



2014
Nevada State Bank
SMALL BUSINESS SURVEY



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This survey was conducted by Applied Analysis as commissioned by Nevada State Bank. Analyst's Notes contained in the survey were provided by Jeremy Aguero, founder and principal of Applied Analysis.

It has been said so many times because it is so true: small businesses are the backbone of our economy.

It's true nationally. And it's certainly true here in Nevada, where small businesses are not only driving our gradually recovering local economy, but also play a key role in the success of Nevada State Bank.

So, if small businesses are so important to all of us, shouldn't we be asking what we can do to help them succeed? To answer that, we need to ask some additional questions:

"What worries the people who own and operate these businesses? Do they think we are going in the right direction? What do they need to prosper and create more jobs? Do they need financing to grow their business? Are business and community leaders listening to them?"

At Nevada State Bank, we ask such questions all the time. In fact, we're so eager to learn more about what small business owners throughout Nevada think about such things, that we invested a good deal of time, talent and expense to get answers.

We recently conducted a statewide survey of more than 400 Nevadans who own, operate or manage small businesses. We talked to people who run businesses that generate annual revenues of \$500,000 to \$5.5 million.

The following pages highlight what we learned from these folks. You can also get more detail on our website at www.nevadasmallbusiness.com. I hope you find the results as interesting as we did.

Sincerely,

Dallas Haun
President and CEO
Nevada State Bank

1 TRENDS + CONCERNS

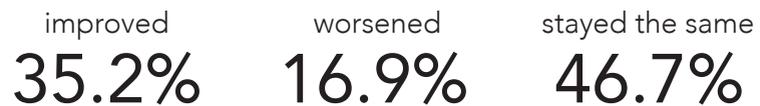


Let's start by exploring the basics. Where are we, economically, as Americans and as Nevadans? Where are we going? And what concerns us most?



So, people think Nevada, on the whole, is doing better than the nation.

OVER THE LAST YEAR, NEVADA'S BUSINESS ENVIRONMENT HAS



WHAT WILL NEVADA'S ECONOMY DO IN THE NEXT YEAR?



AS A BUSINESS OWNER, WHAT REALLY CONCERNS YOU?



HALF ARE WORRIED ABOUT INCREASING COMPETITION, HALF ARE NOT.

ANALYST'S NOTE

Nevada small business owners and operators are more bullish on the Nevada economy than the nation's economy. Perhaps more importantly, those who say the local business environment has improved over the past 12 months outnumber by a 2-to-1 ratio those saying it has gotten worse, and those who expect conditions to improve over the next 12 months outnumber those who expect conditions to get worse by nearly 4-to-1. Respecting that concerns remain over access to capital, increases in taxes and the impact of new laws, this type of small business optimism is clearly driving hiring and investment decisions.

FOR MORE INFORMATION

The Nevada Department of Employment, Training and Rehabilitation's Workforce Informer (www.nevadaworkforce.com) provides a number of statistics on business formation, employment, and wage and salary payments for small and large businesses. Nevada State Bank also posts a monthly economic update prepared by Applied Analysis at www.nevadasmallbusiness.com.

2 CASH FLOW + FINANCING



Cash flow and access to capital are vital to maintain a healthy business. When we conducted our survey, we gave our respondents the ability to choose more than one option. Therefore, you'll see overlap in the final numbers.

25.6%
are very concerned about
ACCESS TO CAPITAL

30.3%
are very concerned about
CASH FLOW

HOW EASY DO YOU THINK IT HAS BEEN TO OBTAIN FINANCING SINCE 2010?

46.4%
VERY DIFFICULT

33.3%
SOMEWHAT DIFFICULT

WHAT WOULD YOU DO WITH FINANCING?

PURCHASE EQUIPMENT



EXPAND OPERATIONS



MANAGE CASH FLOW



CONSTRUCTION, LAND/BUILDING PURCHASE



For businesses with strong cash flow, conventional business loans can offer a means to expand, purchase a competitor, or finance real estate. For businesses that don't meet conventional loan requirements, the SBA offers great alternatives. Consider leasing equipment instead of purchasing, and look for options with little to no down payments. Cash flow solutions might include a business credit line. They offer flexibility since they can be drawn on at any time, and can help keep your business nimble by helping you prepare for unforeseen expenses and emergencies, and giving you the ability to capitalize on new business opportunities. For new businesses (under two years old), consider a business credit card. Look for a competitive rate along with a cash back or rewards program, so you can get something back on your purchases.

ANALYST'S NOTE

During the Great Recession, access to capital became increasingly scarce for a number of reasons. This contributed to acute cash flow and expansion challenges for small businesses coast to coast. The good news is that commercial lending by U.S. banks is up 10.6% during the past 12 months and is now approaching the peak levels reported in November 2008. Banks are healthier today than at any point in the past five years, interest rates remain near historical lows, and financial institutions are clearly competing for quality credit. While it is unlikely that the lending environment will ever return to the feverish conditions reported in 2008, recent improvement bodes well for Nevada's small business owners and operators.

FOR MORE INFORMATION

Trends in lending activity and the health of financial institutions are available from the Federal Deposit Insurance Corporation (www.fdic.gov) and the Nevada Department of Business and Industry, Division of Financial Institutions (www.fid.state.nv.us/). For small businesses seeking loans and other financial services, Nevada State Bank's Business Centers specialize in helping small businesses obtain the tools they need to thrive and grow.

3 PROFESSIONAL RELATIONSHIPS



Small businesses rely on strong relationships. Who do Nevada business people partner with? And how important are these partnerships? As before, our respondents could choose more than one option.

HOW IMPORTANT IS THE BANKING RELATIONSHIP?



DO YOU PREFER NATIONAL BANKS OR COMMUNITY BANKS?



WHICH OTHER PROFESSIONAL RELATIONSHIPS ARE IMPORTANT TO YOUR BUSINESS?



WHAT BANKING SERVICES MATTER TO YOU?



A strong relationship with your banker gives you an advocate when it comes to securing financing, making recommendations, referring other specialists, and more. Nevada State Bank's Business Centers specialize in helping small businesses obtain the tools they need to thrive and grow. Having a Small Business Specialist is like having a CFO to assist with business plans, help analyze markets and identify areas for efficiency and growth.

ANALYST'S NOTE

It is not surprising that such a high percentage of small business owners and operators place a high value on their banking relationships.

The three primary reasons small businesses seek financing are:

- (1) to expand operations;
- (2) to purchase needed equipment; and
- (3) to manage cash flow.

All are critical functions. Notably, small businesses are at the same time demanding high levels of automation and personalized service, likely contributing to their reported preference for community banking options.



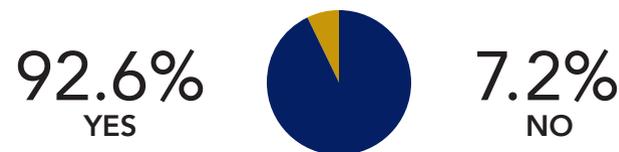
Per the Nevada Constitution, **Initiative Petition 1 (IP1)** will be on the General Election ballot in November 2014. Sometimes referred to as the Nevada Business Margin Tax Initiative, it proposes a **2% margin tax on businesses with over \$1 million in gross revenues**. The proceeds, an expected \$800 million annually, are intended to fund K-12 education.

With Nevada's schools underfunded and underperforming, some believe the tax is a good idea—especially since it won't affect Nevada's smallest businesses.

Others believe the extra funding is not a solution to improve school performance. Moreover, it's believed the margin tax would substantially increase taxes on Nevada businesses and hurt economic development.

At the time of our survey, only **1 in 3** respondents were **familiar** with IP1. Yet, an overwhelming **74.7%** of respondents consider the margin tax to be a bad idea.

ARE YOU FAMILIAR WITH THE PATIENT PROTECTION AND AFFORDABLE CARE ACT (ALSO KNOWN AS THE "AFFORDABLE CARE ACT" AND SOMETIMES REFERRED TO AS "OBAMACARE")?



DO YOU BELIEVE THE PATIENT PROTECTION AND AFFORDABLE CARE ACT WILL HAVE A POSITIVE IMPACT, NEGATIVE IMPACT OR NO IMPACT ON YOUR BUSINESS?



ANALYST'S NOTE

Although small businesses are acutely aware of the potential implications of the Affordable Care Act, a staggering number of owners and operators are unfamiliar with IP1. The 2.0-percent margin tax proposed by IP1 would change Nevada's economic development landscape, making the state much less competitive in terms of its business tax climate. For businesses with more than \$1 million in total revenue, it would also result in a significant increase in their annual state tax liability.

FOR MORE INFORMATION

Additional details on IP1 are available on the Nevada Secretary of State's website (www.nvsos.gov). Additionally, a thoughtful review of the proposed Nevada Margin Tax has been developed by the Nevada Taxpayers Association and is available online at www.nevadataxpayers.org/taxtopics.html. IP1's sponsor, The Nevada State Education Association, has also provided a summary of the proposal's impact as well as answers to a number of frequently asked questions (www.nsea-nv.org/home/500.htm).

The U.S. Department of Health and Human Services (HHS) has trained millions of representatives to answer your questions about how to get the most from the programs offered under Obamacare. Many resources are available on the HHS website (www.hhs.gov) to help you find answers to your questions about this new program. In Nevada, you can find local resources at www.nevadahealthlink.com, including help that's available online, by phone, or by email.



Which industries will grow in the next five years? Which industries won't?
These are the impressions of our respondents.

INDUSTRIES WITH THE **GREATEST GROWTH POTENTIAL**

- 
- + Medical/Health Care
 - + Mining
 - + Gaming
 - + Information Technology
 - + Construction

INDUSTRIES WITH THE **LEAST GROWTH POTENTIAL**

- 
- Business and Professional Services
 - Distribution/Transportation
 - Retail/Wholesale Trade
 - Transportation/Logistics
 - Agriculture

Nevada State Bank agrees that our economy is diversifying and there are lots of opportunities for growth. The bank has created specialized teams dedicated to meeting the needs of the healthcare, legal, gaming and technical industries here in Nevada.

ANALYST'S NOTE

Nevada's economy is clearly diversifying, with healthcare, technology and logistics accounting for a growing share of the state's annual business output. Not surprisingly, casino-hotels/tourism remains the state's number one industry by a wide margin, and mining accounts for the lion's share of employment in most Nevada rural counties. These staples of Nevada's economy notwithstanding, manufacturing and construction have signaled some renewed life over the past 12 months, and emerging industries such as cyber-security, data warehousing, cloud computing, online retail, water resource conservation, renewable energy, unmanned aerial vehicles and medical research are making inroads. These are all worth monitoring closely during the next five years.

FOR MORE INFORMATION

Additional information on economic development in Nevada is available from the Governor's Office of Economic Development (www.diversifynevada.com), with extensive information available through its newly developed GOED data library (www.diversifynevada.com/data-library). Helpful information on new and emerging industries is also available from the Las Vegas Global Economic Alliance (www.lvgea.org/) as well as the Las Vegas Metro Chamber of Commerce (www.lvchamber.com/).



Nevada State Bank led all Nevada lenders in U.S. Small Business Administration (SBA) 504 loans for the past two fiscal years and ranked in the top five Nevada banks for 7(a) loans.

In 2012, the bank provided more than \$15 million in SBA loans to 61 Nevada businesses. During the 2013 fiscal year, Nevada State Bank made 44 SBA loans, totaling \$9.8 million in financial assistance to Nevada businesses.

In addition to SBA loans, Nevada State Bank provides a variety of loan* products to help Nevada businesses manage cash flow, expand operations and prepare for opportunities. During calendar year 2012, the bank provided 383 loans (including SBA loans) to small businesses throughout the state, for a total of \$58 million.

For businesses that don't meet conventional loan requirements, SBA offers some great alternatives. Lending programs such as SBA Express, Patriot, 504, and 7(a) loans were designed to support small businesses with lower down payments, longer terms, and more flexible qualifying standards.

There is a longstanding perception that applying for an SBA loan* is a tedious and painful process. A local, seasoned SBA banker is crucial to ensuring an efficient overall process and a more desirable outcome. Not only can they help identify the right program for your business, but they can also offer advice and insight, and anticipate challenges. Nevada State Bank has assembled a team of seasoned SBA lenders. With years of local market knowledge coupled with SBA lending experience, they are ready to help small business owners.

TO LEARN MORE ABOUT NEVADA STATE BANK
SBA LENDING, CALL **1.866.449.3676**.

*Subject to credit approval. Terms and conditions apply.

2012
SBA LENDING

\$15 MILLION
61 BUSINESSES

2013
SBA LENDING

\$10 MILLION
44 BUSINESSES

TOTAL
SMALL
BUSINESS
LOANS
IN 2012
(including non-SBA)

\$58 MILLION
383 LOANS



FOR A PDF OF THIS SURVEY,
visit nevadasmallbusiness.com/survey or use the QR code.

You can also visit us online for more information,
additional resources, and the latest economic trends
affecting our state.

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