U.S. Business Trends Report

12 month period ending June 2011

Published September 2011

Dun & Bradstreet's *U.S. Business Trends Report* examines recent failure and delinquency trends on approximately 34 million active U.S.-based businesses in D&B's global database, summarizing data trends for the 12 month period ending June 30, 2011.

D&B tracked key indicators (delinquencies and failure), which continue to be consistent with slow economic recovery. National Bureau of Economic Research classifies Dec 2007 through Jul 2009 as the recession period. Percentage of delinquent dollars started to increase dramatically before the recession, and continued to peak until Oct-Nov 2008. The percentage then declined and remained stable almost till the end of 2010 indicating economic recovery. There were sharp increases in Dec 2010 and Jan 2011 which led to a discussion of the possibility of a slowdown. Most recent data starting Feb 2011, however, is showing continuous decline in delinquencies consistent with recovery, and small increases in failure compared to the year before. However, we are now comparing two post-recession periods – and some fluctuations in the numbers are natural.

Economic Snapshot

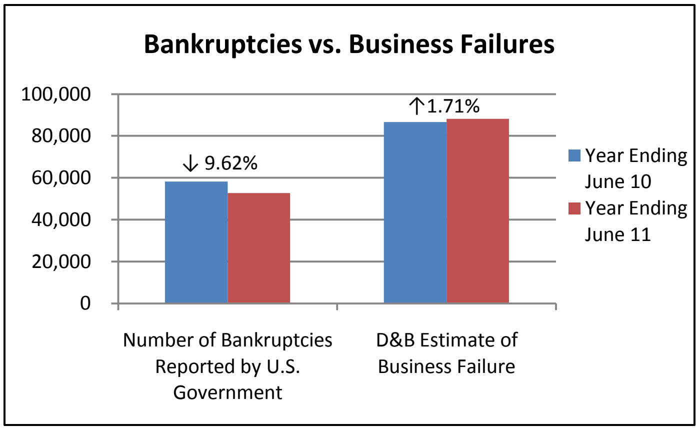
The US economy has struggled in 2011. Though delinquencies declined and failures increased only by a small percentage, other macro-economic indicators continue to show signs of stress. With inflation uncomfortably high, job growth stagnating, the housing market depressed and financial market volatility all eroding business confidence, there are few reasons to expect growth to accelerate in the coming quarters. Accordingly, we expect businesses will continue to face high levels of uncertainty and risk across a number of sectors and sub-regions into 2012.

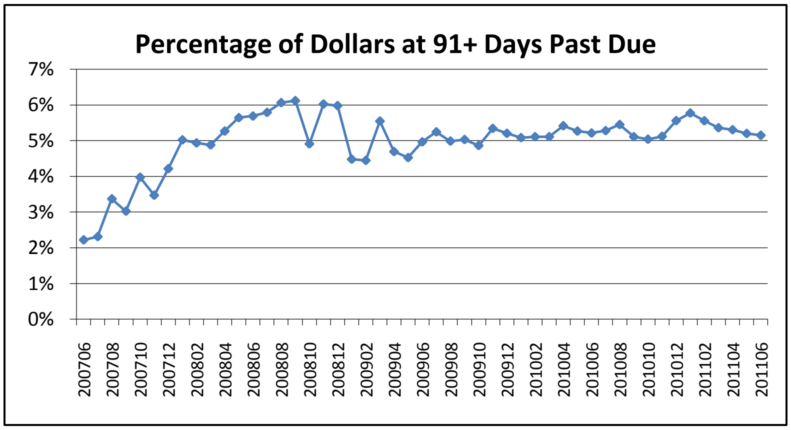
There are mixed signals in the economy. Most recent employment data continues to show no growth. Businesses seem to be very risk averse. Businesses are paying off their debt relatively easily, yet they do not have the confidence to start hiring. This adversely impacts growth prospects. With manufacturing orders falling for the second consecutive month in August, many firms are likely to scale down production in the coming months. With domestic and external demand softening, the quarters ahead are likely to be the toughest for many firms in both the manufacturing and services sectors since the recession of 2008-09. Weak consumer spending, the core driver of the U.S. economy, will continue to weigh on key sectors such as construction, transportation as well as manufacturing.

In these challenging economic times, looking at past performance and historical trends may not be enough. Predictive scores, and the ability to forecast delinquencies and failures, are crucial elements in the decision making process. A refinement or balancing of historical inputs with predictive indicators can significantly enhance the bottom line. The following are highlights of the key insights found in D&B's U.S. Business Trends Report.

Overall Business Bankruptcies, Failures and Delinquencies

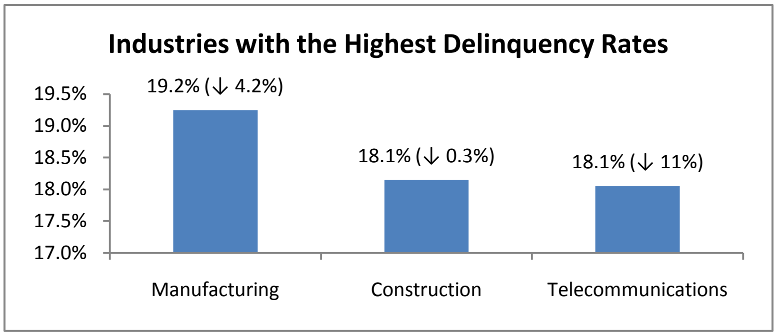
Although the U.S. Government reported a 9% decline in the number of bankruptcies—from 59,222 in June 2010 to 52,620 in June 2011—D&B finds this number to be non-representative of the hidden failures present in the market. Instead, D&B has found the number of business failures grew from 86,678 to 88,164—**a 1.71% increase year over**. This is 68% higher than recorded bankruptcies in the same period. During Q2 of 2011, there has been a downward trend in the percentage of dollars delinquent. Post-recession, percent of delinquent dollars stayed around 5% throughout 2010. We saw a spike in January 2011 to 6%, followed by a drop back to 5% in June 2011. This is a very important leading indicator for the overall health of the economy, and implies that the situation slightly improved from the beginning of the year.

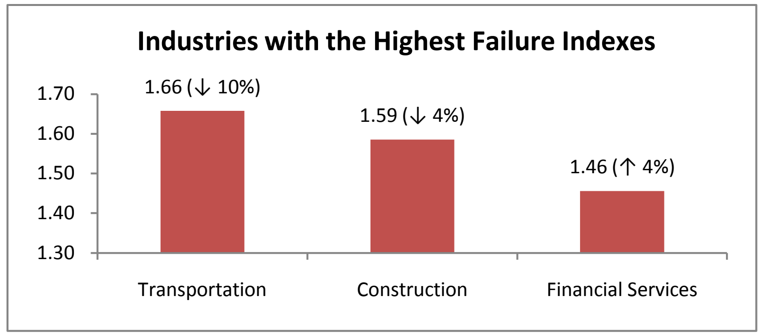


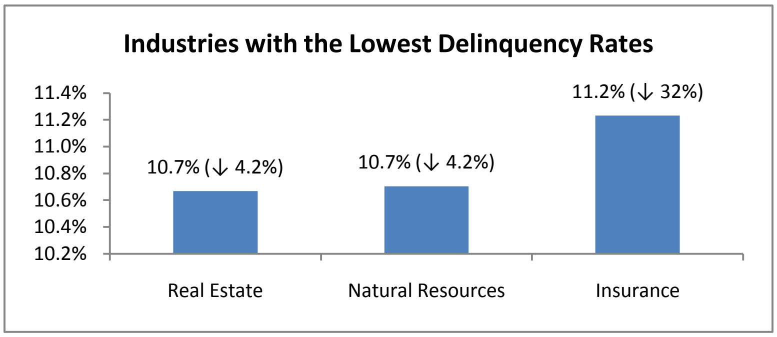


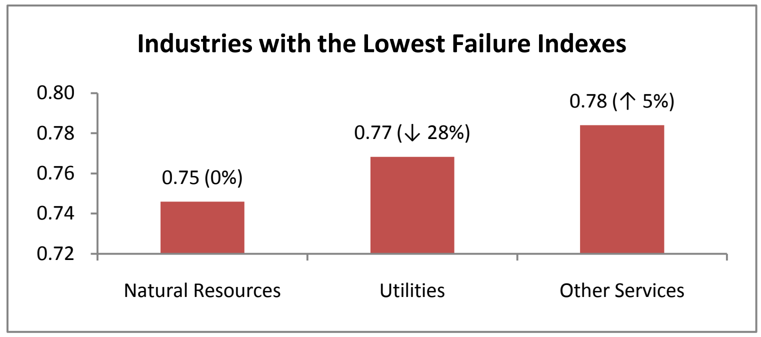
Delinquency and Failure by Industry

Delinquency rates[1] and failure indexes[2] by industry varied from June 2010 to June 2011. On average, both were trending downward, with a 2% decrease in failure indexes and a 7% drop in delinquency rates. The top three industries with highest failure indexes continue to be Transportation, Construction and Financial Services—with Transportation industry having a failure index 66% higher than the U.S. average. Industries with the lowest failure indexes were Natural Resources, Utilities, and Other Services. Delinquency rates in all industries declined from June 2010 to June 2011, with industries such as Financial Services and Telecommunications having double digit declines in their delinquency rates. In this quarter, Manufacturing, Construction, and Telecommunications had the highest delinquency rates, and Natural Resources, Real Estate, and Insurance continued to have the lowest delinquency rates.







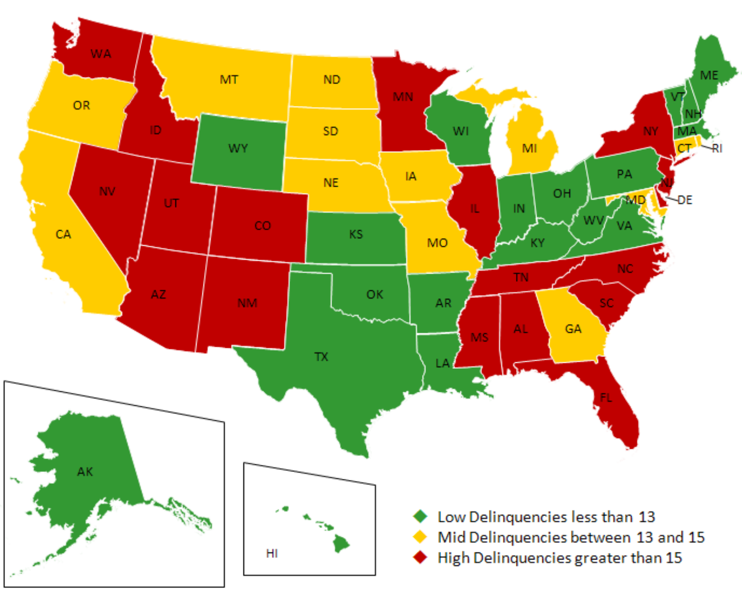


[1]Delinquency Rate is the percentage of 91+ days past due amount against the total amount owed – and is a leading indicator of the company's likelihood to fail.
[2]Failure Index is calculated as a failure rate for industry divided by average failure rate for U.S. overall in the same year.

Delinquency and Failure by State

D&B also reported variations in delinquency and failure indexes among states— with far more extreme increases and decreases witnessed from June 2010 to June 2011. Nevada remains the state with both the highest failure index and delinquency rate, as well as the highest increase in delinquency rates—41.3% spike during the year analyzed. West Virginia has the lowest delinquency rate, where as North Dakota has the lowest failure indexes. Alaska continues to be the state with one of the lowest delinquency rates and failure indexes—with a 32% decrease in failure rates from June 2010 to June 2011.

Delinquency Rates



Failure Indexes