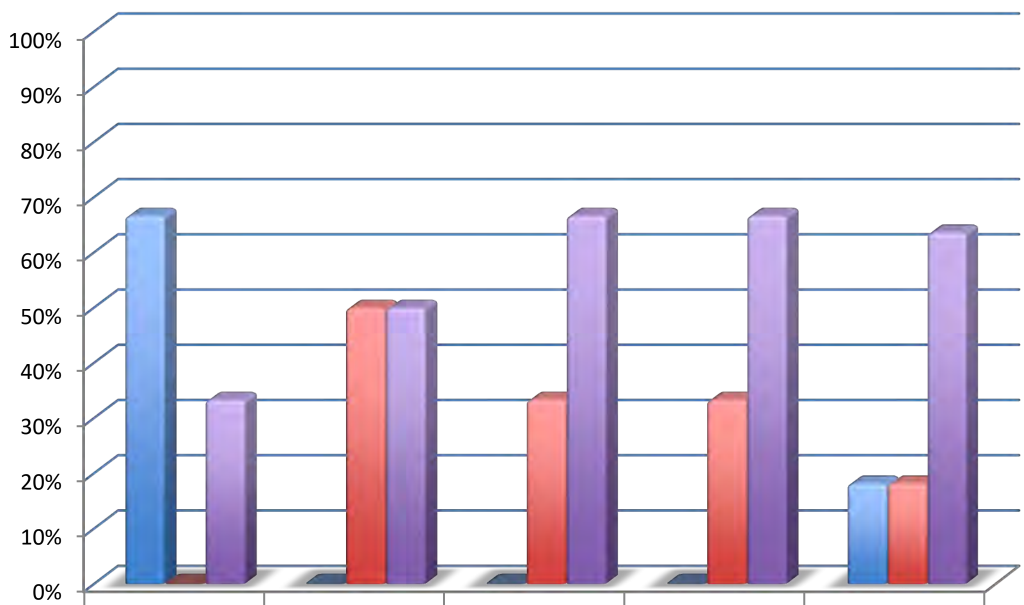
BROKER cont.

Figure 103. Reason for Seller to Go to Market by deal Size



	< 500K	500K - 1M	1M - 2M	2M - 5M	5M - 50M
Recapitalization	33%	25%	0%	0%	0%
Burnt out	33%	0%	33%	0%	0%
New opportunity	0%	0%	0%	0%	9%
Retirement	33%	0%	17%	67%	27%
Unsolicited offer	0%	0%	17%	0%	18%
Other	0%	75%	33%	33%	45%

Figure 104. Buyer Location by Deal Size

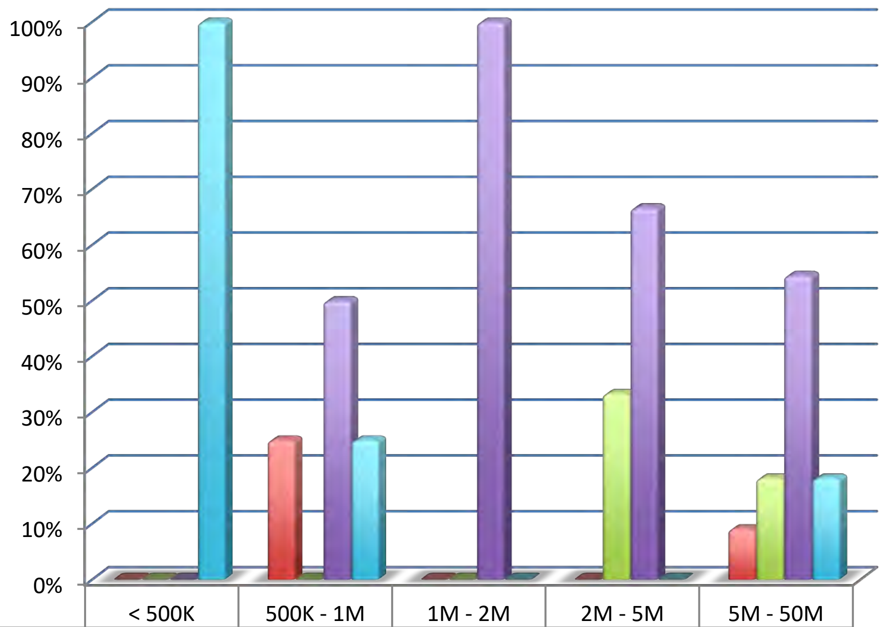


	< 500K	500K - 1M	1M - 2M	2M - 5M	5M - 50M
within 20 miles	67%	0%	0%	0%	18%
within 50 miles	0%	50%	33%	33%	18%
more than 100 miles	33%	50%	67%	67%	64%

BROKER cont.

Horizontal add-on was the number one motivation for buyer for deals valued from $500 thousand to $50 million.

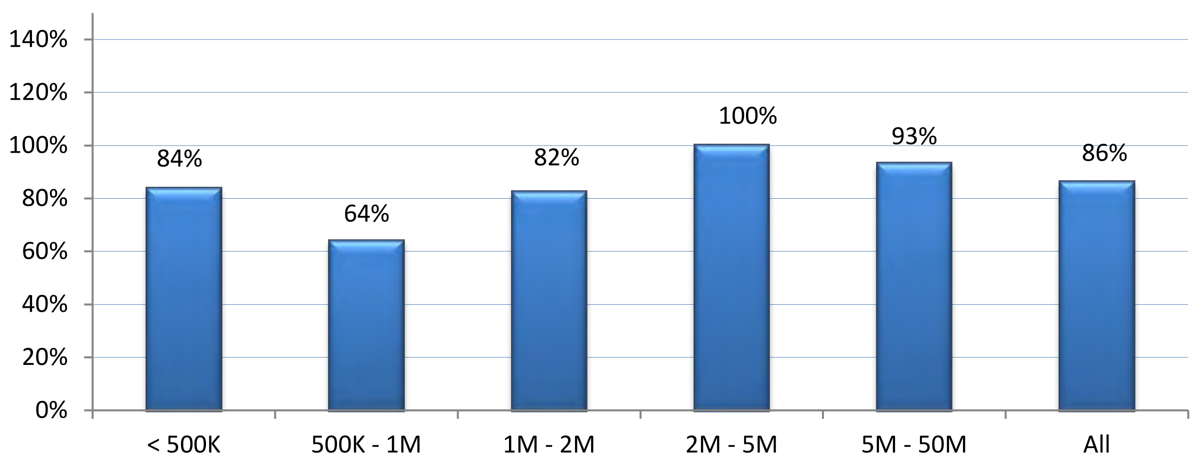
Figure 105. Number One Motivation for Buyer by Deal Size



	< 500K	500K - 1M	1M - 2M	2M - 5M	5M - 50M
Better ROI than other investment	0%	25%	0%	0%	9%
Vertical add-on	0%	0%	0%	33%	18%
Horizontal add-on	0%	50%	100%	67%	55%
Other	100%	25%	0%	0%	18%

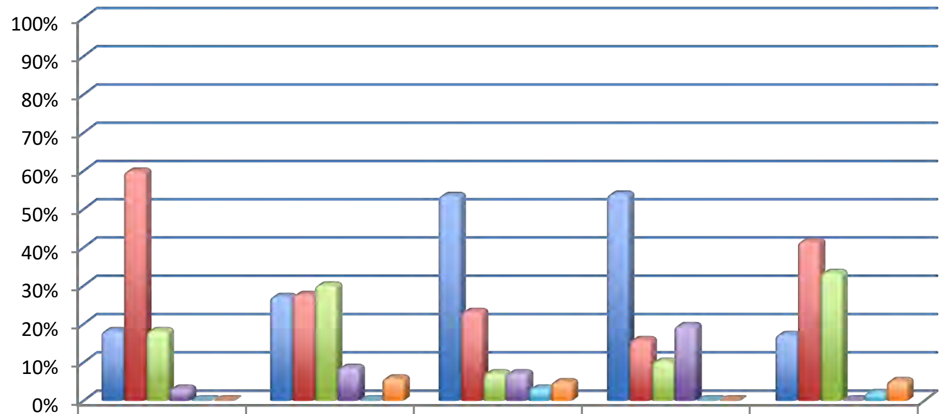
Average percentage of final/ selling price realized to asking/ benchmark price was 86%.

Figure 106. Median Percentage of Final/ Selling Price Realized to Asking/ Benchmark Price by Deal Size



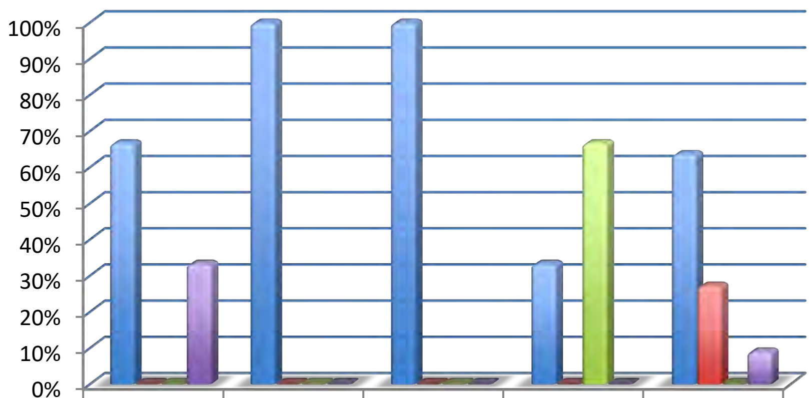
BROKER cont.

Figure 107. Financing Structure by Deal Size



	< 500K	500K - 1M	1M - 2M	2M - 5M	5M - 50M
Buyers equity	18%	27%	54%	54%	17%
Senior debt	60%	28%	23%	16%	42%
Seller financing	18%	30%	7%	10%	34%
Earn out	3%	9%	7%	20%	0%
Seller retained equity	0%	0%	3%	0%	2%
Mezzanine financing	0%	6%	5%	0%	5%

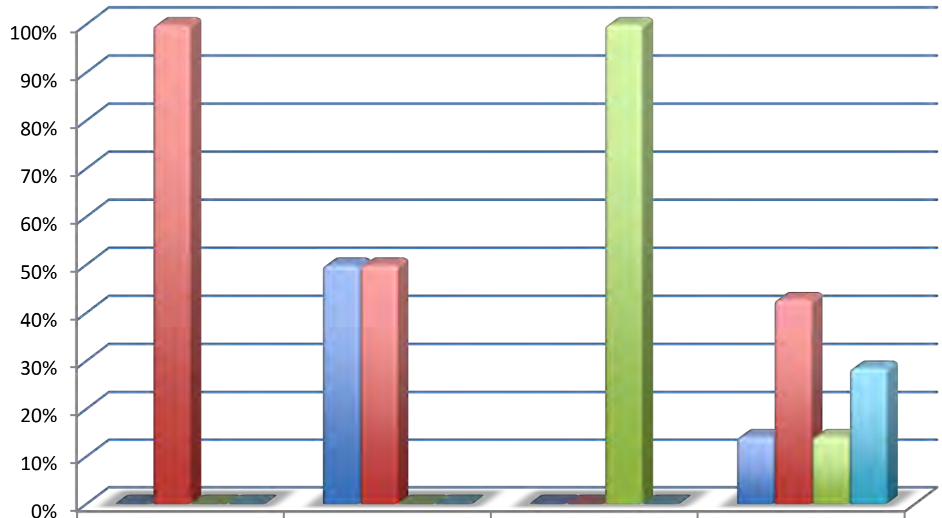
Figure 108. Exit Planning



	< 500K	500K - 1M	1M - 2M	2M - 5M	5M - 50M
None - no formal planning prior to engagement to sell	67%	100%	100%	33%	64%
Met with an advisor (Wealth, CPA, Attorney) INCLUDING Broker for retirement needs prior to engaging broker	0%	0%	0%	0%	27%
Met with an advisor (Wealth, CPA, Attorney) for retirement needs prior to engaging broker (EXCLUDED Broker)	0%	0%	0%	67%	0%
N/A Represented Buyer	33%	0%	0%	0%	9%

BROKER cont.

Figure 109. Amount of Exit Planning Prior to Marketing Business



	< 500K	1M - 2M	2M - 5M	5M - 50M
none	0%	50%	0%	14%
less than 1 year	100%	50%	0%	43%
between 1 and 2 years	0%	0%	100%	14%
between 3 and 5 years	0%	0%	0%	29%

Table 53. Expectations of Business Listings/ Engagements from New Clients in the Next 3 Months

Deal size	Greatly decrease	Decrease	Stay the same	Increase	Greatly increase	Score (1 to 5)
Deals valued under $499,999	0%	17%	0%	33%	50%	1.8
Deals valued from $500,000 to $999,999	0%	17%	0%	33%	50%	1.8
Deals valued from $1 million to $1.99 million	0%	22%	0%	11%	67%	2.7
Deals valued from $2 million to $4.99 million	0%	21%	7%	14%	57%	3.1
Deals over $5 million	0%	37%	11%	16%	37%	2.9

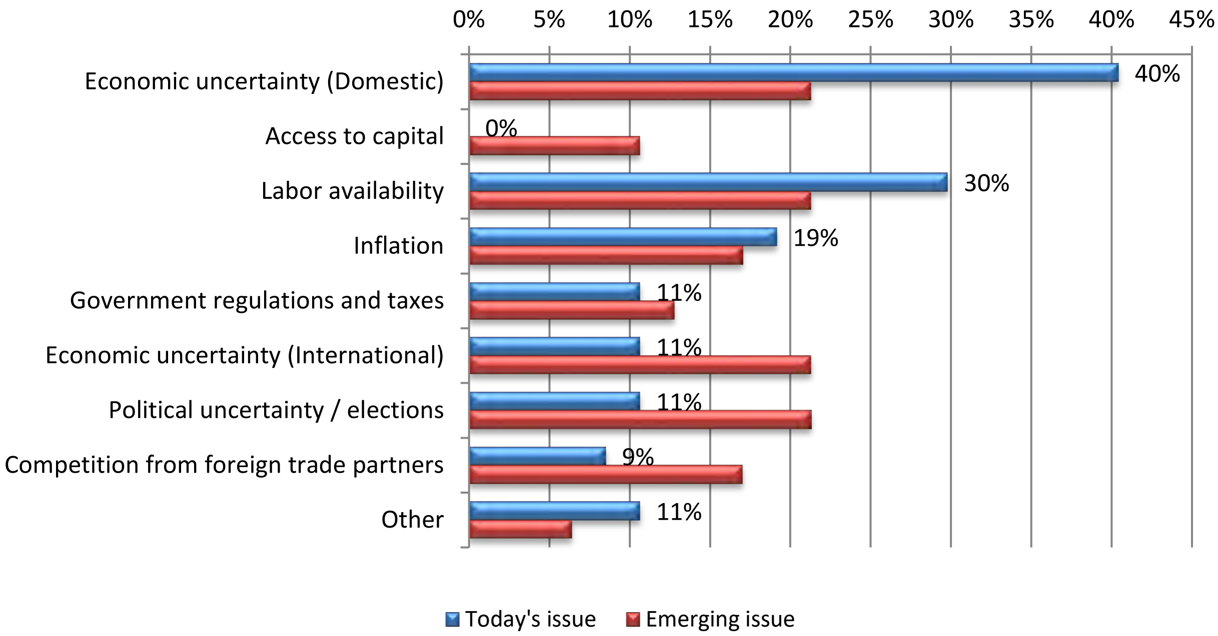
BROKER cont.

Table 54. Expectations for Business Valuation Multiples in the Next 3 Months

Deal size	Greatly decrease	Decrease	Stay the same	Increase	Greatly increase	Score (1 to 5)
Deals valued under $499,999	0.0%	33.3%	66.7%	0.0%	0.0%	2.7
Deals valued from $500,000 to $999,999	0.0%	16.7%	83.3%	0.0%	0.0%	2.8
Deals valued from $1 million to $1.99 million	0.0%	11.1%	66.7%	22.2%	0.0%	3.1
Deals valued from $2 million to $4.99 million	0.0%	14.3%	71.4%	14.3%	0.0%	3.0
Deals over $5 million	0.0%	10.0%	50.0%	40.0%	0.0%	3.3

Respondents believe domestic economic uncertainty is the most important current issue facing privately-held businesses.

Figure 110. Issues Facing Privately-Held Businesses



Compared to twelve months ago, respondents indicated increases in deal flow, ratio of businesses sold to total listings, business exit opportunities and worsened general business conditions. During the next twelve months, respondents expect further increases in deal flow, and margin pressure on companies.

Table 55. General Business and Industry Assessment: Today versus 12 Months Ago

	Decreased significantly	Decreased slightly	Stayed about the same	Increased slightly	Increased significantly	% increase	% decrease	**Net increase**
Deal flow	6%	13%	36%	32%	13%	45%	19%	**26%**
Ratio of businesses sold / total listings	2%	19%	45%	34%	0%	34%	21%	**13%**
Deal multiples	2%	30%	53%	15%	0%	15%	32%	**-17%**
Business exit opportunities	2%	20%	54%	20%	4%	24%	22%	**2%**
Amount of time to sell business	0%	9%	45%	45%	2%	47%	9%	**38%**
Difficulty selling business	0%	4%	47%	49%	0%	49%	4%	**45%**
Business opportunities for growth	0%	23%	55%	21%	0%	21%	23%	**-2%**
General business conditions	0%	43%	43%	13%	2%	15%	43%	**-28%**
Margin pressure on companies	4%	9%	49%	36%	2%	38%	13%	**26%**

Table 56. General Business and Industry Assessment: Expectations over the Next 12 Months

	Decreased significantly	Decreased slightly	Stayed about the same	Increased slightly	Increased significantly	% increase	% decrease	Net increase
Deal flow	2%	15%	28%	37%	17%	54%	17%	**37%**
Ratio of businesses sold / total listings	0%	9%	49%	38%	4%	43%	9%	**34%**
Deal multiples	0%	32%	43%	26%	0%	26%	32%	**-6%**
Business exit opportunities	0%	19%	40%	36%	4%	40%	19%	**21%**
Amount of time to sell business	0%	13%	49%	38%	0%	38%	13%	**26%**
Difficulty selling business	2%	13%	49%	36%	0%	36%	15%	**21%**
Business opportunities for growth	0%	19%	38%	38%	4%	43%	19%	**23%**
General business conditions	0%	33%	39%	26%	2%	28%	33%	**-4%**
Margin pressure on companies	2%	9%	43%	43%	4%	47%	11%	**36%**

FACTOR SURVEY INFORMATION

Approximately 50% of 6 respondents to the factor survey said the primary uses of factoring facilities are financing working capital fluctuations, followed by expansion (15%), and project financing (14%). Factoring facilities are relatively short-term compared to other investments with respondents reporting approximately 67% of factoring facilities have less than or equal to 12 months term.

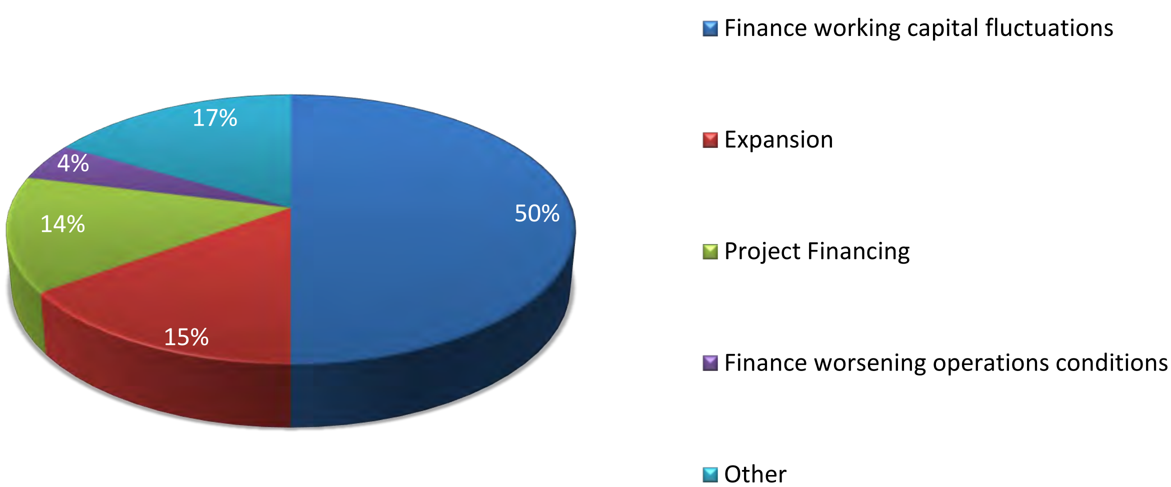
Other key findings include:

- Respondents reported approximately 33% of their company's gross invoices over the last twelve months were originated from wholesale and distribution, another 26% of respondents originated gross invoices from manufacturing.
- When asked about conditions compared to twelve months ago respondents said they saw decreased demand for business factoring lines in the last 12 months, worsened general business conditions and increased interest rates.
- Respondents believe domestic economic uncertainty is the most important issues facing privately-held businesses today. 80% of respondents believe political uncertainty is the most important emerging issue.

Operational and Assessment Characteristics

Approximately 50% of respondents indicated working capital fluctuations as the primary uses of factoring facilities.

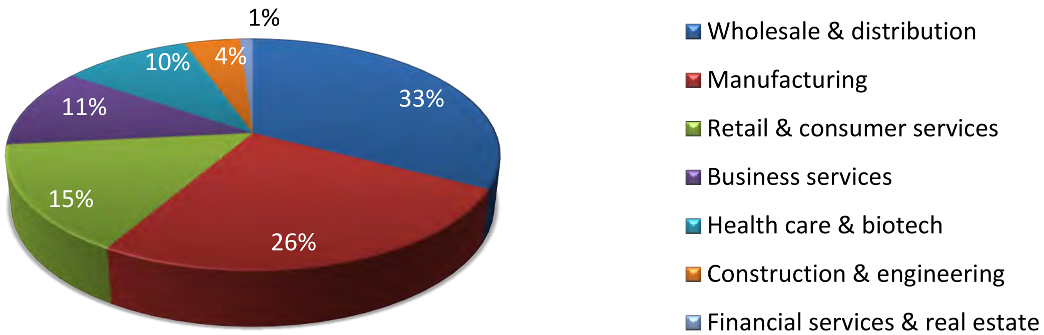
Figure 111. Primary Use of the Factoring Facilities Over the Last 12 Months



FACTOR cont.

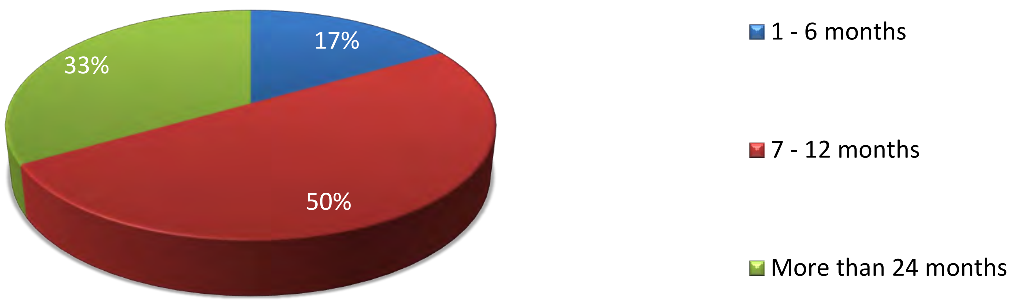
Respondents reported approximately 33% of their company's gross invoices over the last twelve months were originated from wholesale & distribution, another 26% of respondents originated gross invoices from manufacturing.

Figure 112. Industries for Gross Invoices for the Last 12 Months



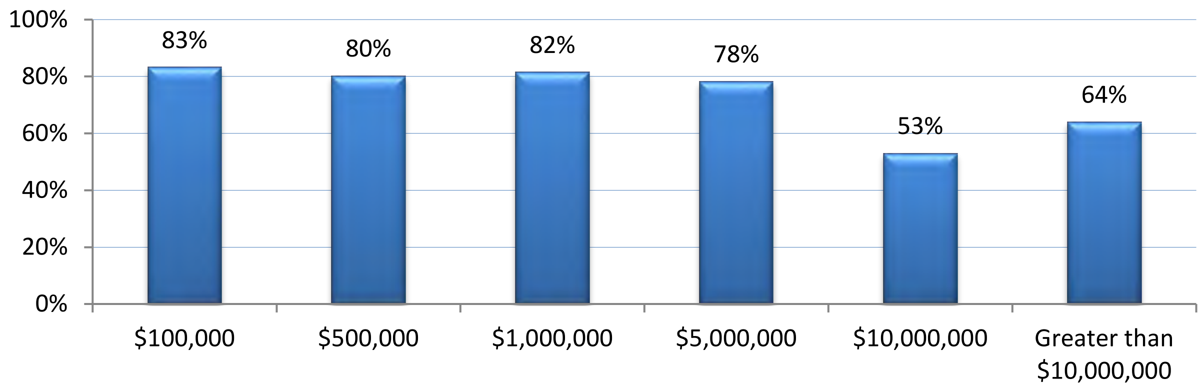
Factoring facilities are relatively short-term compared to other investments with respondents reporting approximately 67% of factoring facilities have less than or equal to 12 months term.

Figure 113. Term of Current Typical Factoring Facility



Respondents reported average advance rates charged for various-sized facilities range from 53% to 83% on a monthly basis.

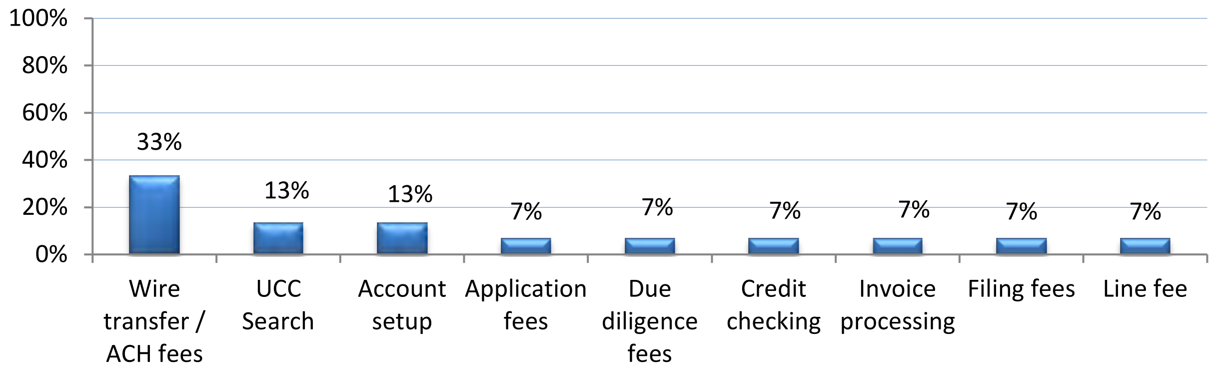
Figure 114. Current Average Advance Rates for Various-Sized Facilities



FACTOR cont.

Nearly 33% of respondents charge wire transfer / ACH fee, while 13% of respondents charge due for UCC search.

Table 57. Fees Charged



Approximately 60% of respondents price by using tied to prime reference rate.

Figure 115. Usage of Reference Rates

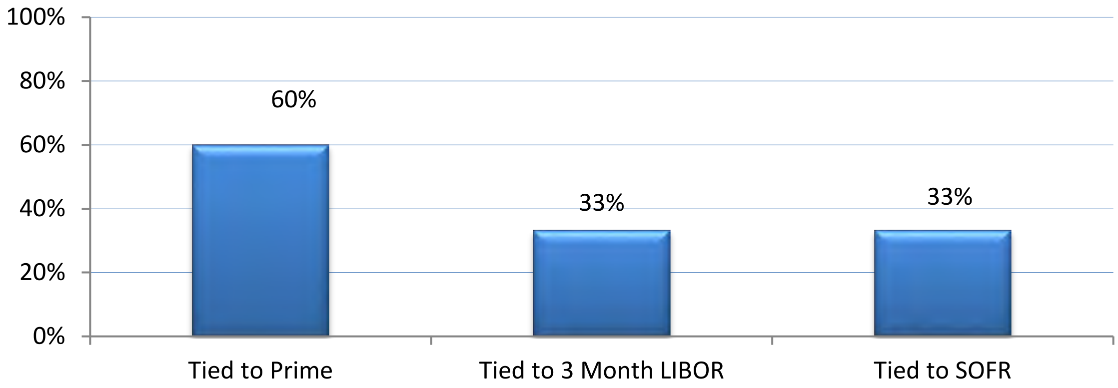
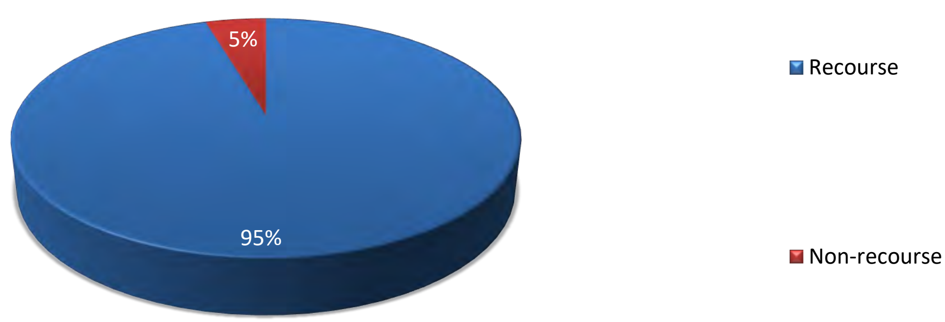


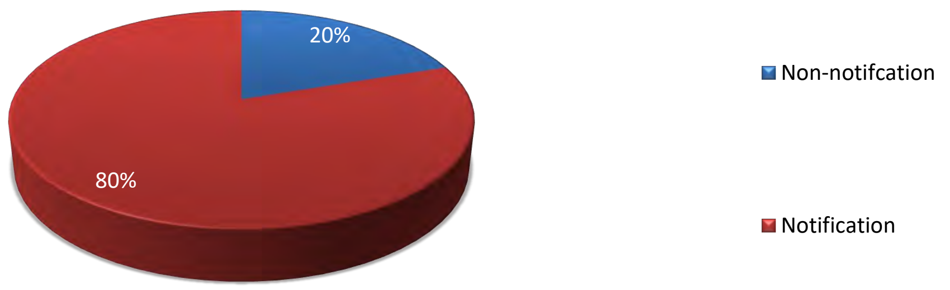
Figure 116. Percentage of Factoring Business - Recourse vs Non-recourse



FACTOR cont.

Respondents reported 80% of their current purchases were on a notification basis

Figure 117. Percentage of Purchases on a Non-notification Basis



Nearly 80% of respondents require background check.

Table 58. Typical Current Requirements

Requirement	%
Lien on A/R assets	100%
Background check	80%
Personal guarantee	100%
Financial statements	80%
Lien on all assets	75%
Performance guarantee	20%
Audit	40%

Table 59. Discount fee (%) on Outstanding Invoices for Notification Basis

	\$0 - \$25K	\$25K - \$50K	\$50K - \$100K	\$100K - \$250K	\$250K - \$1M	\$1M - \$5M	\$5M - \$10M
First 30 days							
1st quartile	1.5%	1.4%	1.3%	1.3%	1.3%	1.3%	1.3%
Median	2.4%	2.1%	2.0%	1.8%	1.4%	1.3%	1.3%
3rd quartile	3.6%	3.2%	2.8%	2.5%	1.4%	1.3%	1.3%
Next 15 days (31-45)							
1st quartile	1.1%	1.1%	1.1%	1.0%	0.8%	0.8%	0.8%
Median	1.4%	1.4%	1.4%	1.3%	0.8%	0.8%	0.8%
3rd quartile	1.7%	1.7%	1.7%	1.5%	0.8%	0.8%	0.8%
Next 15 days (46-60)							
1st quartile	1.1%	1.1%	1.1%	1.0%	0.8%	0.8%	0.8%
Median	1.4%	1.4%	1.4%	1.3%	0.8%	0.8%	0.8%
3rd quartile	1.7%	1.7%	1.7%	1.5%	0.8%	0.8%	0.8%

On average respondents expect 2% of total write-off.

Table 60. Expected Total Write-off – Percentage of Receivables Purchased on New Arrangements (%)

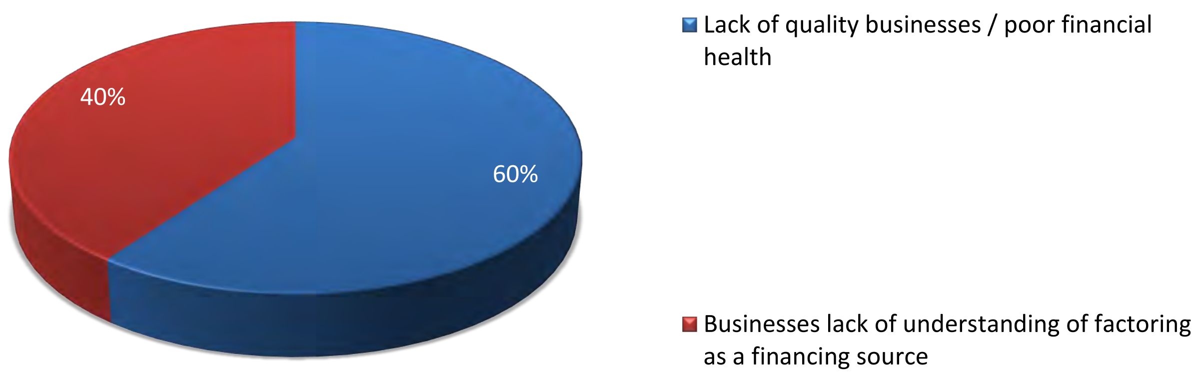
	1st quartile	Median	3rd quartile
Expected total write-off	0.5%	2.0%	5.0%

Table 61. Average Number of Days Outstanding Receivables

	1st quartile	Median	3rd quartile
During Last 12 Months	30	40	45
Expected for Next 12 Months	30	40	50

According to the 60% of respondents, the most significant concern to factoring business is lack of quality businesses and another 40% of respondents sight lack of understanding of factoring as a financing source.

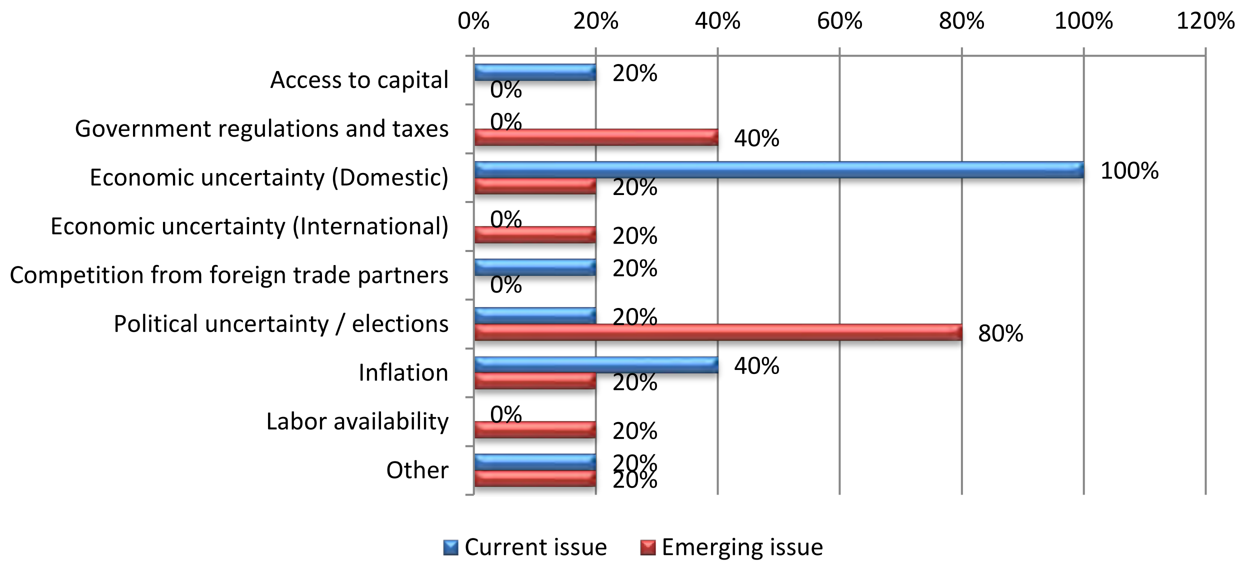
Figure 118. Most Significant Concern to Factoring Business



FACTOR cont.

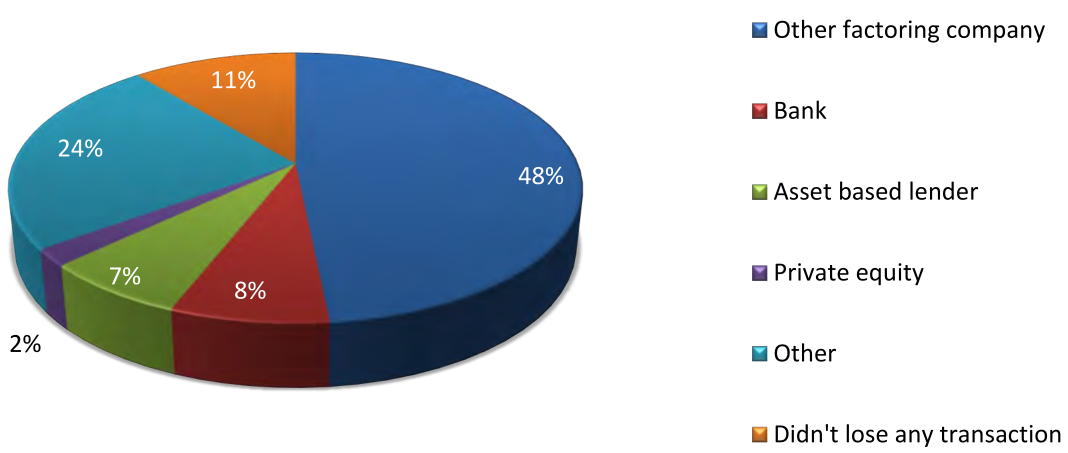
Respondents believe domestic economic uncertainty is the most important issue facing privately-held businesses today. 80% of respondents believe political uncertainty is the most important emerging issue.

Figure 119. Issues Facing Privately-Held Businesses



48% of respondents lost transactions to other factoring company in the last twelve months.

Figure 120. Types of Financing Sources Respondents Lost Transactions to in the Last 12 Months



FACTOR cont.

Respondents indicated decreases in demand for business factoring lines and fees, credit quality of borrowers and interest rate spreads, and worsened general business conditions.

Table 62. General Business and Industry Assessment: Today versus 12 Months Ago

Characteristics	Decreased significantly	Decreased slightly	Stayed about the same	Increased slightly	Increased significantly	% increase	% decrease	**Net increase**
Demand for business factoring lines (applications)	80%	20%	0%	0%	0%	0%	100%	**-100%**
Credit Quality of Borrowers Applying for Credit	40%	60%	0%	0%	0%	0%	100%	**-100%**
Time to Process Facility	20%	40%	40%	0%	0%	0%	60%	**-60%**
Average Facility Size	20%	40%	40%	0%	0%	0%	60%	**-60%**
Average Facility Term (Months)	20%	0%	80%	0%	0%	0%	20%	**-20%**
Size of Interest Rate Spreads (pricing)	20%	0%	80%	0%	0%	0%	20%	**-20%**
Fees	20%	0%	40%	40%	0%	40%	20%	**20%**
Standard advance rates on receivables	20%	0%	60%	20%	0%	20%	20%	**0%**
General business conditions	40%	60%	0%	0%	0%	0%	100%	**-100%**

Respondents expect increases in demand for business factoring lines, and decreasing credit quality of borrowers.

Table 63. General Business and Industry Assessment Expectations over the Next 12 Months

Characteristics	Decreased significantly	Decreased slightly	Stayed about the same	Increased slightly	Increased significantly	% increase	% decrease	**Net increase**
Demand for business factoring lines (applications)	40%	0%	0%	60%	0%	60%	40%	**20%**
Credit Quality of Borrowers Applying for Credit	40%	20%	20%	20%	0%	20%	60%	**-40%**
Time to Process Facility	20%	0%	60%	20%	0%	20%	20%	**0%**
Average Facility Size	20%	0%	60%	20%	0%	20%	20%	**0%**
Average Facility Term (Months)	20%	0%	80%	0%	0%	0%	20%	**-20%**
Size of Interest Rate Spreads (pricing)	20%	0%	80%	0%	0%	0%	20%	**-20%**
Fees	20%	0%	60%	20%	0%	20%	20%	**0%**
Standard advance rates on receivables	20%	0%	80%	0%	0%	0%	20%	**-20%**
General business conditions	20%	20%	40%	20%	0%	20%	40%	**-20%**

EQUIPMENT LEASING SURVEY INFORMATION

Approximately 32% of 8 respondents to the equipment leasing survey expect to have lease agreements executed to manufacturing industry, another 19% to healthcare & biotech, followed by construction & engineering (17%). Nearly 67% of respondents booked more than 10 leases in the last 12 months. 83% of respondents plan to book 10 leases or more in the next 12 months.

Other key findings include:

- Respondents indicated range of annualized expected returns from leases booked during the past 12 months between 6% and 22.5% depending on lease size and equipment type.

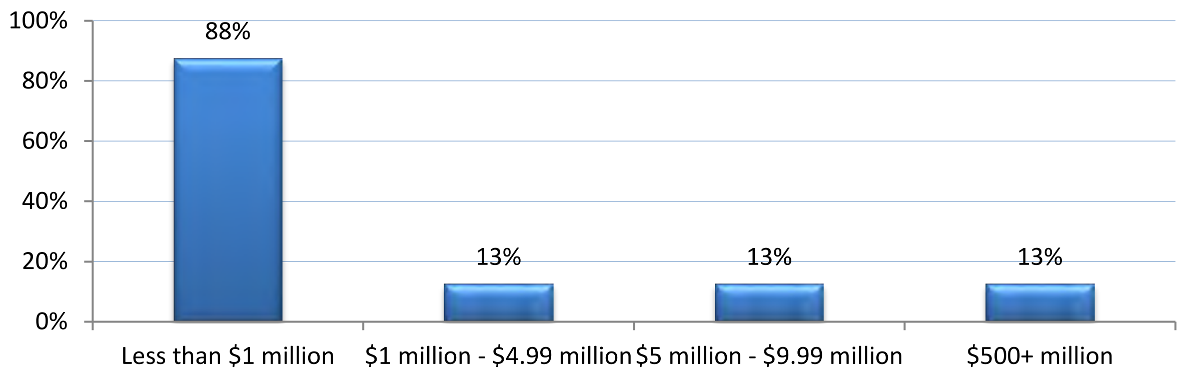
- When asked about conditions compared to twelve months ago nearly 42% of respondents said they saw flat demand for business leases in the last 12 months. Approximately 67% of equipment leasing companies indicated worsened general business conditions in the last twelve months.

- Respondents believe domestic economic uncertainty, access to capital and inflation are the most important issue facing privately-held businesses today.

Operational and Assessment Characteristics

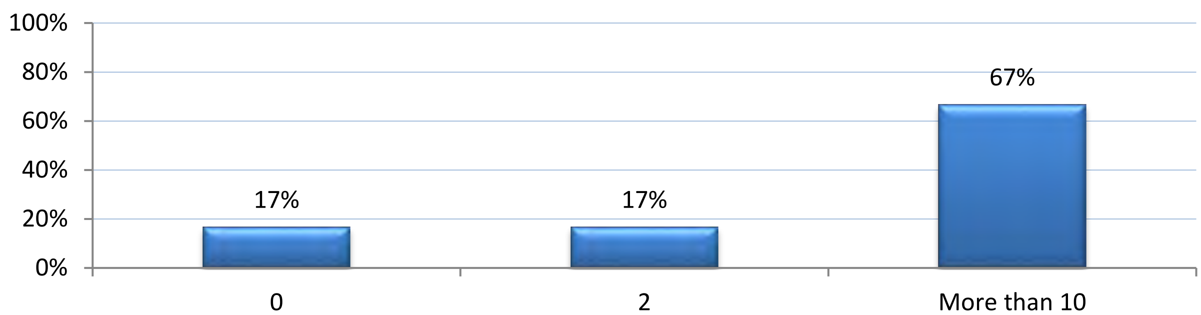
Approximately 88% of respondents book lease agreements less than $1 million.

Figure 121. Typical Size of Business Leases



Nearly 67% of respondents booked more than 10 leases in the last 12 months.

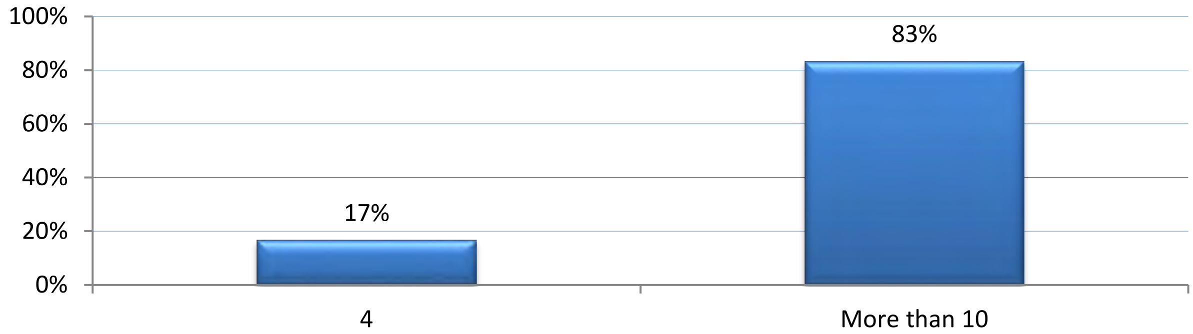
Figure 122. Business Leases Booked in the Last Twelve Months



EQUIPMENT LEASING cont.

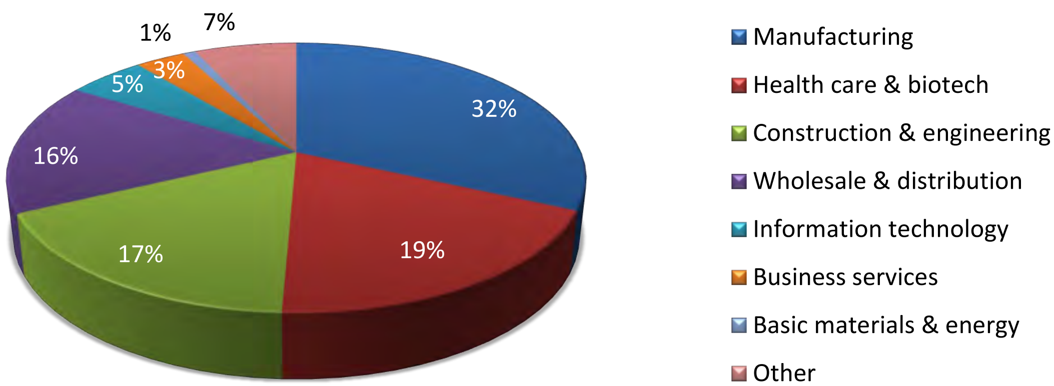
Approximately 83% of respondents plan to book more than 10 leases in the next 12 months.

Figure 123. Business Leases Expected to Book in the Next Twelve Months



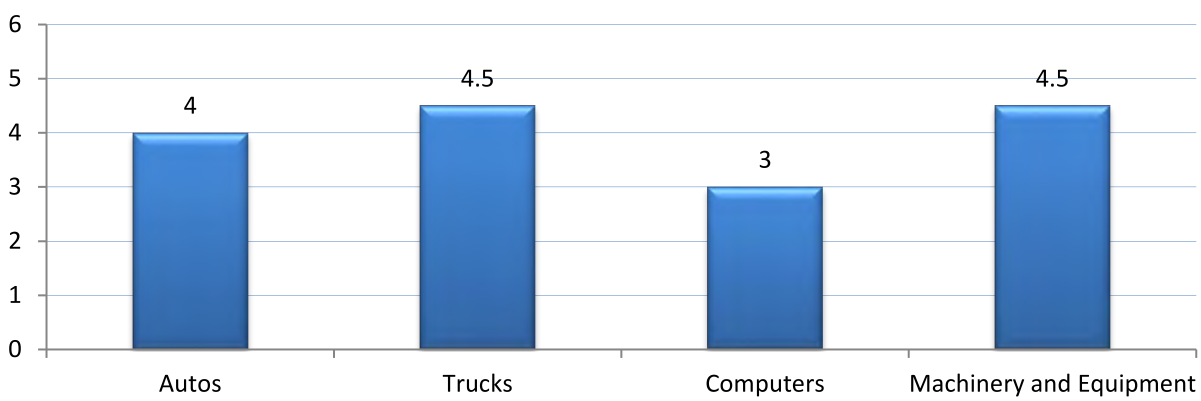
Approximately 32% of respondents to the equipment leasing survey expect to have lease agreements executed to manufacturing industry, another 19% to healthcare & biotech, followed by retail and construction & engineering (17%).

Figure 124. Industries to Have Lease Agreements Executed in the Next Twelve Months



Average lease terms from leases booked during the past 12 months vary from 3 to 4.5 years.

Figure 125. Lease Terms from Leases Booked during the Past Twelve Months (Years)



EQUIPMENT LEASING cont.

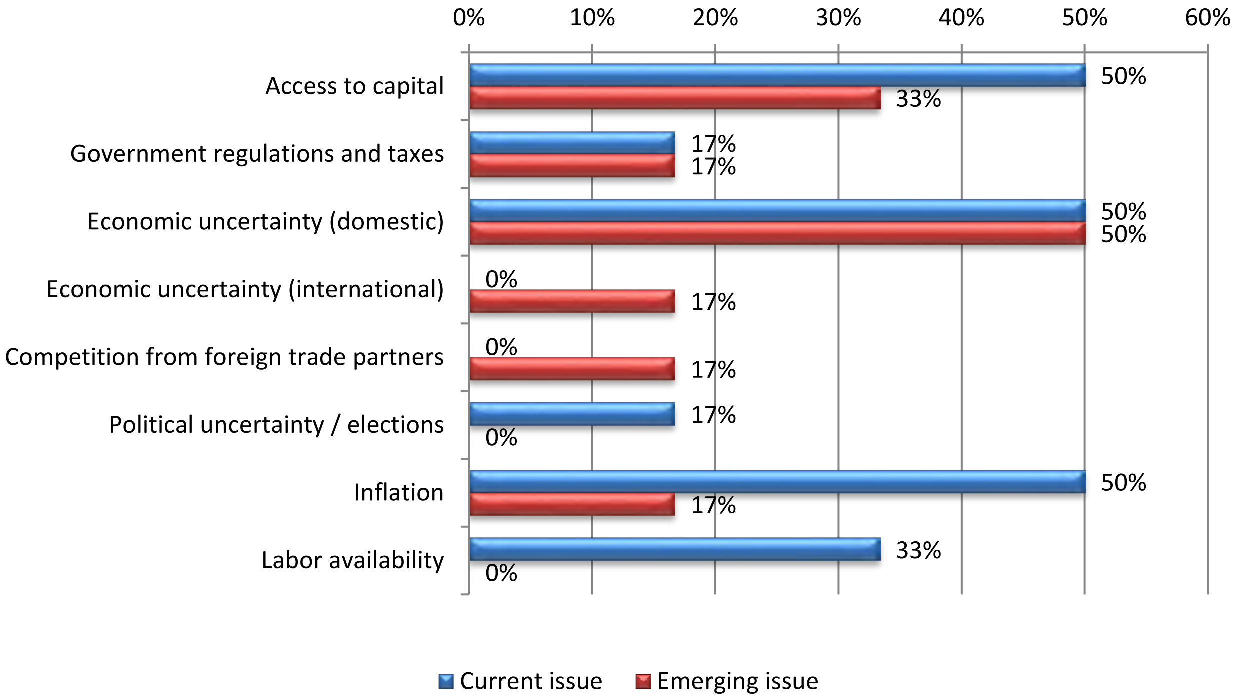
Respondents indicated range of annualized expected returns from leases booked during the past 12 months between 6.0% and 22.5% depending on lease size and equipment type.

Table 64. Annualized Expected Returns from Leases Booked during the Past 12 Months

Lease size	Autos	Trucks	Computers	Machinery and equipment
less than $100K	10.0%	10.0%	10.0%	22.5%
$100K - $499K	7.0%	10.0%	9.5%	11.0%
$500K - $999K	6.0%	8.5%	8.5%	10.0%
$1M - $4.99M	-	-	8.0%	8.0%
$5M - $9.99M	-	-	8.0%	8.0%

Respondents believe domestic economic uncertainty, access to capital and inflation are the most important issue facing privately-held businesses today.

Figure 126. Issues Facing Privately-Held Businesses



When asked about conditions compared to twelve months ago, respondents said they saw flat demand for business leases in the last 12 months. Approximately 67% of equipment leasing companies indicated worsened general business conditions in the last twelve months.

Table 65. General Business and Industry Assessment: Today versus 12 Months Ago

Characteristics	Decreased significantly	Decreased slightly	Stayed about the same	Increased slightly	Increased significantly	% increase	% decrease	Net increase
Demand for business leases	17%	17%	33%	33%	0%	33%	33%	**0%**
General lease qualification standards	0%	17%	17%	33%	33%	67%	17%	**50%**
Quality of Companies Seeking Leases	17%	17%	67%	0%	0%	0%	33%	**-33%**
Average Lease Size	0%	20%	80%	0%	0%	0%	20%	**-20%**
Expected Investment Holding Period	0%	0%	80%	20%	0%	20%	0%	**20%**
Expected returns on new investments	0%	40%	20%	40%	0%	40%	40%	**0%**
Size of equipment leasing industry	17%	0%	50%	33%	0%	33%	17%	**17%**
General business conditions	17%	50%	33%	0%	0%	0%	67%	**-67%**
Appetite for Risk	17%	67%	17%	0%	0%	0%	83%	**-83%**

Table 66. General Business and Industry Assessment Expectations over the Next 12 Months

	Decreased significantly	Decreased slightly	Stayed about the same	Increased slightly	Increased significantly	% increase	% decrease	**Net increase**
Demand for business leases	0%	0%	33%	33%	33%	67%	0%	**67%**
General lease qualification standards	0%	17%	17%	67%	0%	67%	17%	**50%**
Quality of Companies Seeking Leases	0%	67%	33%	0%	0%	0%	67%	**-67%**
Average Lease Size	0%	0%	83%	0%	17%	17%	0%	**17%**
Expected Investment Holding Period	0%	0%	100%	0%	0%	0%	0%	**0%**
Expected returns on new investments	0%	0%	67%	33%	0%	33%	0%	**33%**
Size of equipment leasing industry	0%	0%	50%	50%	0%	50%	0%	**50%**
General business conditions	0%	33%	33%	33%	0%	33%	33%	**0%**
Appetite for Risk	17%	33%	33%	17%	0%	17%	50%	**-33%**

BUSINESS OWNER SURVEY INFORMATION

Of the 383 privately-held businesses that responded to the survey, 13% had businesses that involved in manufacturing, another 13% were in professional, scientific or technical services. Approximately 73% of businesses have annual revenues less than $5 million. Nearly 85% of business owners report having the enthusiasm to execute growth strategies, yet just 59% report having the necessary financial resources to successfully execute growth strategies.

Of the respondents who were seeking financing in the last 12 months, approximately 32% anticipated to raise less than $100,000 in capital. Approximately 27% of respondents reported that they were seeking bank business loans or business credit card financing as a source of funding, followed by friends and family (13%). Of all financing options, bank loans and grants emerged as the financing sources with the highest "willingness" for small business to use, followed by business credit cards and credit unions. Results also showed that 82% of privately-held businesses that sought bank loans over the past 12 months were successful. Survey results indicated that business owners who raised capital on average contacted 2.4 banks.

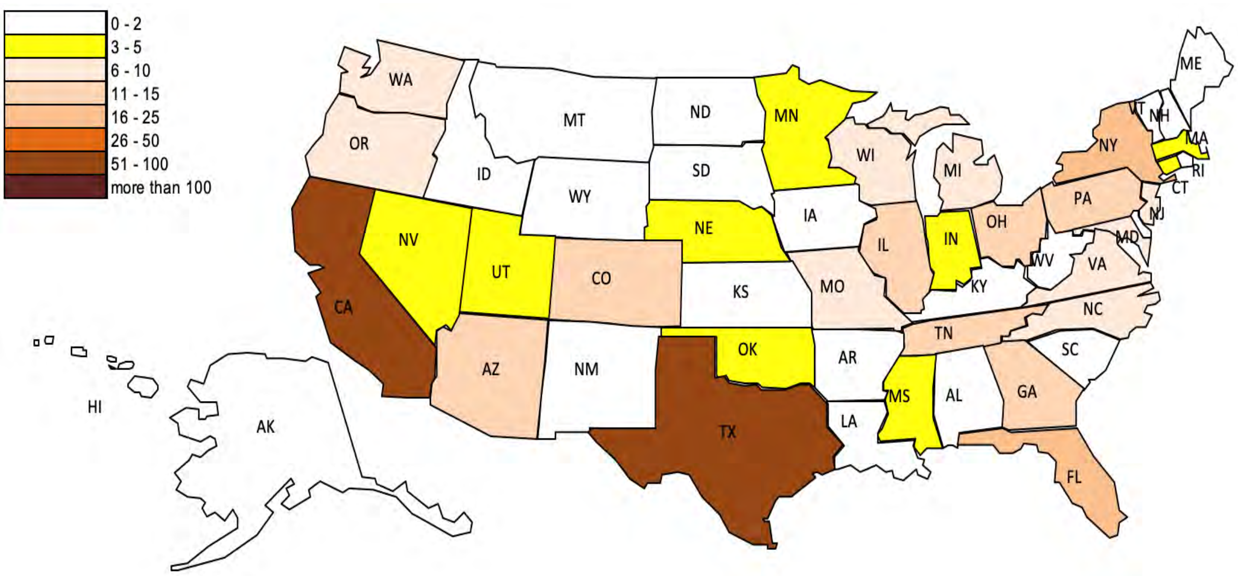
Nearly 43% of businesses are planning to hire additional workers. Approximately 31% of respondents believe government regulations and taxes are the most important issues small businesses face today, followed by domestic economic uncertainty (31%), access to capital (29%) and inflation (29%). According to small businesses, of those policies most likely to lead to job creation in 2024, regulatory reform (26%) followed by increased access to capital (24%), and tax incentives (23%). The study showed that of those that do plan to hire, sales and marketing skills (40%) and skilled labor (31%) are in greatest demand followed by service/customer service (29%). Also, 89% of companies planning to hire indicate they'd need to train those they hire.

32% of respondents believe that general business conditions improved in the twelve months compared to 37% surveyed year ago.

Operational and Assessment Characteristics

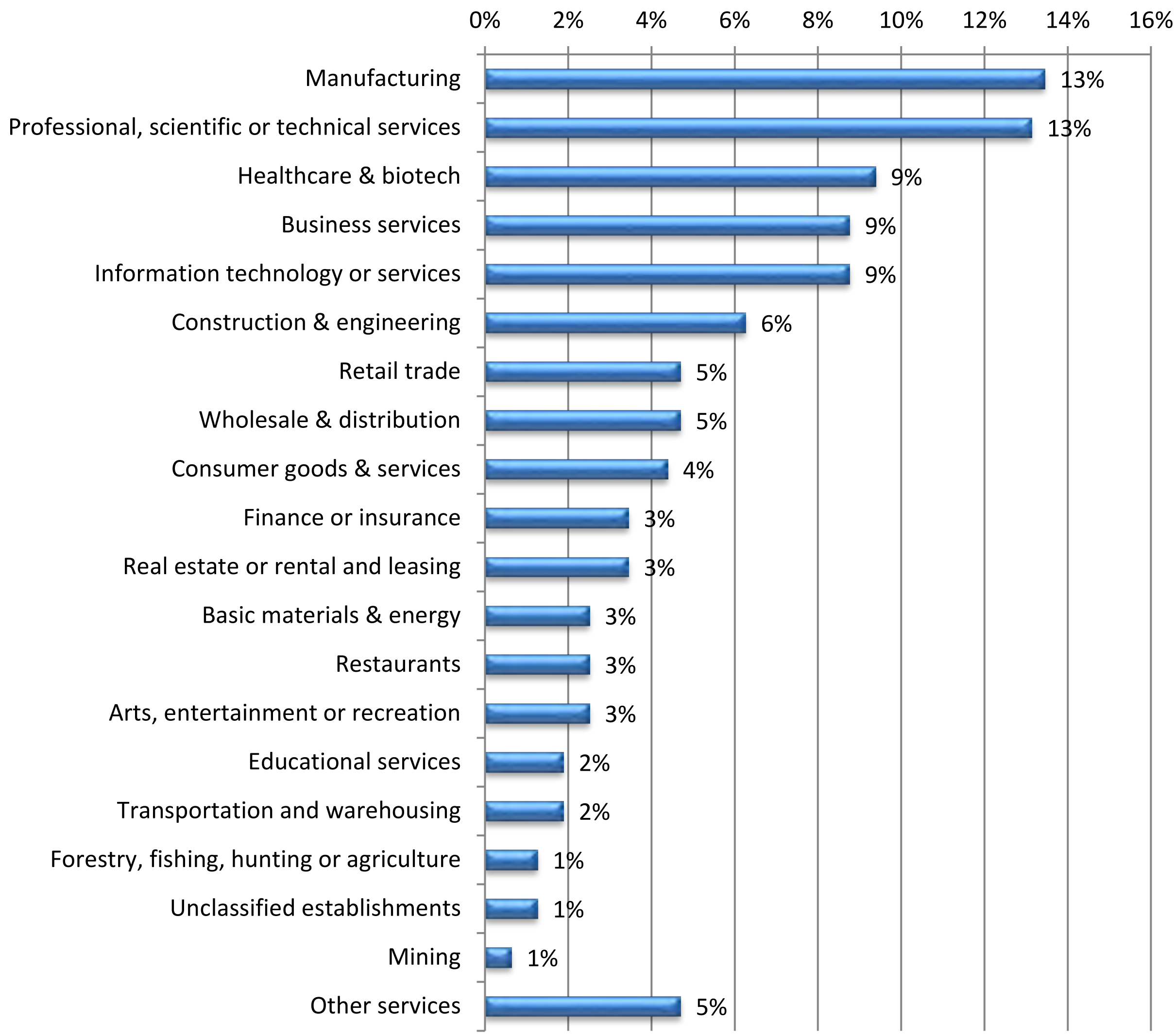
The privately-held business survey results were generated from 383 participants. The locations of businesses are distributed over all regions of the United States.

Figure 127. Respondents Distribution by State



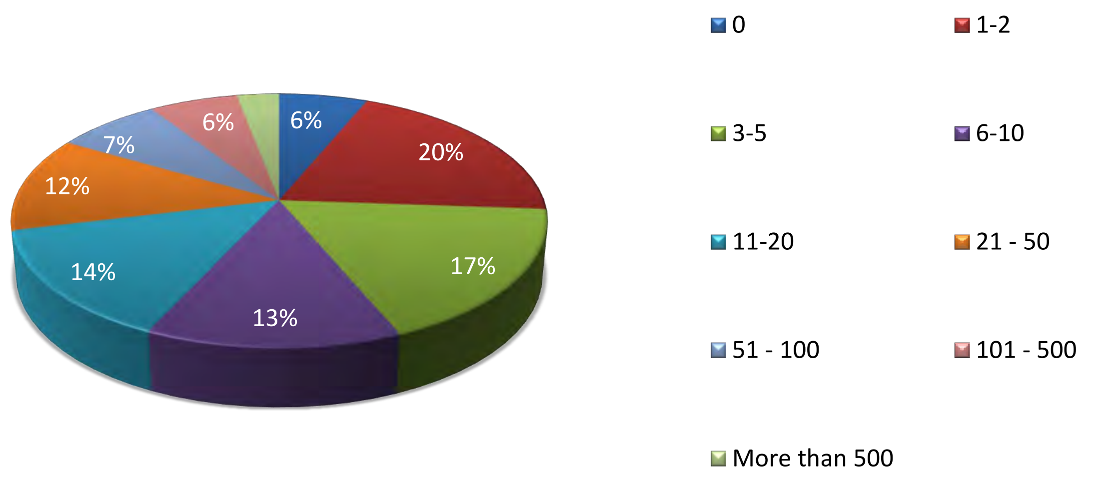
Approximately 13% of businesses involved in manufacturing, another 13% were in professional, scientific or technical services.

Figure 128. Description of Entity



Approximately 51% of businesses have between one and ten employees.

Figure 129. Number of Employees



Approximately 73% of respondents have less than or equal to $5M in annual revenues.
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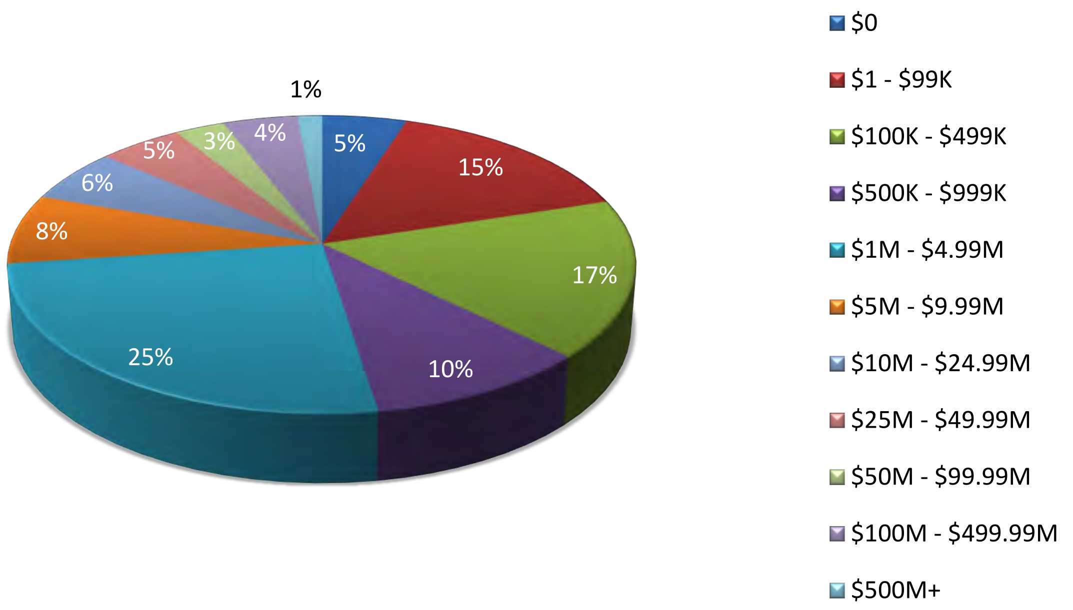
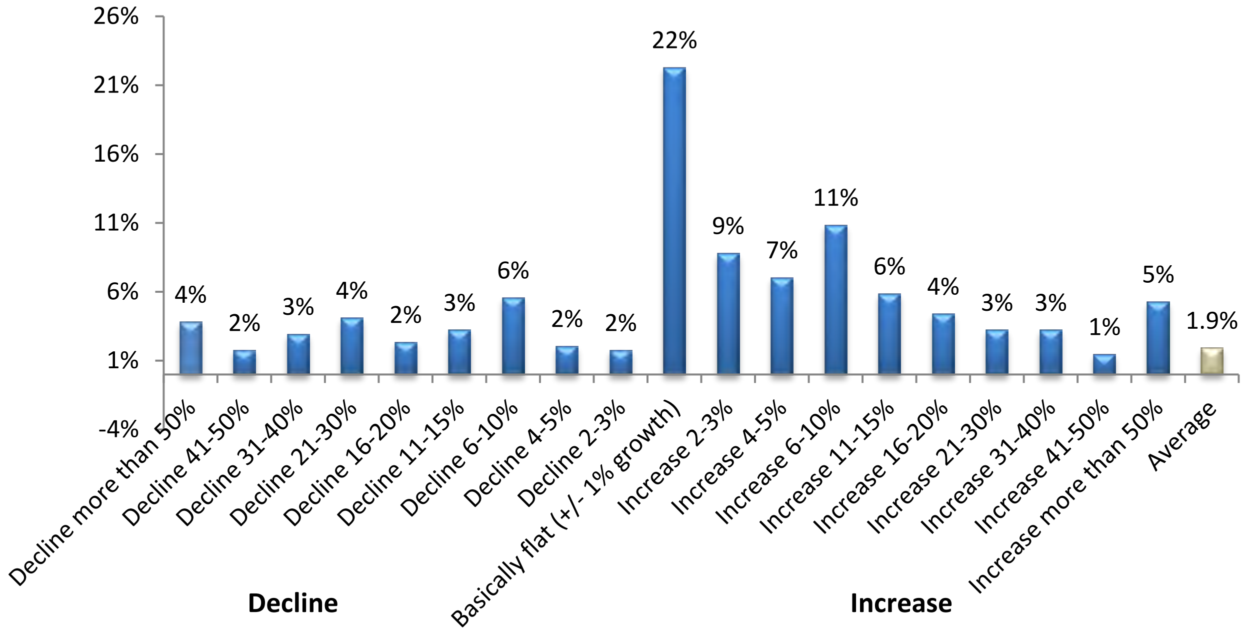
Figure 130. Annual Revenues



BUSINESS OWNER cont.

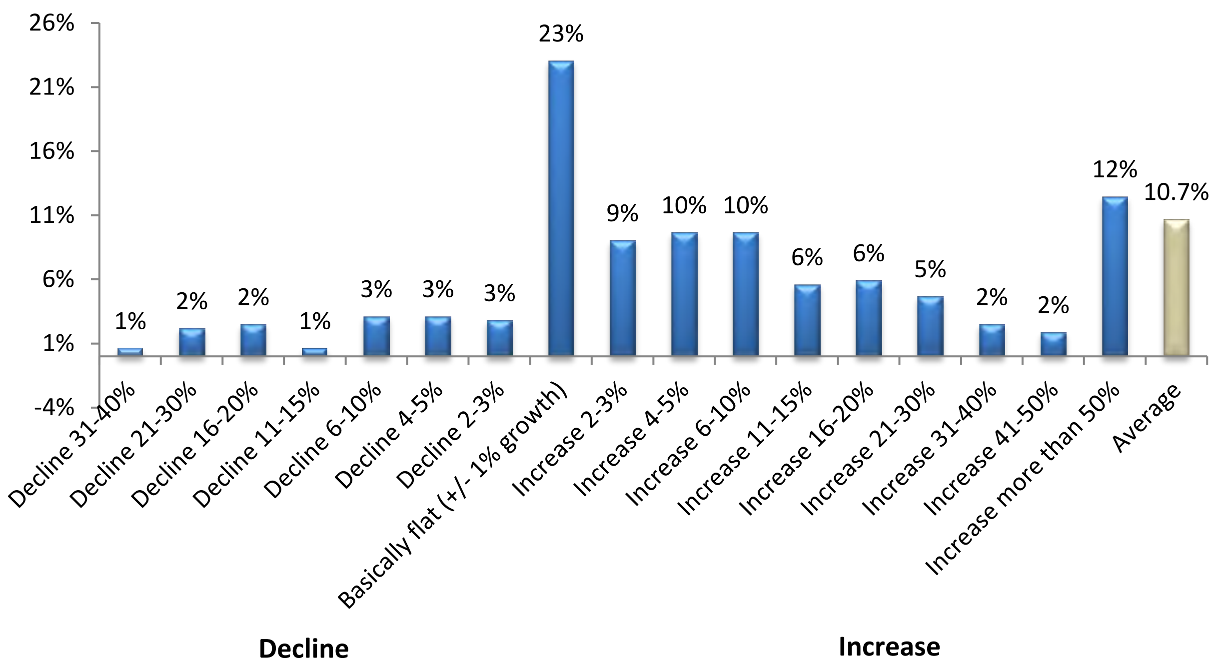
Average change in annual revenues in the last 12 months was 1.9%.

Figure 131. Annual Revenues Change in the Last 12 Months



On average respondents expect their annual revenues to grow by 10.7% in the next 12 months.

Figure 132. Annual Revenues Change Expectations in the Next 12 Months



Approximately 89% of businesses have net income less than or equal to $5 million.

Figure 133. Net Income

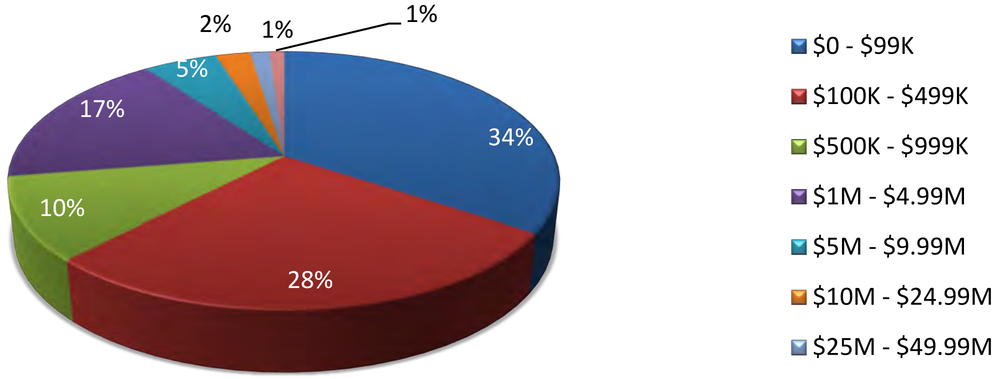


Figure 134. Total Assets

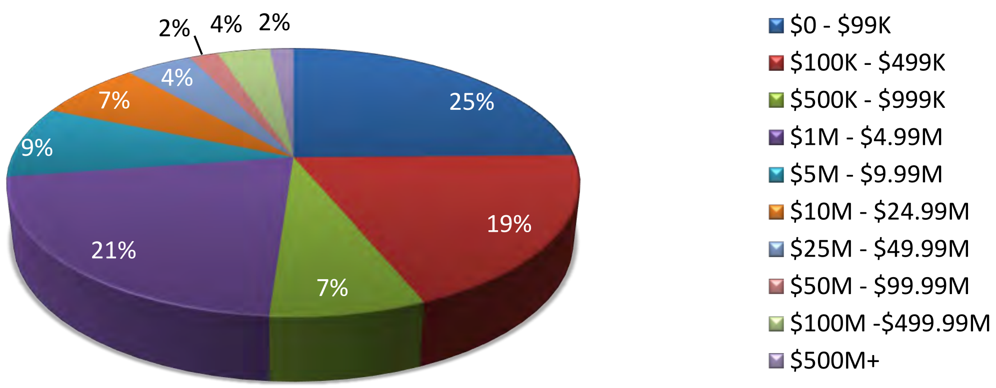
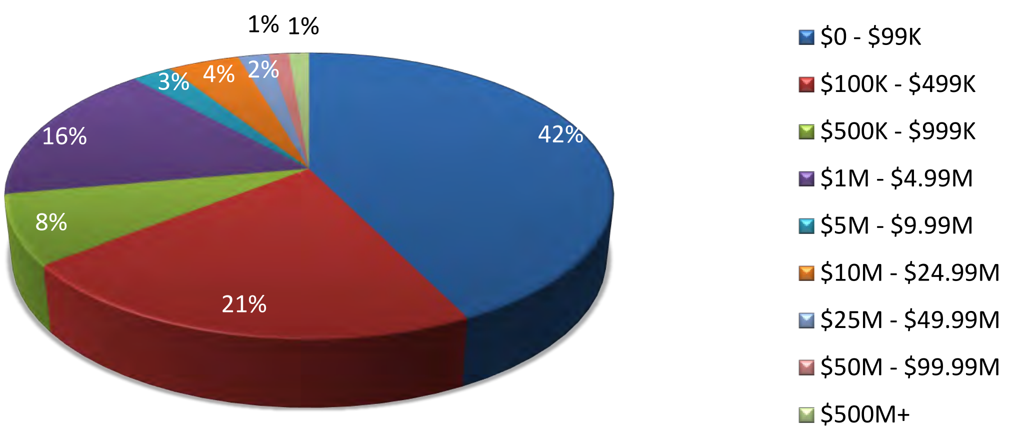
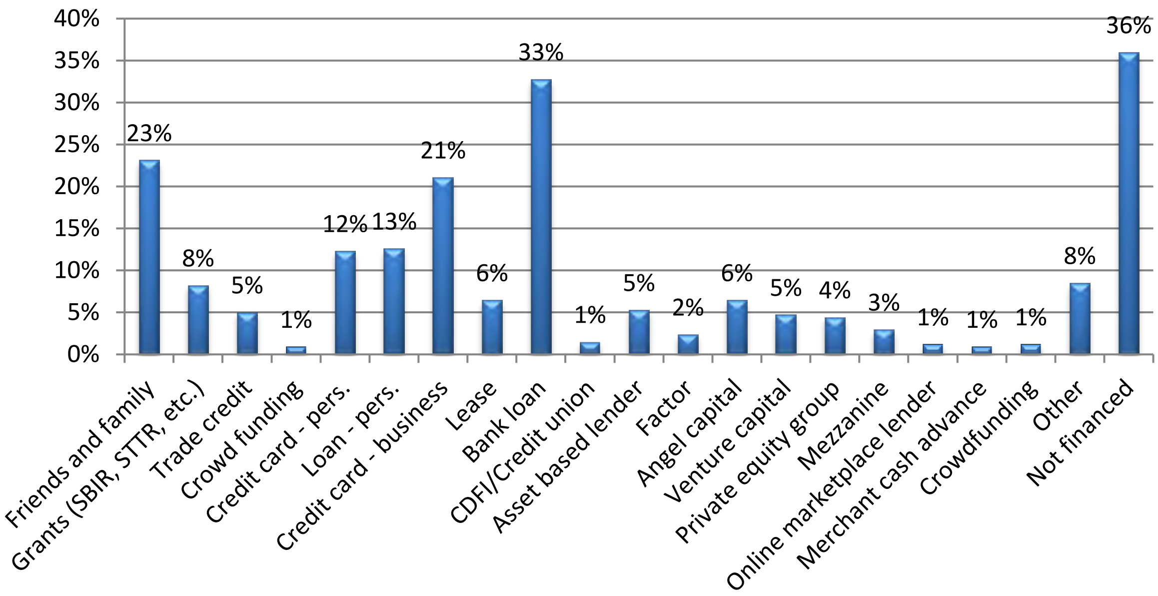


Figure 135. Net Property, Plant & Equipment



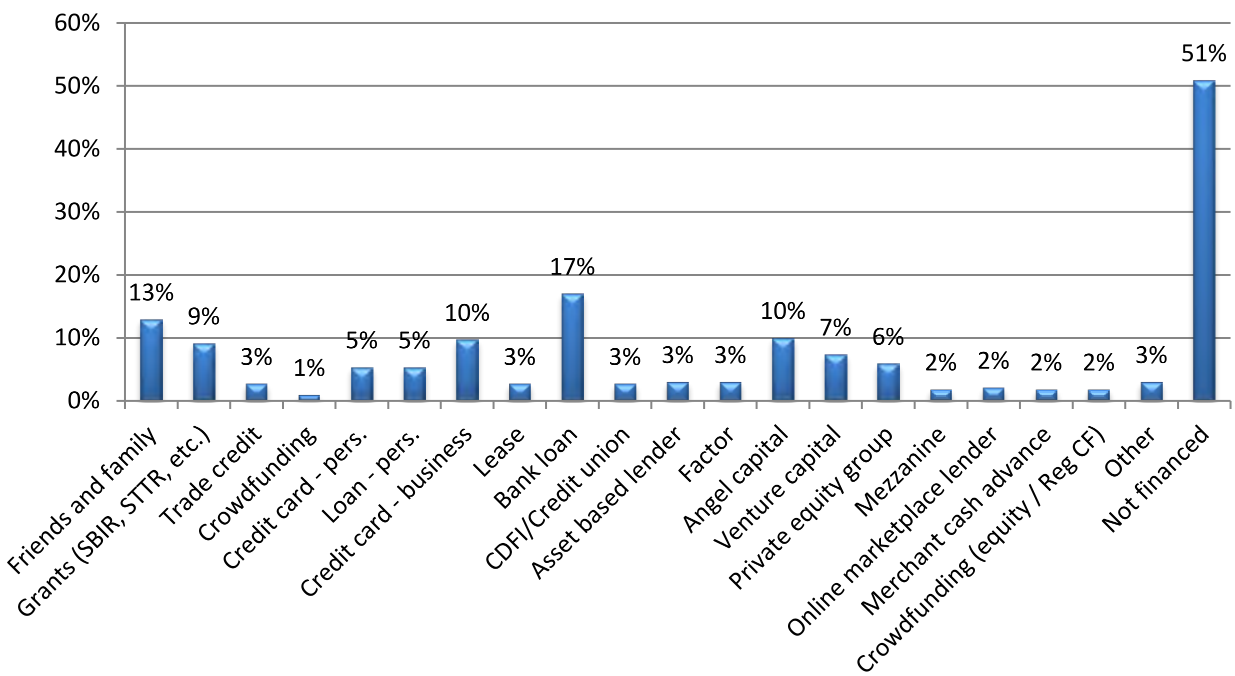
Approximately 36% of respondents are currently not financed by any external capital sources. Nearly 33% and 21% of respondents' businesses are financed by bank business loans and business credit card financing respectively.

Figure 136. Current Sources of Financing



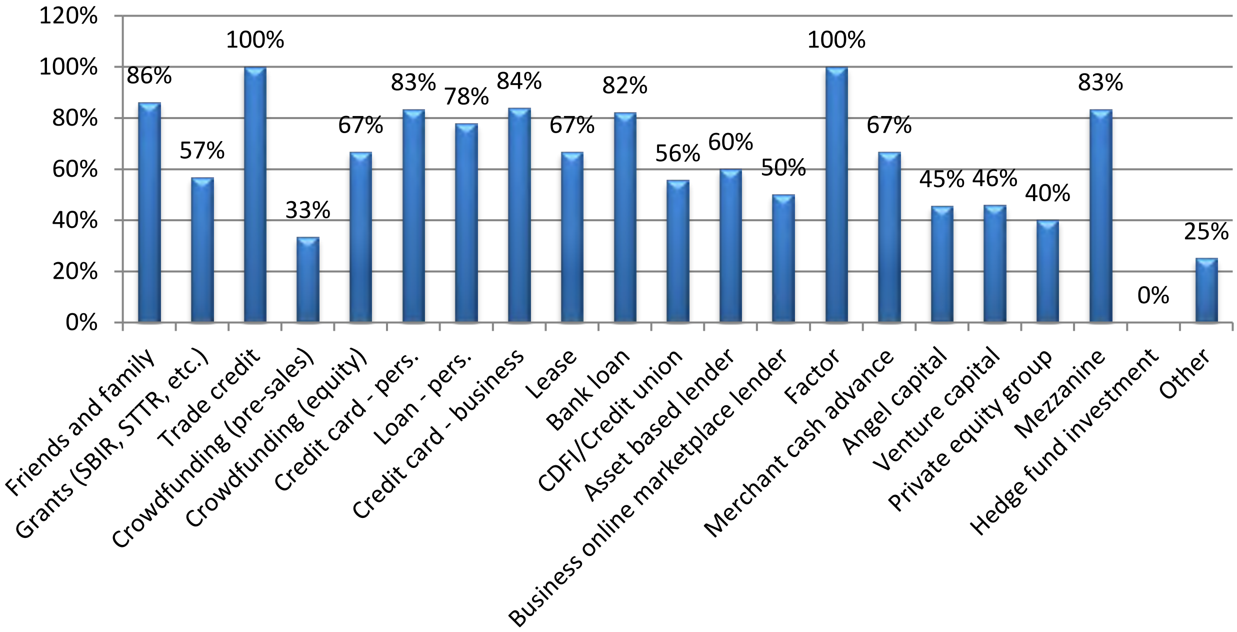
Among the businesses that tried to raise capital in the last 12 months 17% applied for bank business loan and 82% were successful, whereas 51% of respondents didn't try to raise capital from any source.

Figure 137. Capital Sources Contacted to Raise Capital in the Last 12 Months



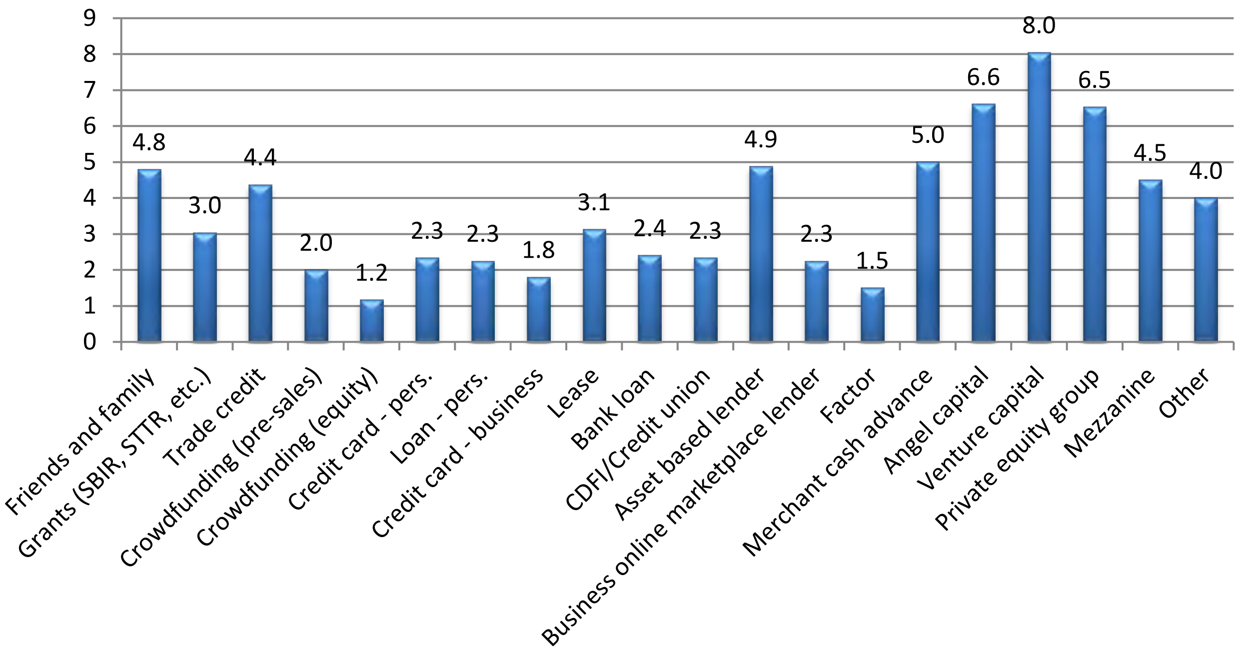
BUSINESS OWNER cont.

Figure 138. Success Rates



On average respondents who successfully raised capital contacted 3.9 capital providers.

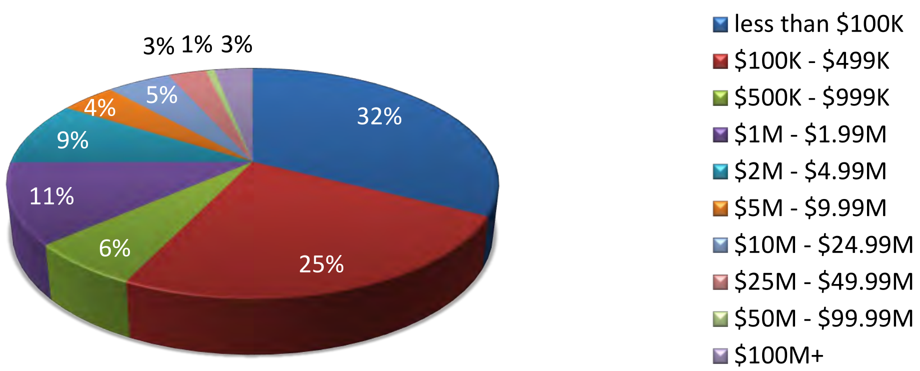
Figure 139. Average Number of Capital Providers Contacted



BUSINESS OWNER cont.

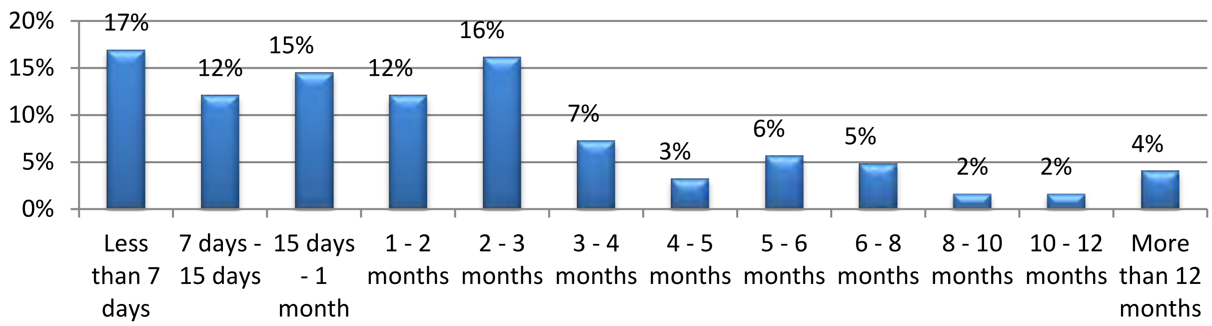
Approximately 57% of respondents attempted to raise less than $500K in the last 12 months.

Figure 140. Amount of Capital Attempted to Raise in the last 12 Months



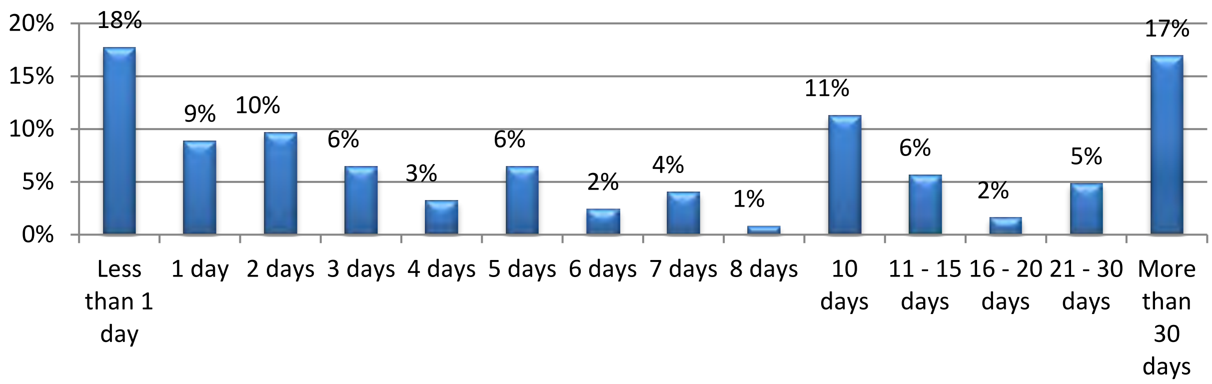
Approximately 17% of respondents took less than 7 days to complete financing process.

Figure 141. Average Time to Complete Financing Process in Days



18% of respondents spent less than one day during the process to successfully obtain financing (time spent by all employees and hired outsiders making inquiries, submitting proposals, meeting with capital providers, furnishing documents).

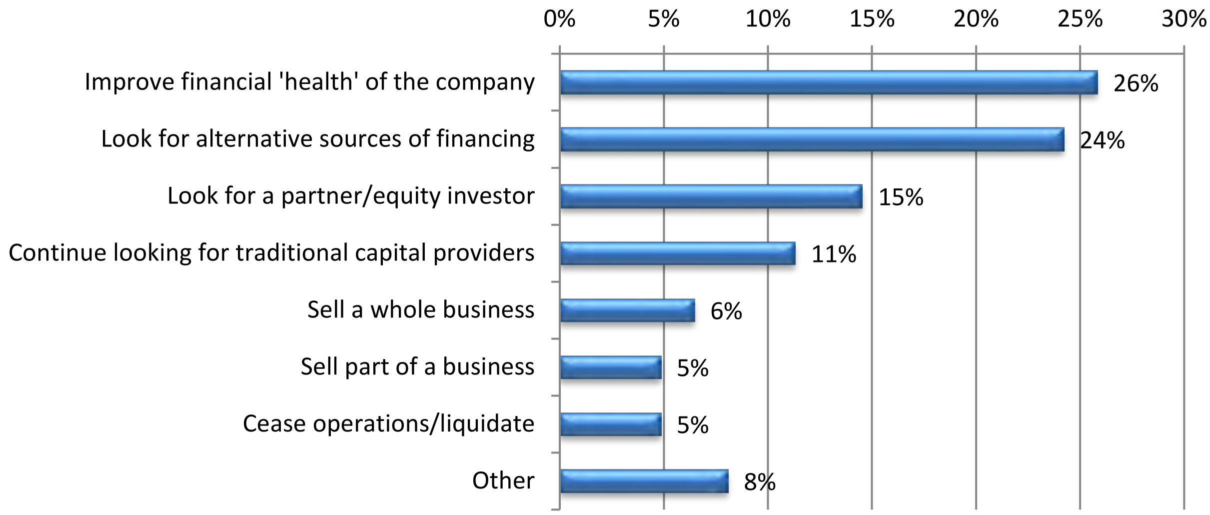
Figure 142. Days Spent During the Process to Successfully Obtain Financing



BUSINESS OWNER cont.

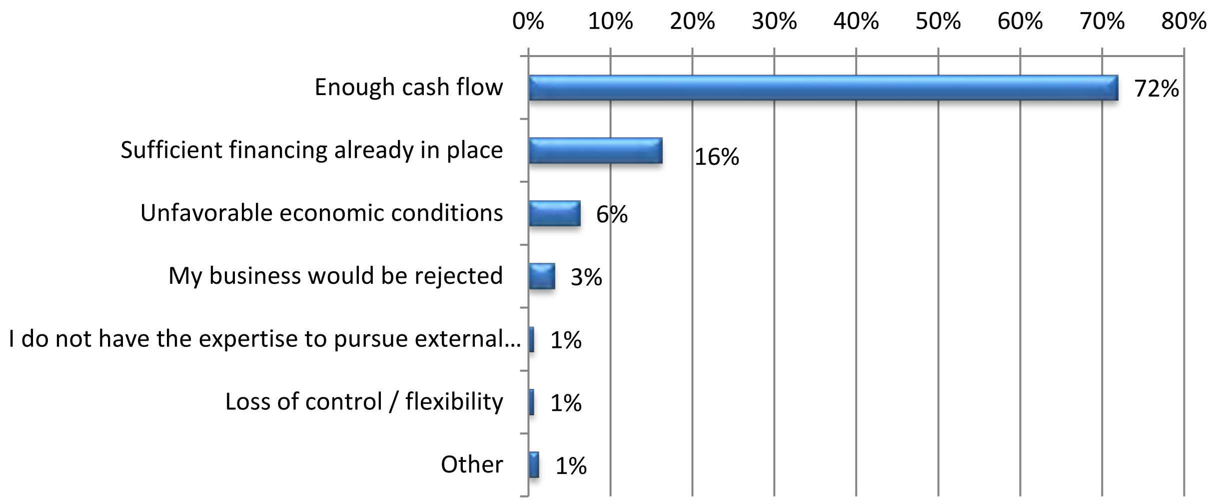
Among those respondents who were not able to obtain external financing in the last 12 months 26% are planning to improve financial 'health' of the company before attempting to raise capital in the future.

Figure 143. Next Steps to Satisfy Financial Needs



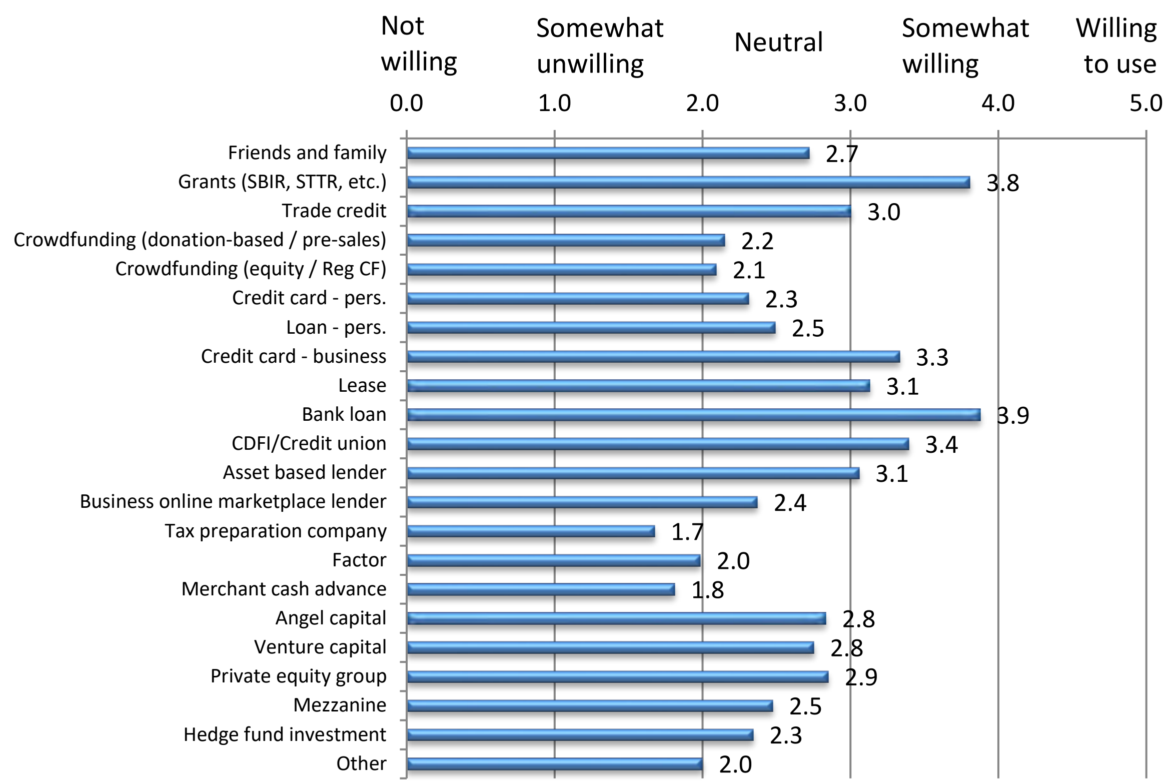
Among those respondents who didn't attempt to obtain any external financing in the last 12 months, 72% said their businesses are generating enough cash flow to fund operations (including growth expansion), followed by 16% of respondents who has sufficient financing already in place.

Figure 144. Reasons for Not Trying to Obtain Capital in the Last 12 Months



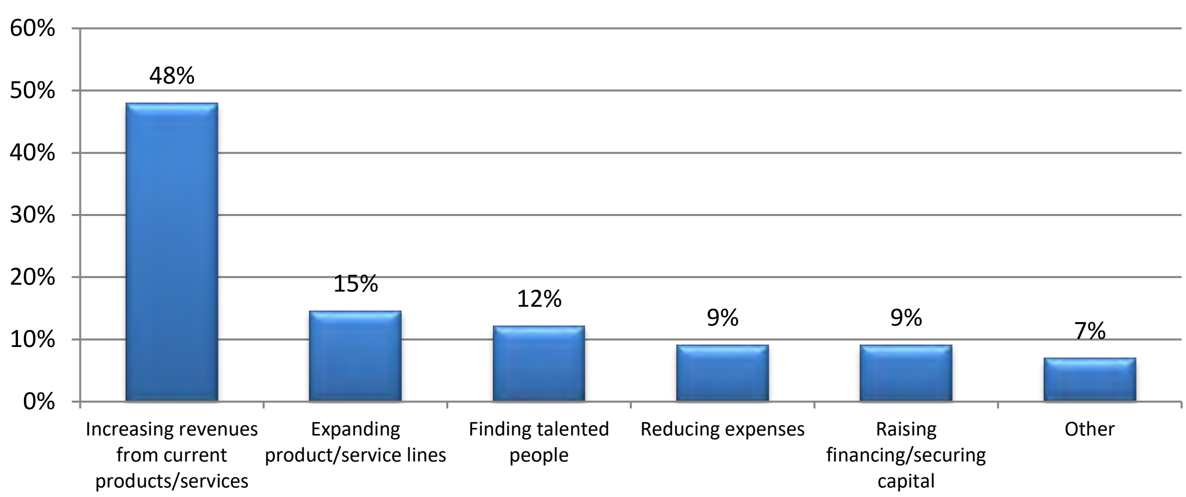
According to the respondents, “bank loans” and “grants” as categories are the most appealing option to obtain financing.

Figure 145. Willingness to Obtain Financing



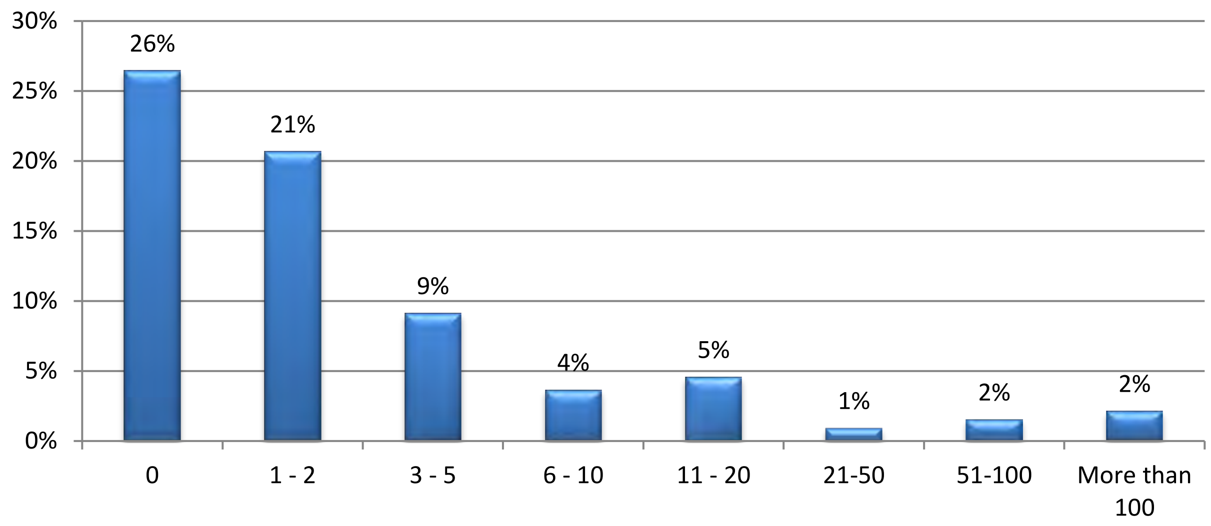
Approximately 48% of respondents indicated increasing revenues from current products or services as the area their businesses are most focused on today.

Figure 146. The Most Important Area to Focus On



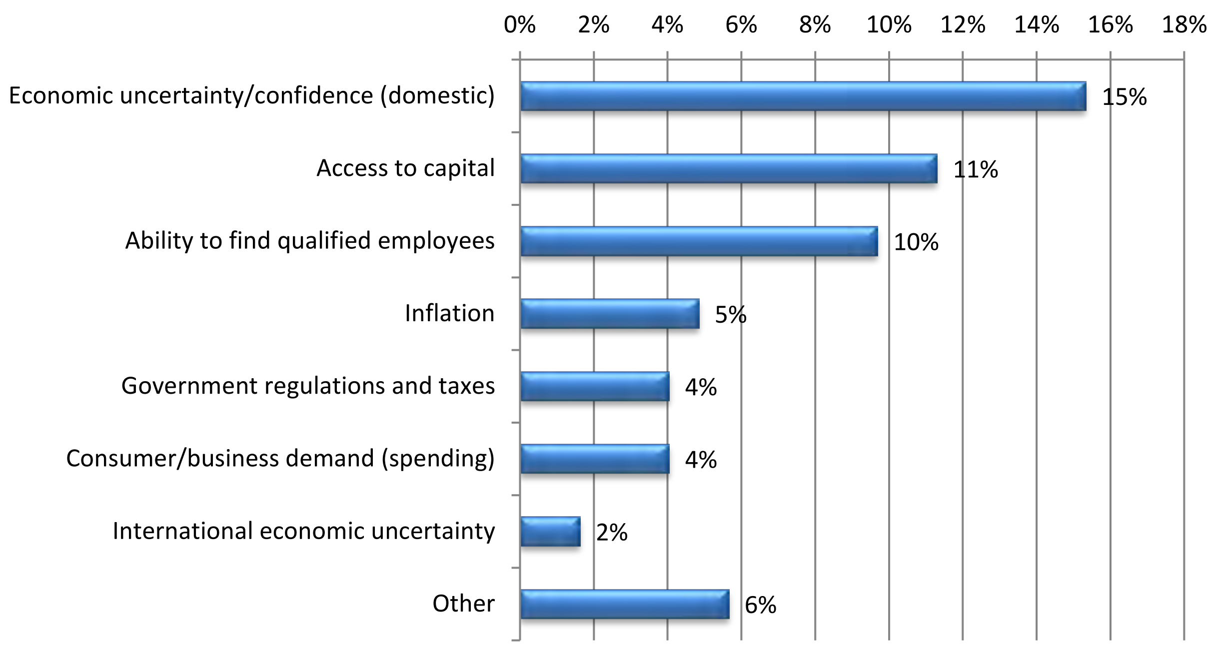
Approximately 26% of respondents are not planning to hire additional employees in the next 12 months, while 21% of respondents are planning to hire one or two additional employees in the next twelve months.

Figure 147. Number of Employees Planned to be Hired



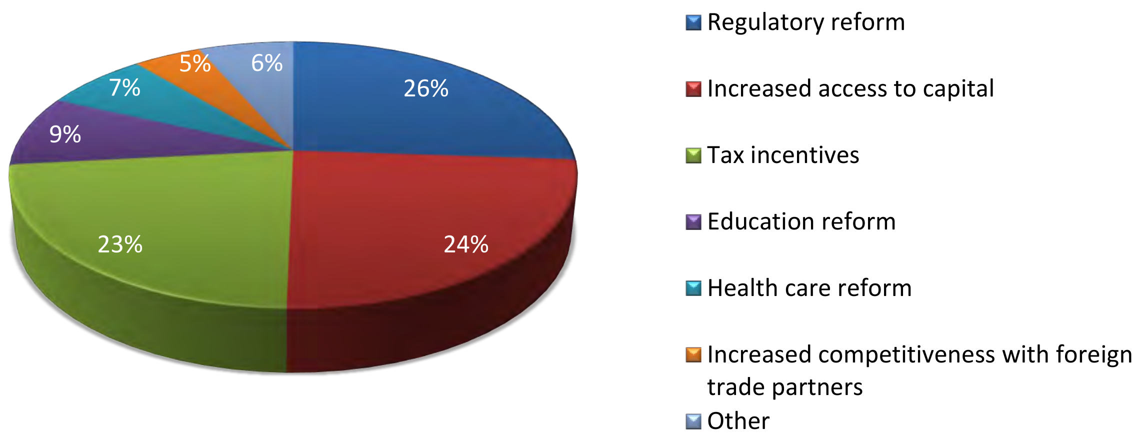
Approximately 15% of respondents believe domestic economic uncertainty is the number one reason preventing them from hiring, followed by access to capital (11%) and inability to find qualified employees (10%).

Figure 148. Reasons Preventing Privately-Held Businesses from Hiring



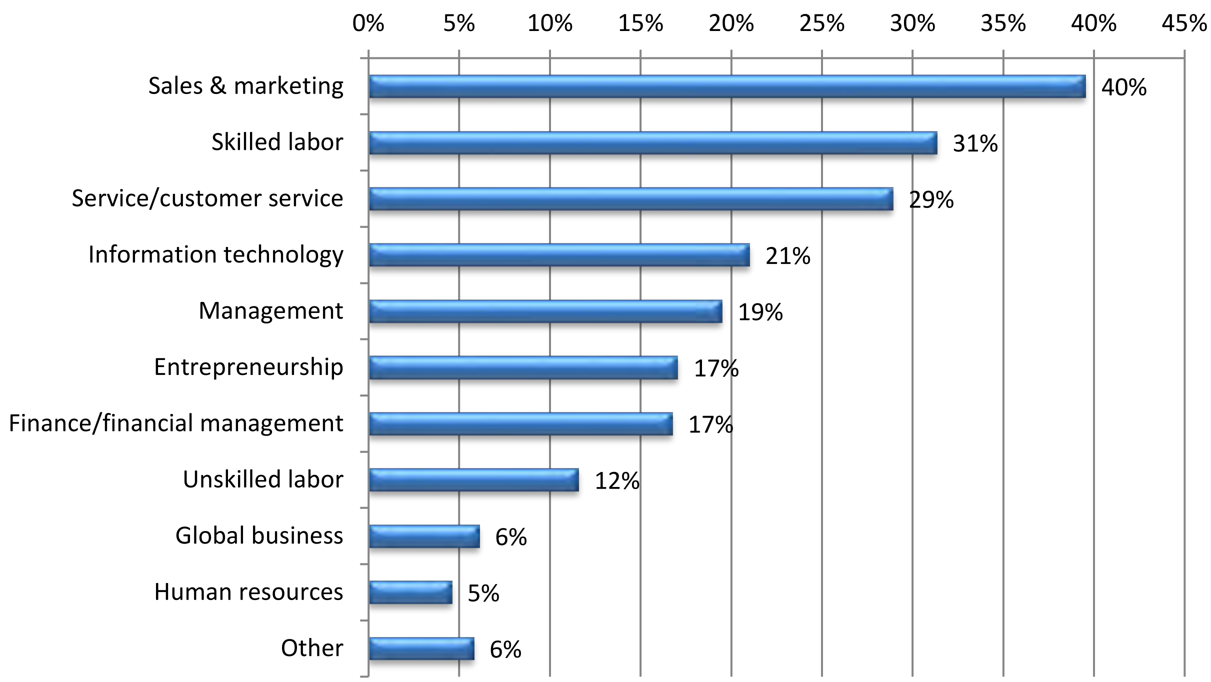
According to respondents, of those policies most likely to lead to job creation in 2024 regulatory reform emerged as number one (26%), followed by increased access to capital (24%) and tax incentives (23%).

Figure 149. Government Policies to Lead to Job Creation



For those businesses which do plan to hire, sales and marketing skills (40%) and skilled labor (31%) are in greatest demand followed by service/customer service (29%).

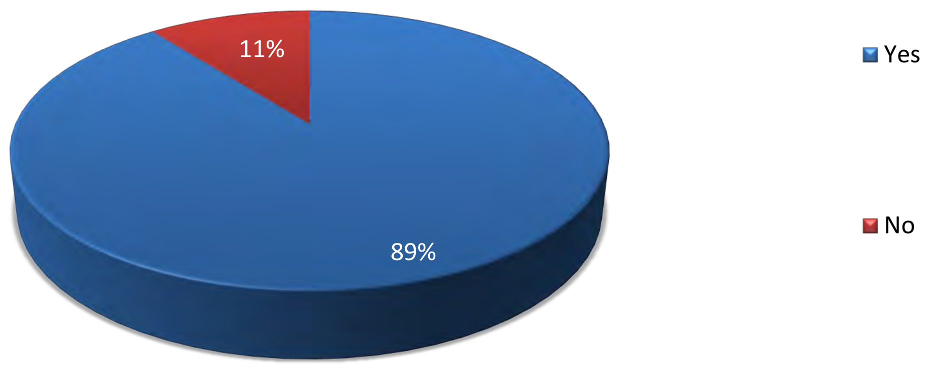
Figure 150. The Skills in Demand for New Hires



BUSINESS OWNER cont.

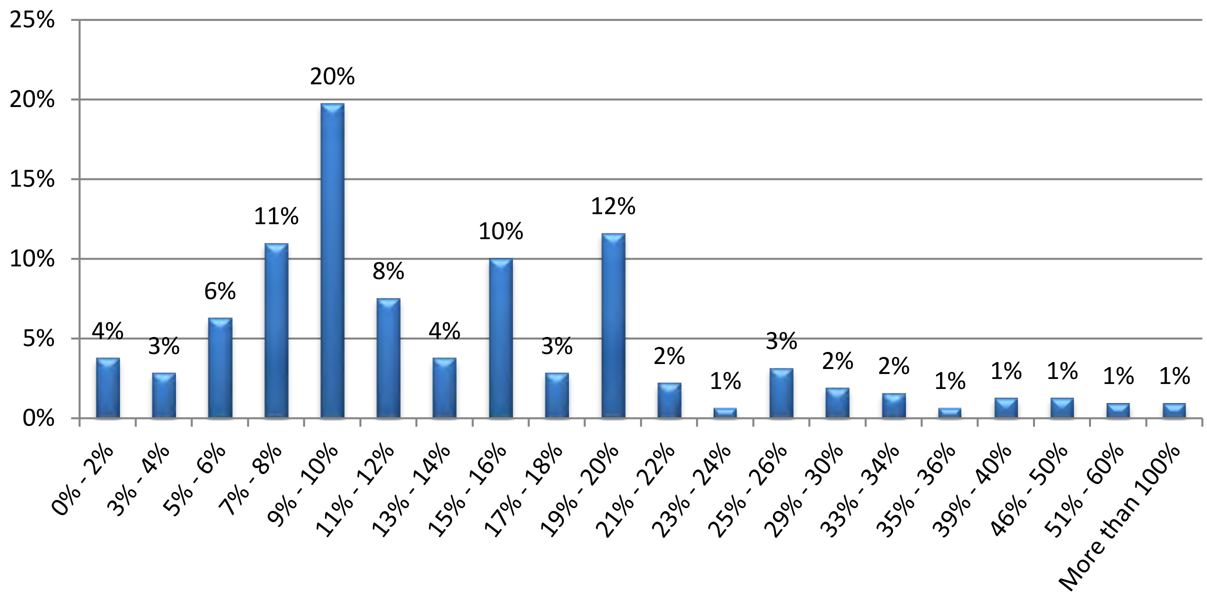
89% of businesses planning to hire indicate need to train those they hire.

Figure 151. Need for Training of New Hires



Approximately 20% of respondents indicated their business cost of equity capital is in the range of 9% - 10%.

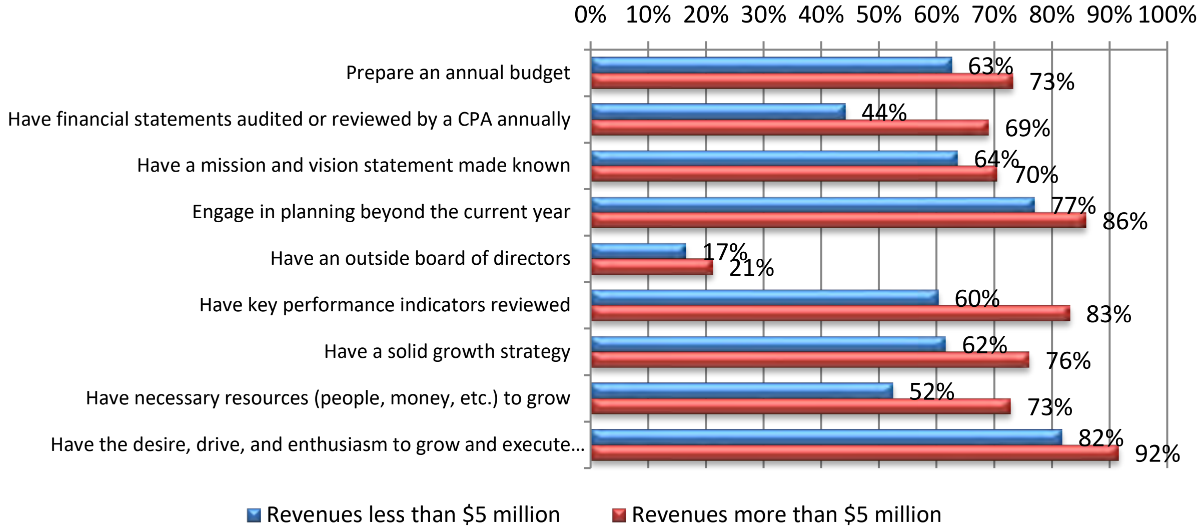
Figure 152. Cost of Equity Capital



BUSINESS OWNER cont.

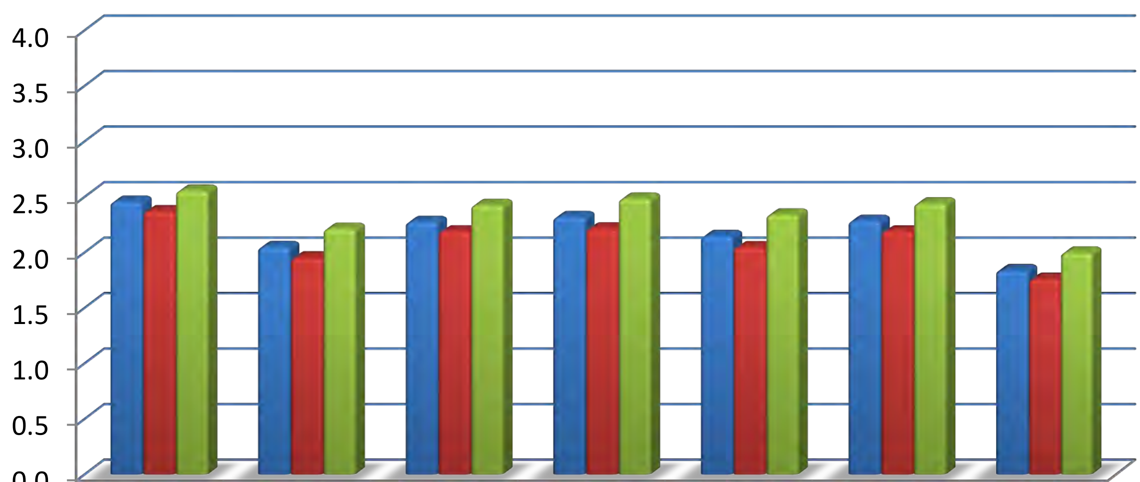
Privately-held businesses with revenues less than $5 million on average have almost the same desire to execute growth strategies (82%) as privately-held businesses with revenues greater than $5 million (92%). However, privately-held businesses with smaller revenues report lower levels of necessary resources (people, money, etc.) to grow (52%) as compared to privately-held businesses with higher revenues (73%).

Figure 153. Usage of Financial Analysis by Revenue Sizes



Respondents reported on their level of knowledge financing components (scale 0-4: none, some, moderate, very, completely).

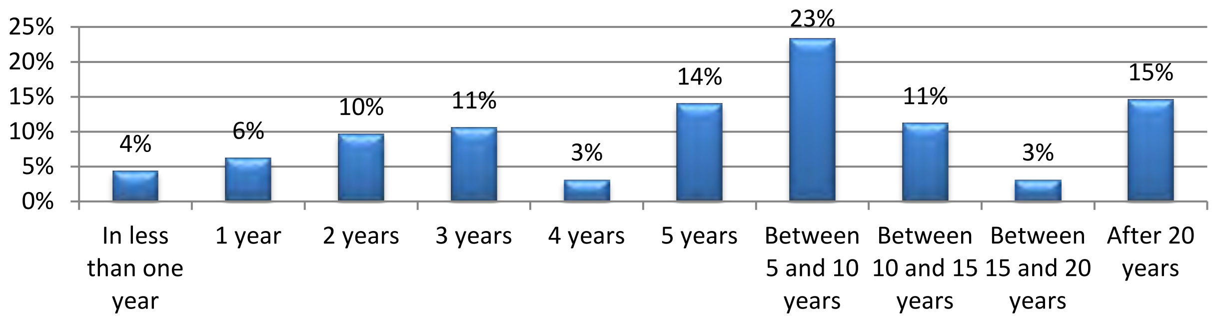
Figure 154. Level of Knowledge of Financing Components



	Types of financing	Specific firms to contact to seek various types of financing	Advantages/ disadvantages of various types of financing	"Costs of capital"	Process to obtain financing	Specific benchmarks to qualify for financing	Financing acceptance rates
Whole sample	2.5	2.0	2.3	2.3	2.1	2.3	1.8
< $5 million	2.4	2.0	2.2	2.2	2.0	2.2	1.8
$5 - $100 million	2.6	2.2	2.4	2.5	2.3	2.4	2.0

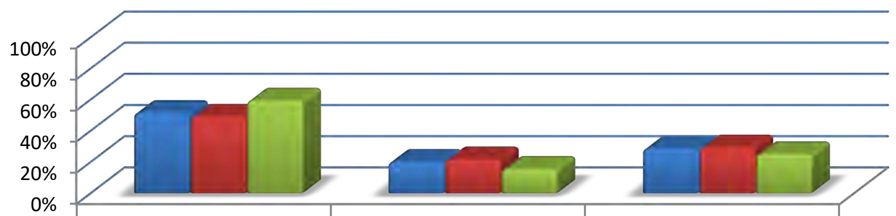
Nearly 66% of the respondents are planning to transfer their ownership interest in more than five years from now while only 4% plan to transfer their ownership at the first available opportunity.

Figure 155. Anticipation of the Ownership Transfer



Assuming respondents' businesses were eligible to raise financing from both private equity and a public stock offering (IPO), 51% of them would choose private equity.

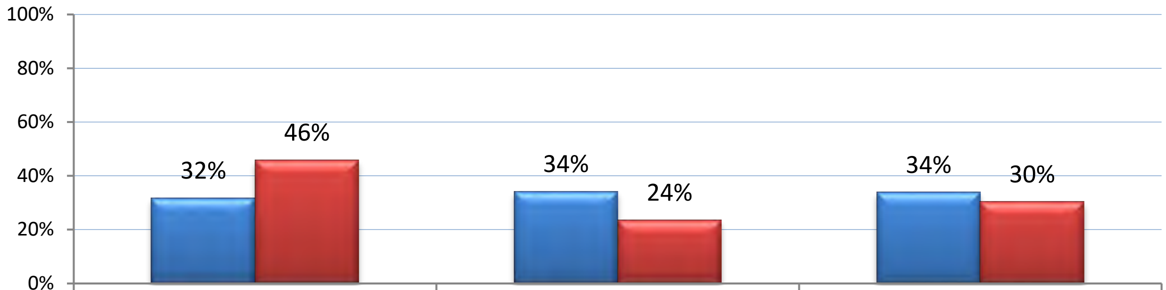
Figure 156. Private Equity vs Initial Public Offering



	Private equity	Initial public offering (IPO)	Unsure
Whole sample	51%	20%	29%
< $5 million	49%	22%	29%
$5 - $100 million	59%	16%	25%

When asked about general view, 46% of respondents indicated private equity as favorable financing source.

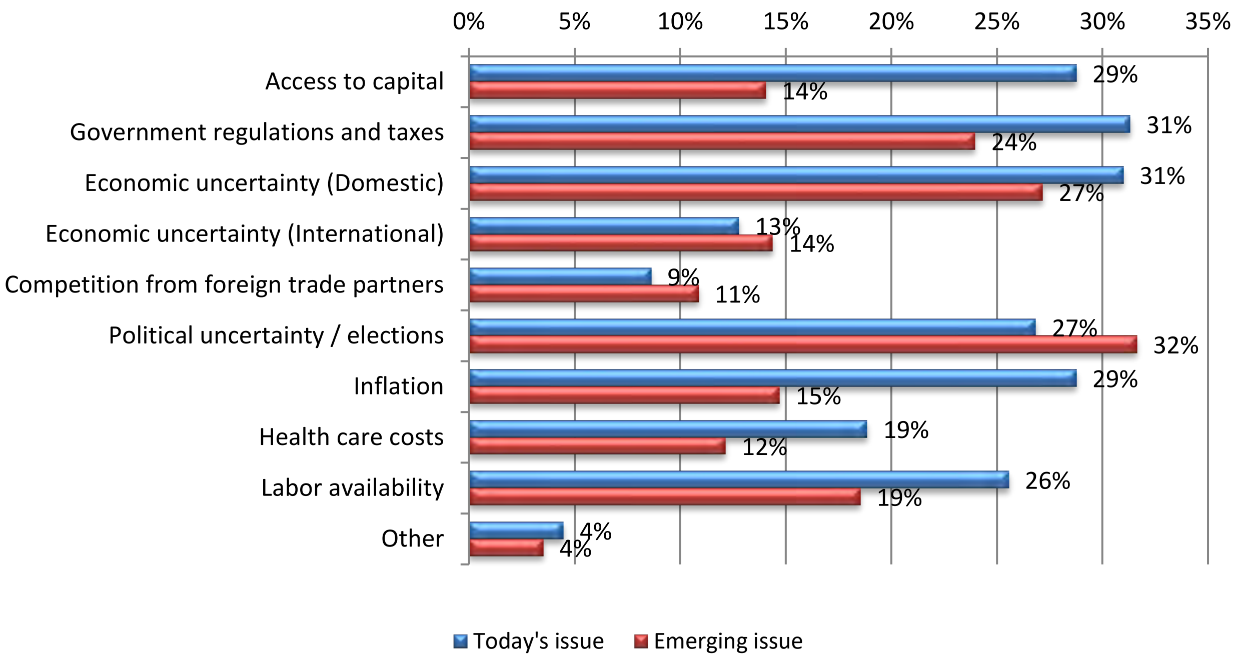
Figure 157. General Views on Initial Public Offering and Private Equity



	Favorable	Neither favorable nor unfavorable	Unfavorable
IPO	32%	34%	34%
PE	46%	24%	30%

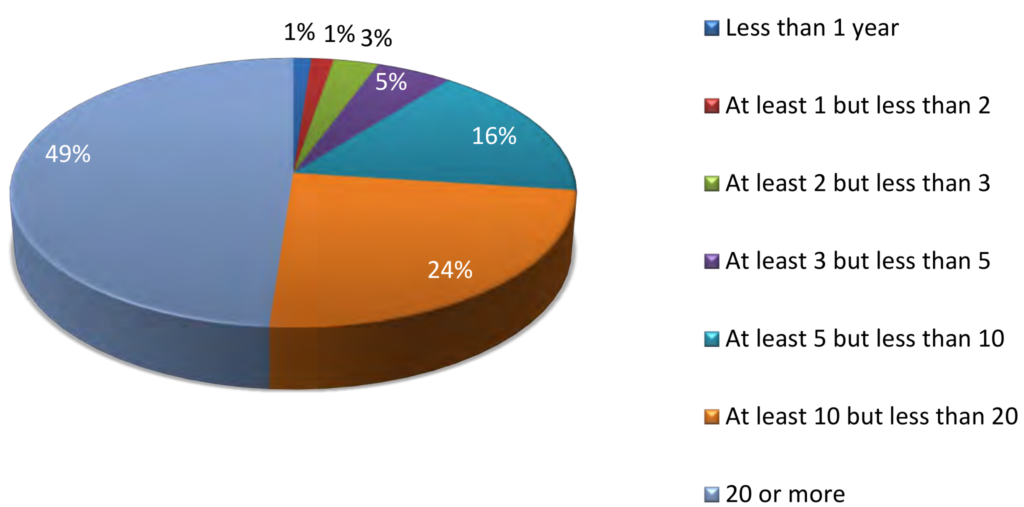
Respondents indicated government regulations and taxes and domestic economic uncertainty are the most important current issues facing privately-held businesses today, while 32% of respondents indicated political uncertainty as the most important emerging issue.

Figure 158. Issues Facing Privately-Held Businesses



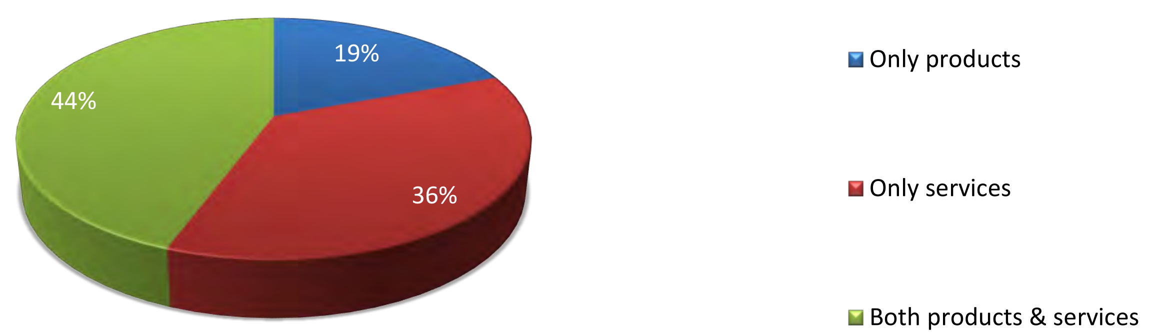
Approximately 49% of respondents have firms 20 or more years old.

Figure 159. Firm Age



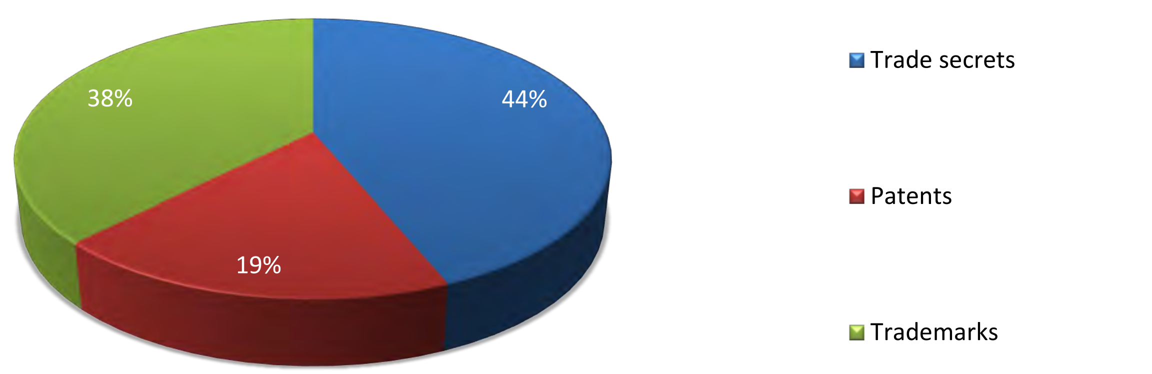
Approximately 44% of respondents sell both products and services to their clients.

Figure 160. Types of Companies



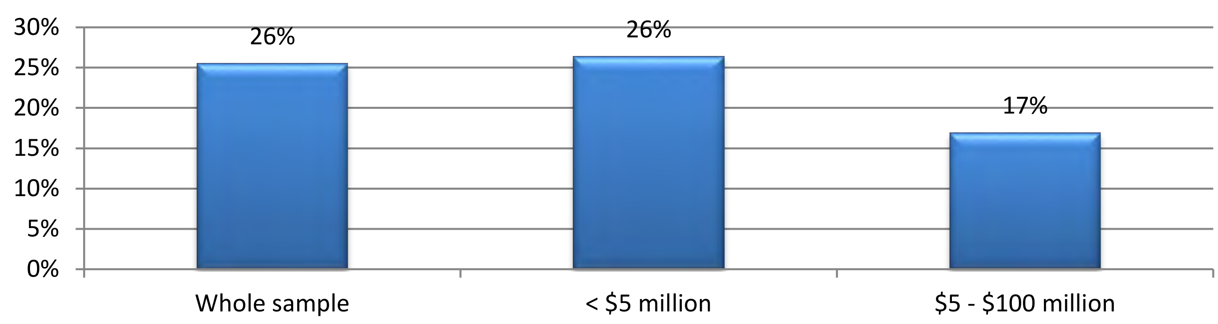
Nearly 44% of respondents have protected trade secrets.

Figure 161. Protected Intellectual Property



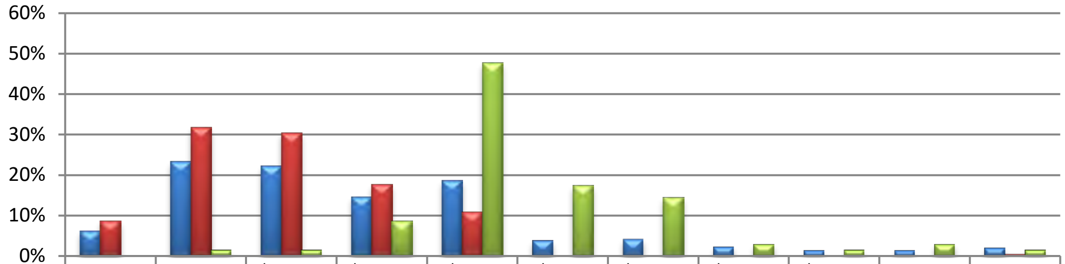
On average 26% of respondents companies are owned by their employees.

Figure 162. What Percentage of Respondents Companies are Owned by Their Employees



BUSINESS OWNER cont.

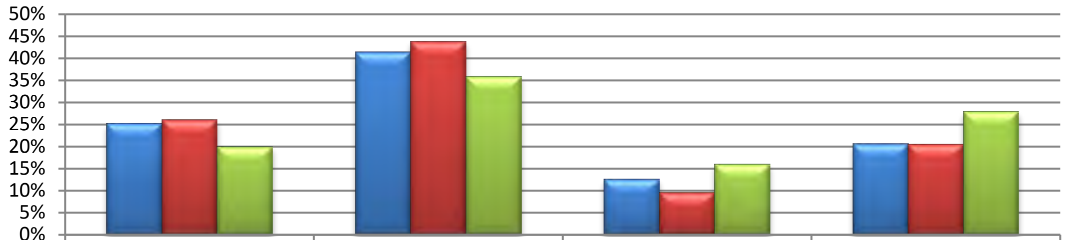
Figure 163. What Were Respondents' Total Labor Expenses in 2023 (Incl. Wages, Benefits and Payroll Taxes)



	\$0	\$1 - \$99K	\$100K - \$499K	\$500K - \$999K	\$1M - \$4.99M	\$5M - \$9.99M	\$10M - \$24.99M	\$25M - \$49.99M	\$50M - \$99.99M	\$500M+	Unknown
Whole sample	6%	23%	22%	15%	19%	4%	4%	2%	1%	1%	2%
< \$5 million	9%	32%	30%	18%	11%	0%	0%	0%	0%	0%	0%
\$5 - \$100 million	0%	1%	1%	9%	48%	17%	14%	3%	1%	3%	1%

Approximately 25% of respondents use Employee Stock Ownership Plan (ESOP).

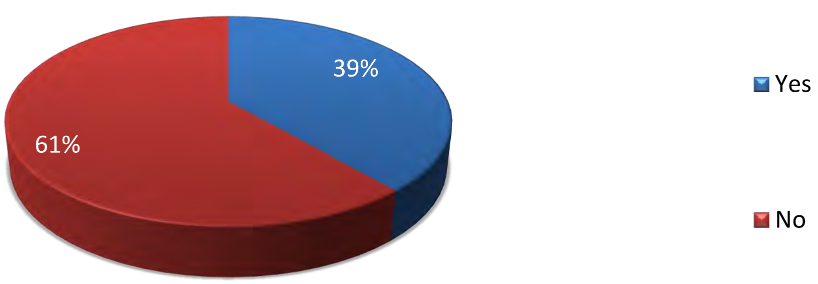
Figure 164. How Do Respondents' Employees Own Equity in Their Companies



	Employee Stock Ownership Plan (ESOP)	Stock Options	Stock Purchase Plan	Other
Whole sample	25%	41%	13%	21%
< \$5 million	26%	44%	10%	21%
\$5 - \$100 million	20%	36%	16%	28%

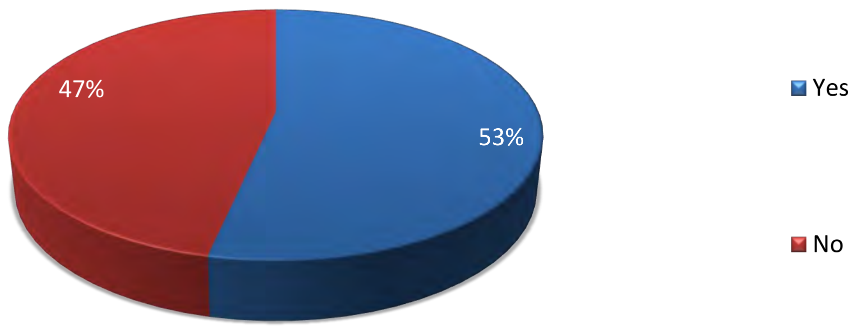
Approximately 39% respondents have family firms.

Figure 165. Percentage of Family Firms



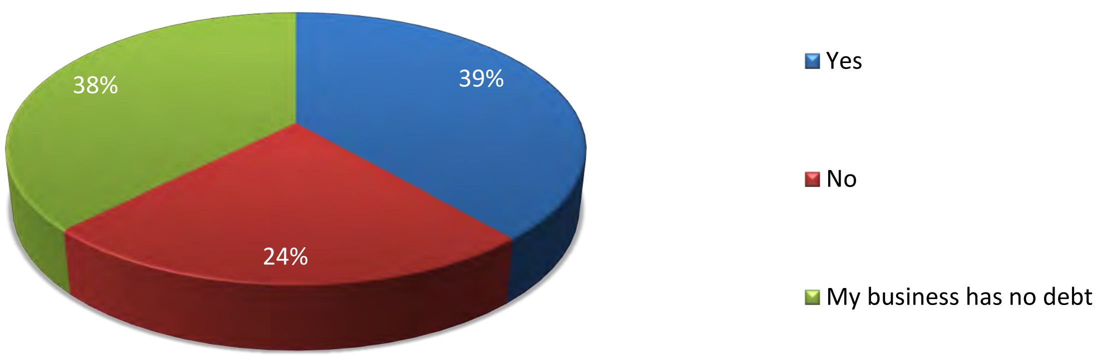
Approximately 53% of respondents indicated their businesses have financing (either debt or equity) from outside sources (other than themselves, friends and family)

Figure 166. Percentage of Businesses with Financing (Either Debt or Equity) from Outside Sources



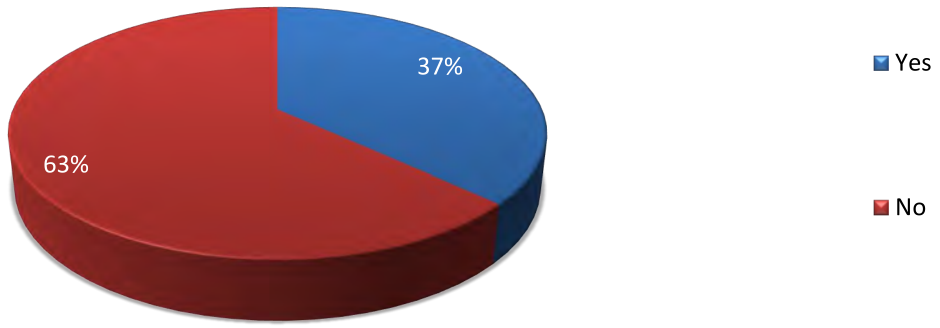
Approximately 62% of respondents indicated their businesses have loans that required a personal guarantee.

Figure 167. Percentage of Businesses with Loans That Required a Personal Guarantee



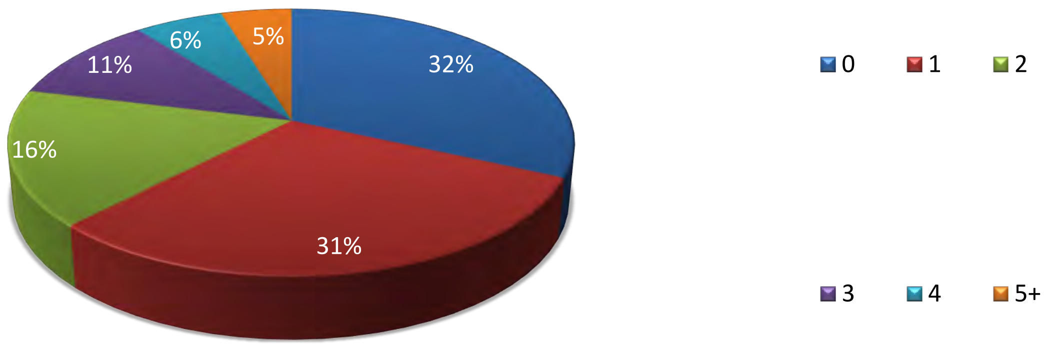
Nearly 37% of respondents transferred or loaned their personal assets to the business during 2023.

Figure 168. Percentage of Business Owners/Executives Who Transferred/ Loaned Any Personal Assets (Including Cash) to the Business in 2023



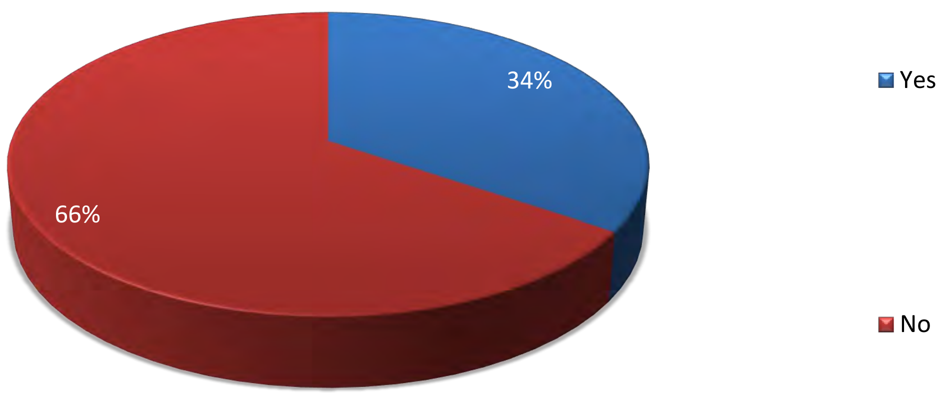
BUSINESS OWNER cont.

Figure 169. Number of Management Levels Between the Owner and the Lowest Level of Employee



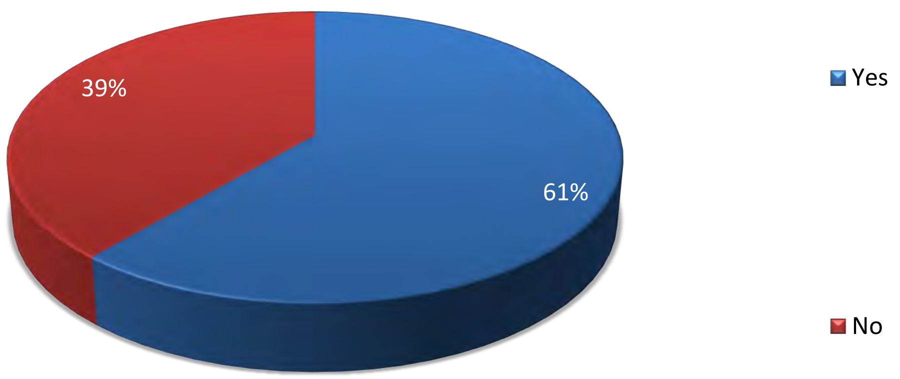
Approximately 34% of businesses have full-time CFO, or controller, or accountant.

Figure 170. Percentage of Businesses with Full-Time CFO, Controller or Accountant (Other than the Owner)



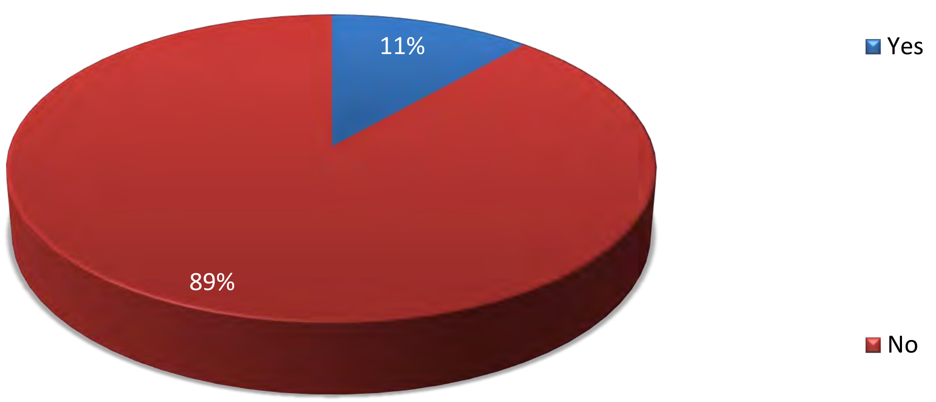
Nearly 61% of businesses have full-time employees that were not already acquainted with the owner or CEO before being hired.

Figure 171. Percentage of Businesses Which Have Full-Time Employees That Were Not Already Acquainted with the Owner or CEO Before Being Hired.



Nearly 11% of businesses currently employ minimum wage workers.

Figure 172. Percentage of Businesses Which Currently Employ Minimum Wage Workers



Most of respondents indicated increased unit sales and prices of labor and materials, slightly increased access to capital, and slightly worsened general business conditions.

Table 67. General Business and Industry Assessment: Today vs. Twelve Months Ago

Characteristics	**Decreased significantly**	**Decreased slightly**	**Stayed about the same**	**Increased slightly**	**Increased significantly**	**% increase**	**% decrease**	**Net increase/ decrease**
Unit sales	11%	16%	28%	25%	20%	45%	27%	**19%**
Prices of labor and materials	0%	1%	18%	44%	37%	81%	2%	**79%**
Net income	11%	20%	23%	35%	12%	46%	31%	**15%**
Inventory levels	5%	18%	46%	22%	10%	31%	23%	**8%**
Capital expenditures	6%	10%	45%	27%	12%	39%	17%	**22%**
Opportunities for growth	3%	15%	29%	30%	22%	52%	19%	**34%**
Access to bank loans	9%	15%	53%	18%	5%	23%	24%	**-1%**
Access to equity capital	7%	14%	56%	16%	7%	23%	21%	**2%**
Prices of your products or services	0%	4%	32%	48%	16%	64%	5%	**59%**
Time to collect receivables	2%	7%	64%	20%	8%	27%	8%	**19%**
Number of employees	3%	7%	59%	24%	6%	30%	11%	**20%**
Competition	1%	10%	56%	24%	8%	32%	12%	**20%**
General business conditions	8%	26%	34%	26%	6%	32%	34%	**-2%**
Appetite for risk	4%	17%	49%	26%	4%	30%	21%	**10%**
Probability of business closure	18%	21%	43%	13%	5%	18%	39%	**-21%**
Time worrying about economy	7%	11%	38%	28%	16%	44%	18%	**25%**

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

Table 68. General Business and Industry Assessment Expectations over the Next 12 Months

Characteristics	**Decreased significantly**	**Decreased slightly**	**Stayed about the same**	**Increased slightly**	**Increased significantly**	**% increase**	**% decrease**	**Net increase/ decrease**
Unit sales	4%	11%	21%	37%	28%	65%	14%	**51%**
Prices of labor and materials	1%	2%	25%	58%	15%	73%	3%	**70%**
Net income	3%	10%	19%	43%	25%	69%	13%	**56%**
Inventory levels	3%	16%	47%	26%	9%	35%	18%	**17%**
Capital expenditures	6%	9%	43%	31%	10%	41%	16%	**25%**
Opportunities for growth	3%	7%	30%	37%	24%	61%	9%	**51%**
Access to bank loans	4%	12%	56%	19%	10%	28%	16%	**12%**
Access to equity capital	4%	11%	54%	19%	13%	31%	15%	**17%**
Prices of your products or services	0%	3%	34%	56%	7%	63%	3%	**59%**
Time to collect receivables	0%	6%	77%	13%	4%	17%	6%	**11%**
Number of employees	0%	3%	39%	50%	8%	57%	3%	**54%**
Competition	1%	7%	62%	23%	7%	31%	7%	**23%**
General business conditions	4%	19%	42%	27%	8%	35%	24%	**11%**
Appetite for risk	4%	12%	55%	23%	7%	29%	15%	**14%**
Probability of business closure	21%	18%	48%	9%	4%	12%	39%	**-27%**
Time worrying about economy	7%	11%	46%	21%	16%	36%	18%	**18%**

ABOUT THE AUTHOR

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Craig R. Everett is a finance professor at the Pepperdine Graziadio Business School and Director of the Pepperdine Private Capital Markets Project. His teaching and research interests include entrepreneurial finance, private capital markets, business valuation and behavioral corporate finance.

He holds a PhD in finance from Purdue University, an MBA from George Mason University, and a BA in Quantitative Economics from Tufts University. Dr. Everett is the author of the best-selling children's fantasy novel, *Toby Gold and the Secret Fortune*, which incorporates such financial literacy topics as saving, investing, banking, entrepreneurship, interest rates, return on investment, and net worth.

His research has appeared in the *Wall Street Journal*, CNBC, *USA Today*, and the *New York Times*, been published in a number of journals and been presented at domestic and international conferences. Craig Everett is member of the Beta Gamma Sigma Honor Society, Financial Executives International, and the Los Angeles World Affairs Council. Dr. Everett is a certified mergers & acquisitions advisor (CM&AA), and a business valuation professional.

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