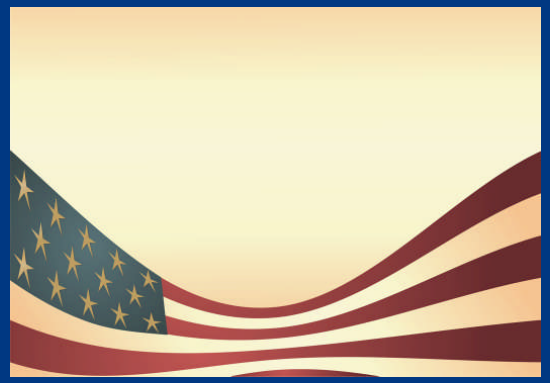
Small Businesses: How the Threat of Lawsuits Impacts Their Operations

NATIONAL SAMPLE



Conducted for

US Chamber Institute for Legal Reform
May 10, 2007

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Research Objectives, Sample and Methodology

- Research Objectives:
  - To examine the attitudes and experiences of small business owners and managers who are concerned about frivolous and unfair lawsuits and to learn how the legal environment, specifically the tort system, impacts their businesses.
- Sample:
  - Nationally representative sample
  - Small business owners obtained from Dun & Bradstreet
  - Small business definition: companies who have revenues of $10 million or less and have at least one employee in addition to the business owner*
  - Must be very or somewhat concerned about the liability system practiced in their respective state
- Sample size and definition:
  - Total 1109. A total of 3390 were contacted of which 1109 qualified. After correctly weighting the data, the qualified sample represents 48% of small businesses nationwide – 16% who are very concerned and 32% who are somewhat concerned. Nonqualified respondents included 30% who were not too concerned, 21% who were not at all concerned and 1% who did not know/refused to answer.
  - All the findings in this report are based on the 48% of small business owners or managers who are very or somewhat concerned that they may be sued in a frivolous or unfair lawsuit. Their views reflect those held by the owners of some 2.8 million companies with nearly $2.3 trillion of annual economic output—or about 20 percent of the gross domestic product—according to the 2002 US Economic Census.
- Data Collection Method:
  - Telephone interviews using the computer-assisted telephone interviewing (CATI) system
  - Interviews conducted November 6, 2006 – February 28, 2007
- Data were weighted using Dun and Bradstreet data to ensure a representative sample
- Margin of sampling error for 1109 interviews is +/- 3 percentage points

*According to the 2002 US Economic Census, there were 5.8 million businesses in this revenue category, with $4.8 trillion in revenues.

Summary of Major Findings

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Major Findings

Among business owners/managers who are very or somewhat concerned about lawsuits:

- 62% say they make business decisions to avoid lawsuits. These decisions have had the following effects:
  - 61% made their products and services more expensive.
  - 45% made a product or service unavailable to customers.
  - 23% say these decisions forced them to cut employee benefits.
  - 11% say these decisions forced them to lay off employees.
- 62%, or almost six in ten, feel they would be able to increase revenues if they were assured that they would be protected from frivolous/unfair lawsuits. Only 12% would not be able to do this at all.

Major Findings (Cont.)

- Of those 62% who said they could increase revenues if protected from unfair/frivolous lawsuits, they would largely reinvest these additional revenues in their businesses, and in the following ways:
  - 80% would improve facilities or purchase new equipment.
  - 76% would increase compensation to employees.
  - 69% would expand the market for what they offer.
  - 65% would increase benefits offered to employees.
  - 63% would hire additional employees.
  - 56% would develop new products or services.

- A substantial number of small business owners/managers (46%) have been threatened with an actual lawsuit. These threats have had the following effects:
  - 75% say the threats added time and expense to their business operations.
  - 60% say the threats made them feel more constrained in making business decisions generally.
  - 54% say the threats caused them to make business decisions they would not otherwise have made.

Major Findings (Cont.)

- More than a third (34%) of qualified small businesses have had a lawsuit filed against them in the past ten years. These suits have had the following effects on owners/managers and their businesses:
  - 73% say their business suffered because litigation was very time consuming.
  - 64% say their business suffered because litigation was very expensive.
  - 61% say they felt more constrained in making business decisions generally.
  - 54% say they made a business decision they would not otherwise have made.
  - 45% say they changed business practices in ways that do not benefit customers.

Detailed Findings

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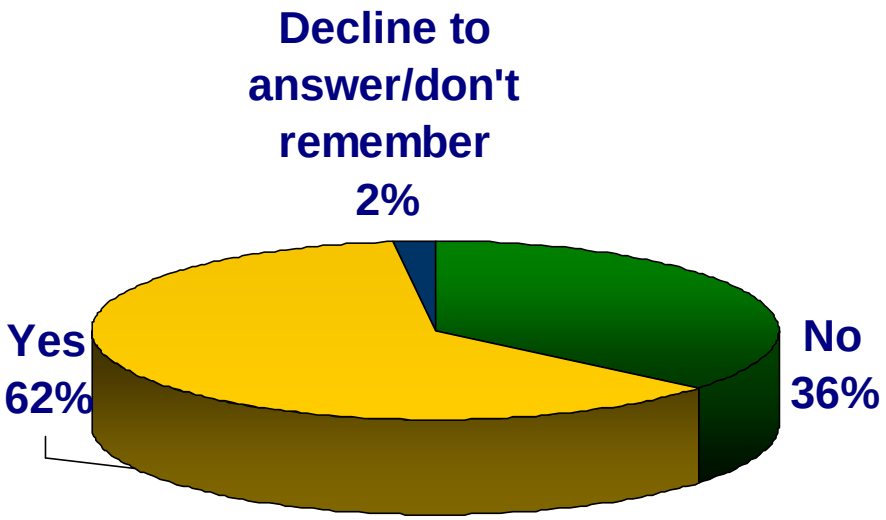
Made Business Decision to Avoid Frivolous/ Unfair Lawsuits

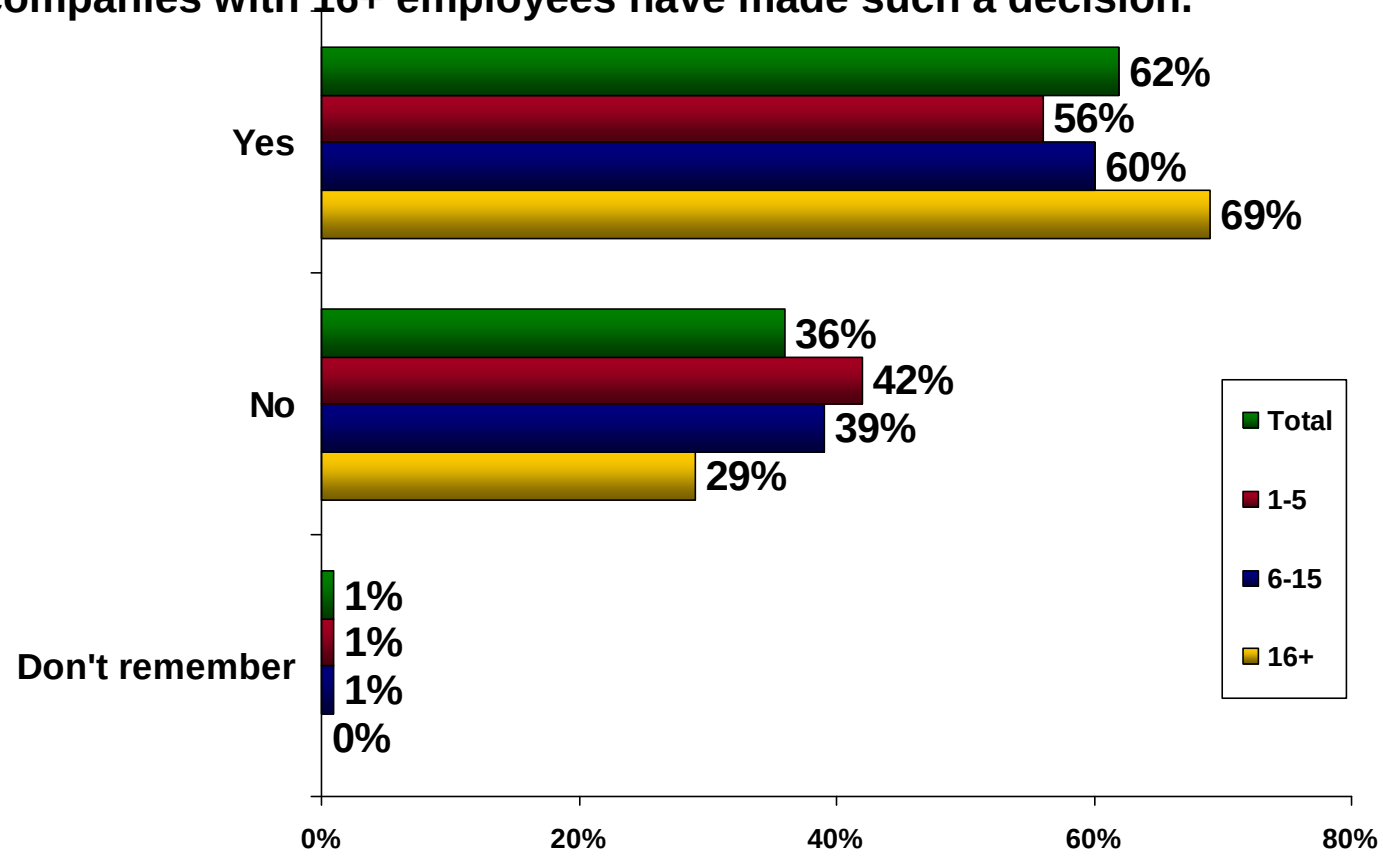
- **The threat of frivolous/unfair lawsuits has caused over six out of ten business owners (62%) to make business decisions to avoid such suits.**



Base: Concerned, Small Business Owners (n = 1109)
Q500 Have you ever made a business decision primarily to avoid such suits?

Made Business Decision to Avoid Frivolous/Unfair Lawsuits (by Employee Size)

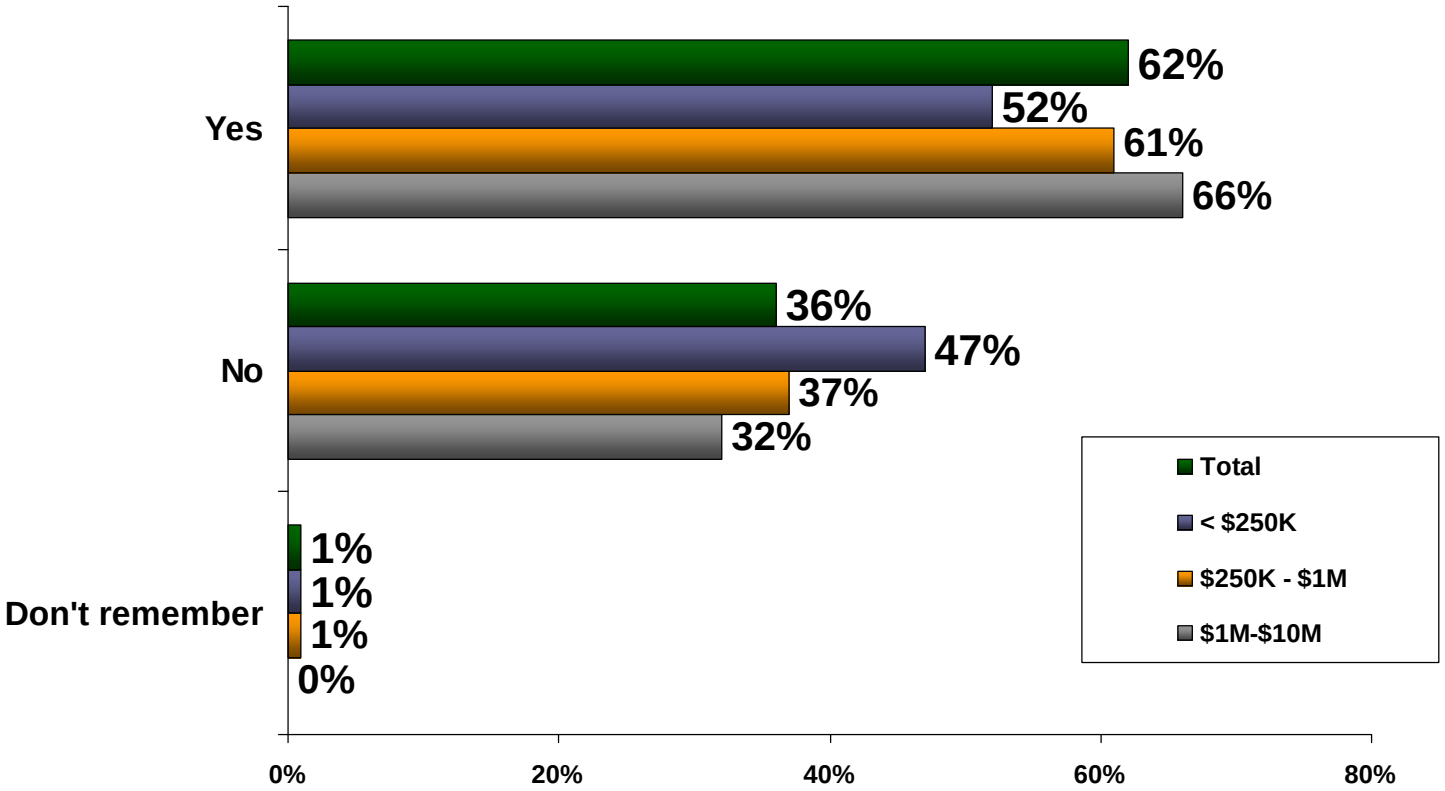
- The more employees a company has, the more likely the company has made business decisions to avoid suits. In fact, almost seven in ten companies with 16+ employees have made such a decision.



Base: Concerned, Small Business Owners (n = 1109)
Q500 Have you ever made a business decision primarily to avoid such suits?

Made Business Decision to Avoid Frivolous/Unfair Lawsuits (by Revenue)

•Small companies with larger revenue are more likely to make business decisions to avoid suits than very small companies.



Base: Concerned, Small Business Owners (n = 1109)
Q500 Have you ever made a business decision primarily to avoid such suits?

Effect on Company of Actions Made to Avoid Lawsuits

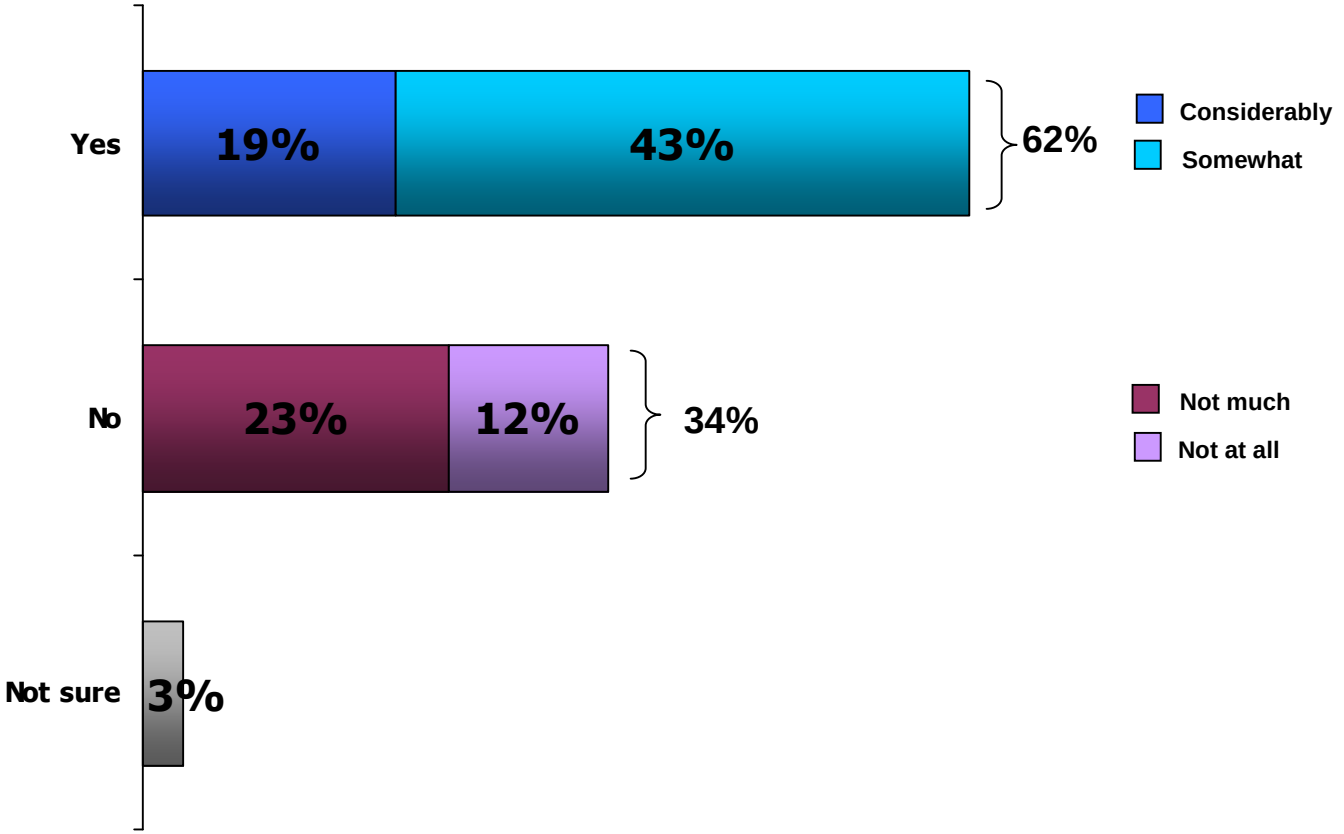
- **Actions made to avoid frivolous/unfair lawsuits are most likely to affect companies monetarily, regardless of employee size or revenue.**
- **Larger small companies with more than five employees and $250,000-$10M in revenue are more likely to see their products/services become more expensive for consumers.**
- **Almost half of small businesses nationwide have been hesitant in making major business decisions after making a decision to protect against litigation.**
- **Larger small companies with revenue of $1M-$10M are more likely to cite that their revenue is adversely affected by actions taken to avoid lawsuits.**

		Employees			Revenue		
	Total	1-5	6-15	16+	< 250K	250K - 1M	1-10M
Base	(633)	(381)	(127)	(125)	(285)	(190)	(158)
	%	%	%	%	%	%	%
They raised my costs and adversely affected the company's revenue.	67	65	60	71	60	58	72
They have made my products/services more expensive.	61	50	64	66	46	59	66
They made me hesitant to make major business decisions.	48	49	46	47	50	48	47
They made a product or service unavailable to customers.	45	53	39	43	46	48	43
They forced me to cut employee benefits.	23	17	20	29	15	19	27
They forced me to lay off employees.	11	11	10	11	10	11	11
Any other actions	11	12	10	11	11	10	12
Not sure	5	4	8	5	7	7	4

Base: Made Decision to Protect Against Litigation (n = 633)
Q505 How have these actions intended to avoid frivolous or unfair lawsuits affected your company? Multiple Response
Q510 What other ways have these actions affected your company?

Increasing Revenue if Protected from Lawsuits

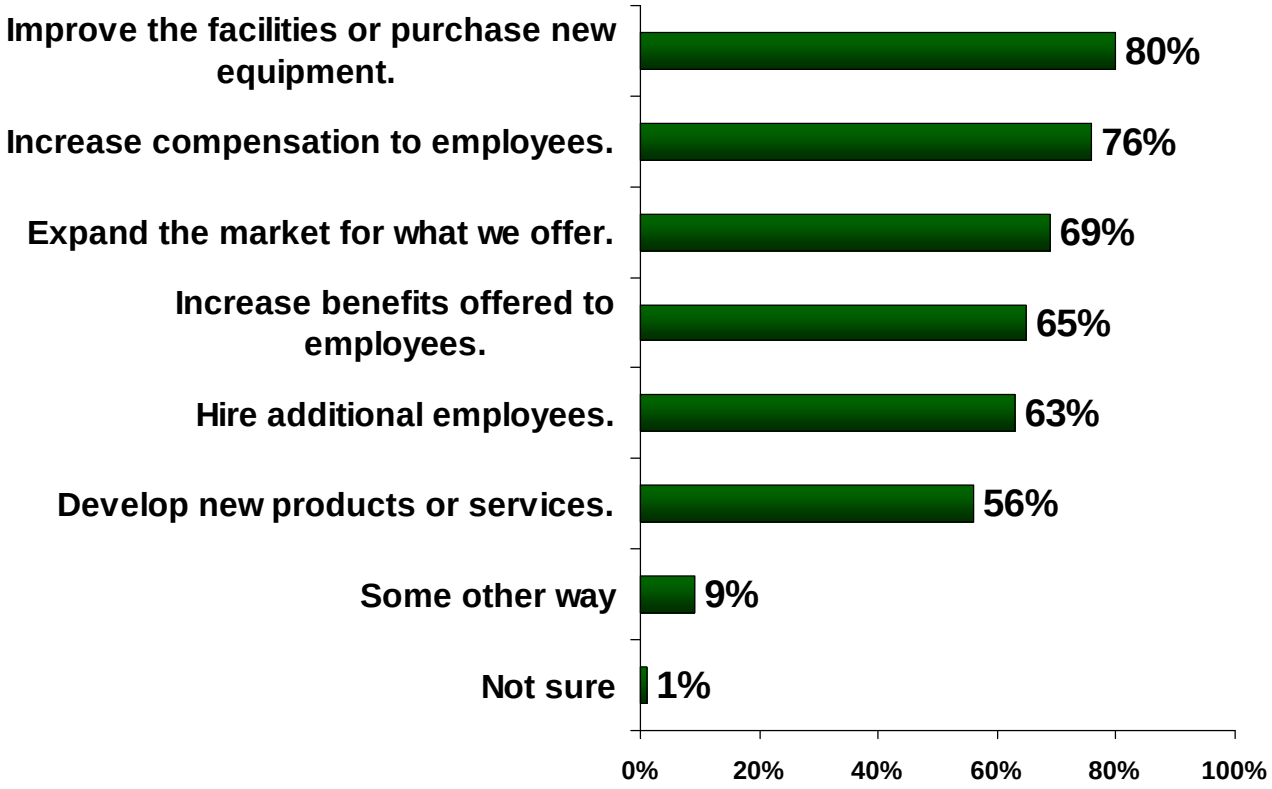
•Six in ten (62%) small business owners feel they would be able to increase revenue if there was assurance that they would be protected from frivolous/unfair lawsuits; only 12% would not be able to do this at all.



Base: Concerned, Small Business Owners (n = 1109)
Q515 If you could be assured that you would be protected from frivolous or unfair lawsuits, would you be able to operate your business in a way that would increase revenues?

Ways Increased Revenue Would be Used

- **Small business owners who would be able to increase revenue would most likely spend the additional profit on improvements to facilities or new equipment and increasing compensation to employees.**



Base: Yes, able to increase revenue (n = 655)
Q520 What would you be likely to use those increased revenues for?

Ways Increased Revenue Would be Used (by Employee Size and Revenue)

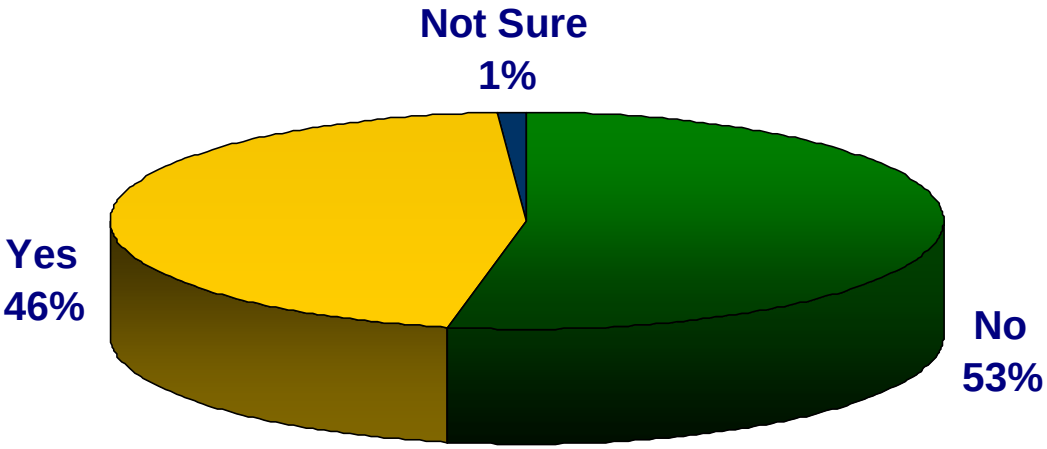
•**There is little difference by size. However, larger small companies are slightly more inclined to increase compensation to employees.**

		Employees			Revenue		
	Total	1-5	6-15	16+	< 250K	250K - 1M	1-10M
Base	(655)	(408)	(125)	(122)	(302)	(201)	(152)
	%	%	%	%	%	%	%
Improve the facilities or purchase new equipment.	80	76	83	82	78	77	83
Increase compensation to employees.	76	68	76	83	69	69	82
Expand the market for the products or services we now offer.	69	64	69	73	68	61	74
Increase benefits offered to employees.	65	64	70	65	63	64	67
Hire additional employees.	63	58	63	66	60	57	67
Develop new products or services.	56	49	57	59	54	50	59
Some other way	9	9	10	8	13	9	7
Not sure	1	0	0	2	1	0	2

Base: Yes, able to increase revenue (n =655)
Q520 What would you be likely to use those increased revenues for?
Q525 What other ways would you be likely to use those increased revenues?

Actual Lawsuit Threats

•**Nearly half of concerned small business owners have been threatened with a lawsuit.**

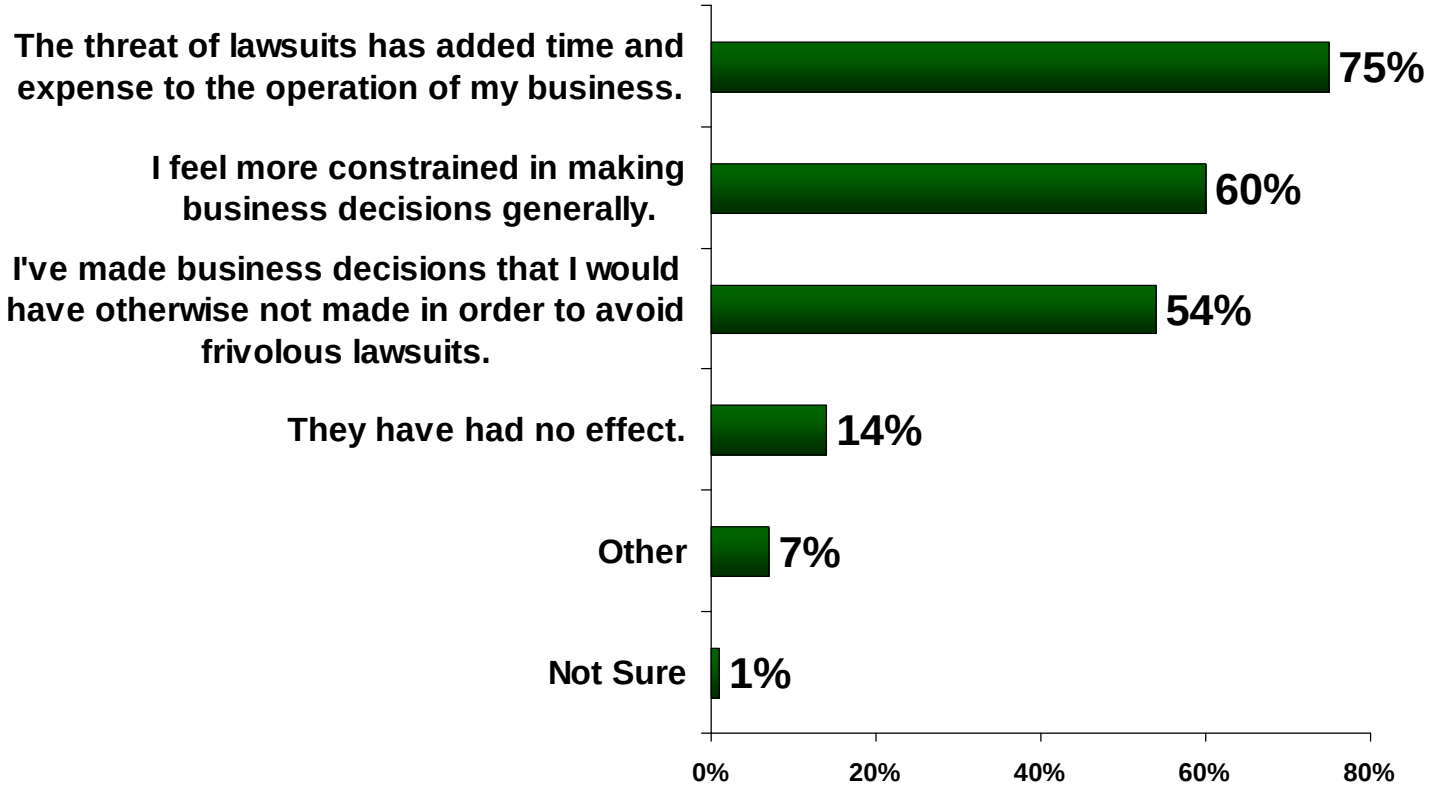


Base: Concerned, Small Business Owners (n = 1109)
Q530 Has anyone actually threatened to bring a lawsuit against the business or you as the person responsible for the business?

Impact of Lawsuit Threats on Business

•Small business owners who have been threatened with a lawsuit cite added time and expense to the operation of the business as having the biggest impact. This is followed by a feeling of general constraint on making business decisions.

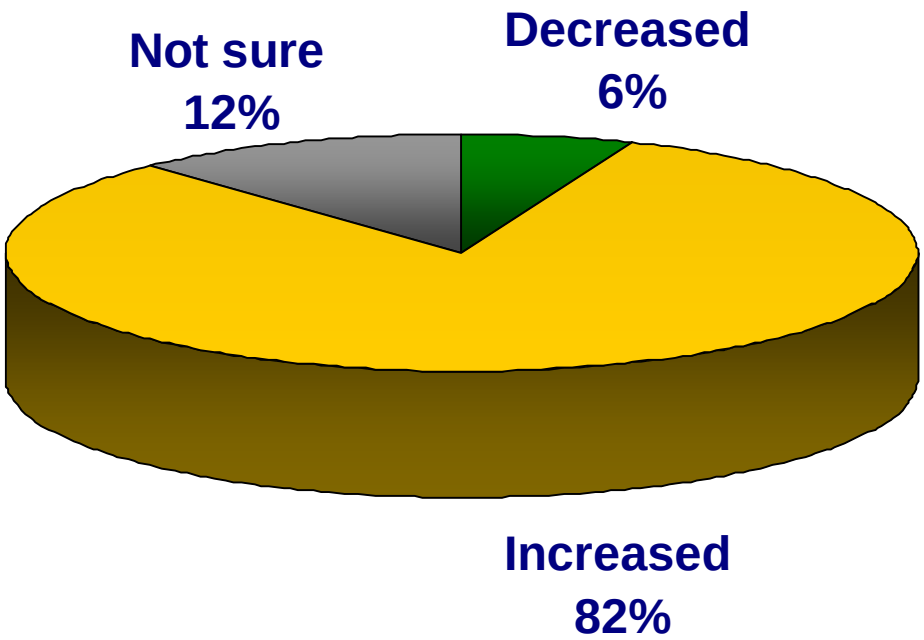
•Only 14% of those who have been threatened say the threats have had no effect.



Base: Yes, Have Been Threatened (n = 409)
Q535: What impact have these threats had on your business?

Trend: Lawsuits and Lawsuit Threats

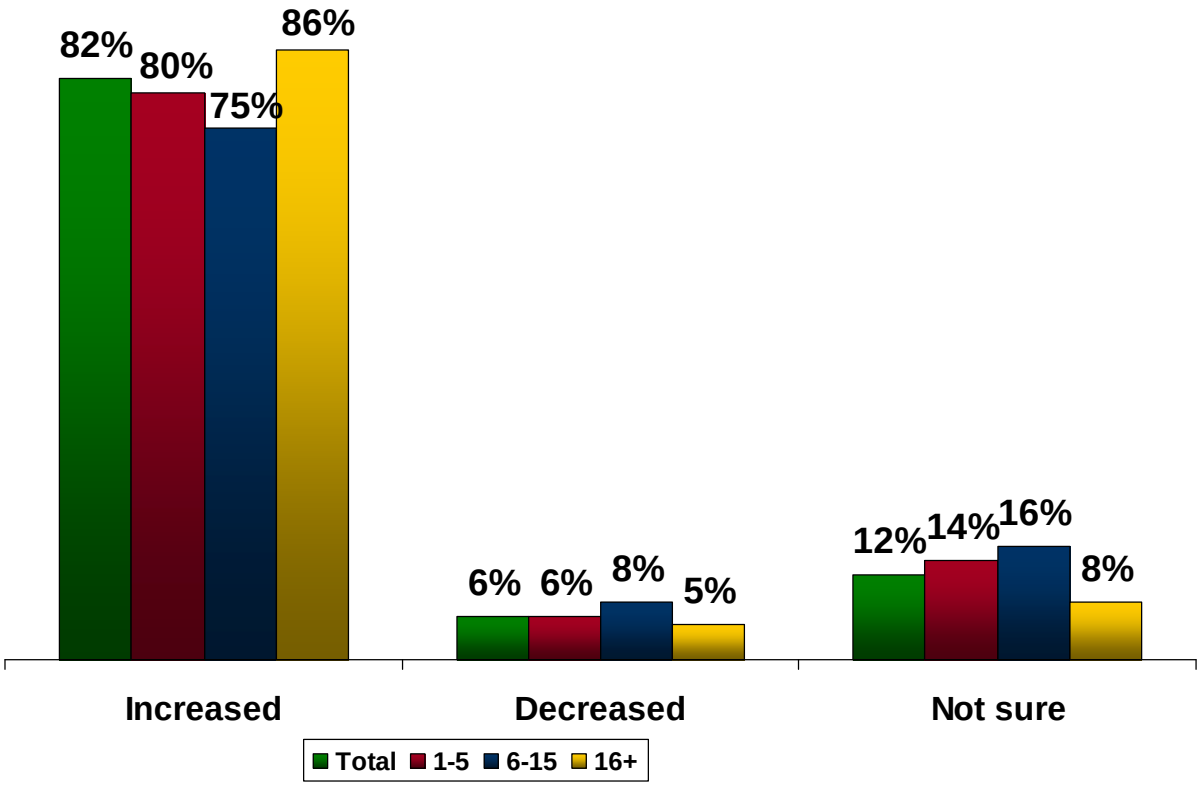
•**Eight in ten (82%) believe that lawsuits, or the threat of one, have increased.**



Base: Concerned, Small Business Owners (n = 1109)
Q545 In your opinion, have lawsuits, or the threat of lawsuits against small businesses, increased or decreased as a concern generally?

Trend: Lawsuits and Lawsuit Threats (by Employee Size)

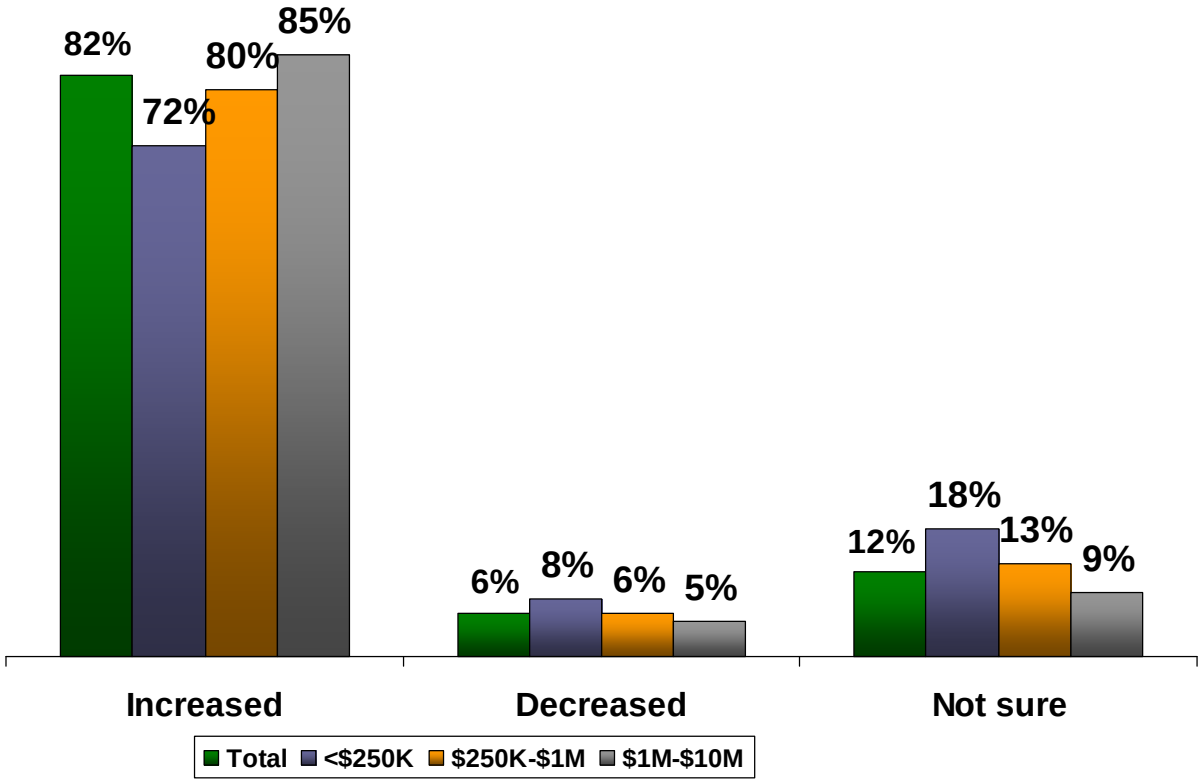
•**Larger small companies are more likely to feel the threat of a lawsuit has increased.**



Base: Concerned, Small Business Owners (n = 1109)
Q545 In your opinion, have lawsuits, or the threat of lawsuits against small businesses, increased or decreased as a concern generally?

Trend: Lawsuits and Lawsuit Threats by Revenue

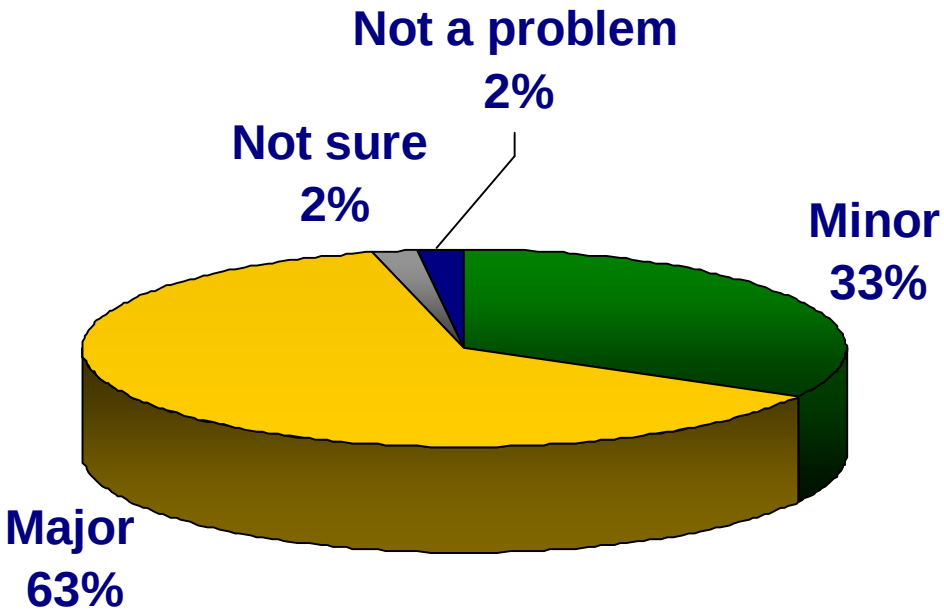
•There is an overall consensus that lawsuits, or the threat of lawsuits, has increased, but small companies with larger revenue are more likely than ones with less to believe the threat has increased.



Base: Concerned, Small Business Owners (n = 1109)
Q545 In your opinion, have lawsuits, or the threat of lawsuits against small businesses, increased or decreased as a concern generally?

Perceived Magnitude of Frivolous/Unfair Lawsuit Problem in Company's State

- **Almost all small business owners (96%) think frivolous/unfair lawsuits are a problem – six in ten (63%) believe they are a major problem.**

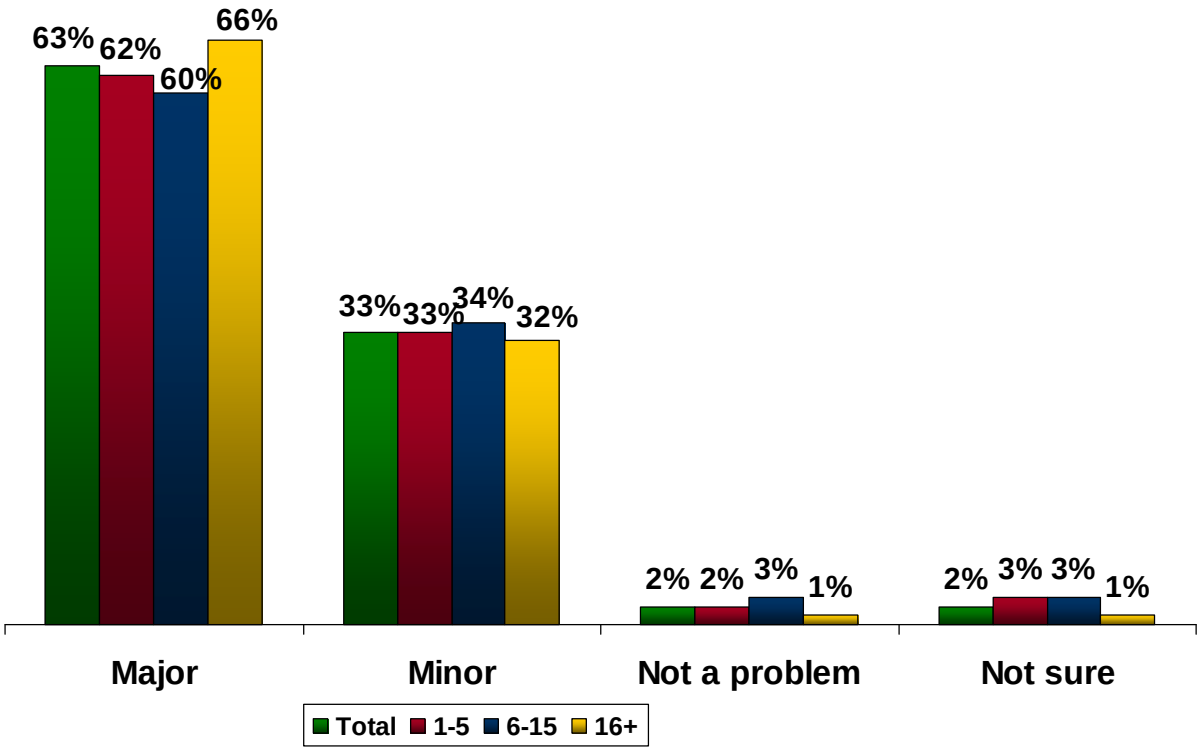


Base: Concerned, Small Business Owners (n = 1109)

Q550 In your state, do you think that frivolous or unfair lawsuits against businesses are a major problem, a minor problem, or not a problem at all?

Perceived Magnitude of Frivolous/Unfair Lawsuit Problem in Company's State (by Employee Size)

- **There is no real difference in perception based upon employee size.**

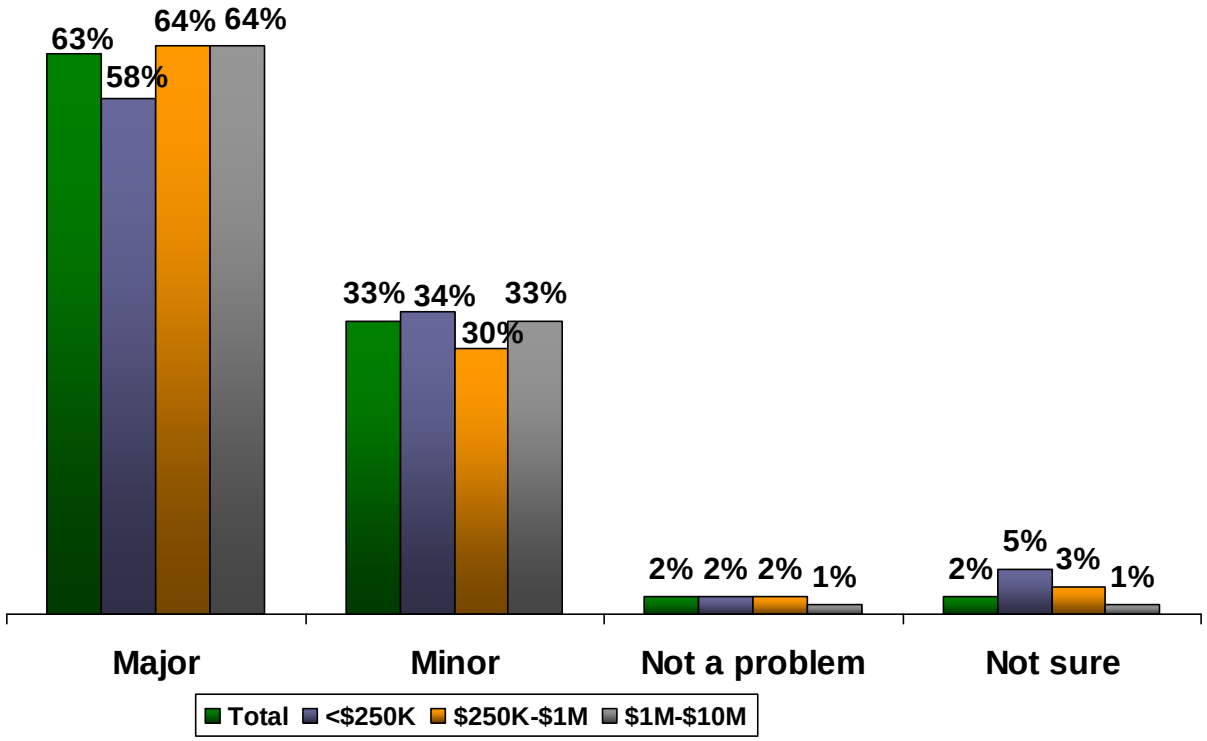


Base: Concerned, Small Business Owners (n = 1109)

Q550 In your state, do you think that frivolous or unfair lawsuits against businesses are a major problem, a minor problem, or not a problem at all?

Perceived Magnitude of Frivolous/Unfair Lawsuit Problem in Company's State (by Revenue)

- **Larger small companies are slightly more likely to perceive frivolous/unfair lawsuits as a major problem.**

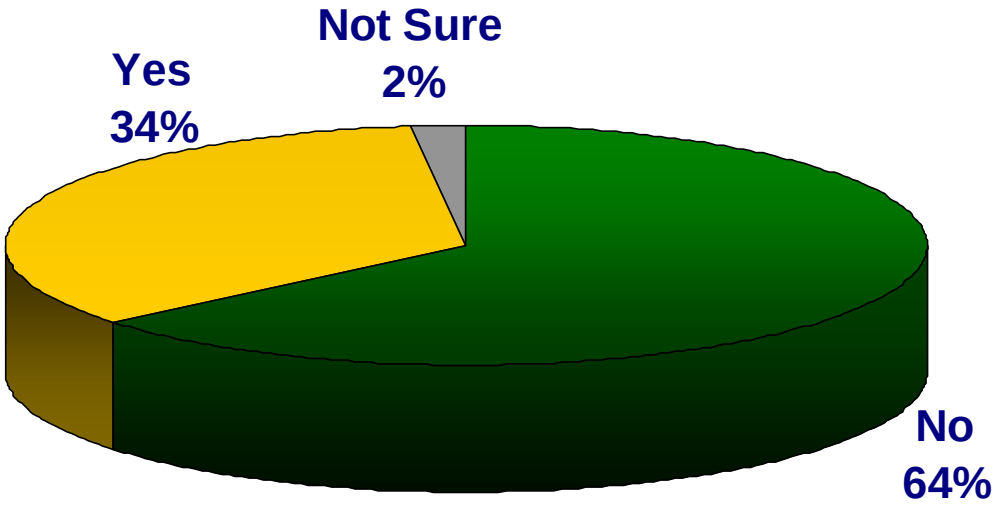


Base: Concerned, Small Business Owners (n = 1109)

Q550 In your state, do you think that frivolous or unfair lawsuits against businesses are a major problem, a minor problem, or not a problem at all?

Whether Company has been sued since 1996

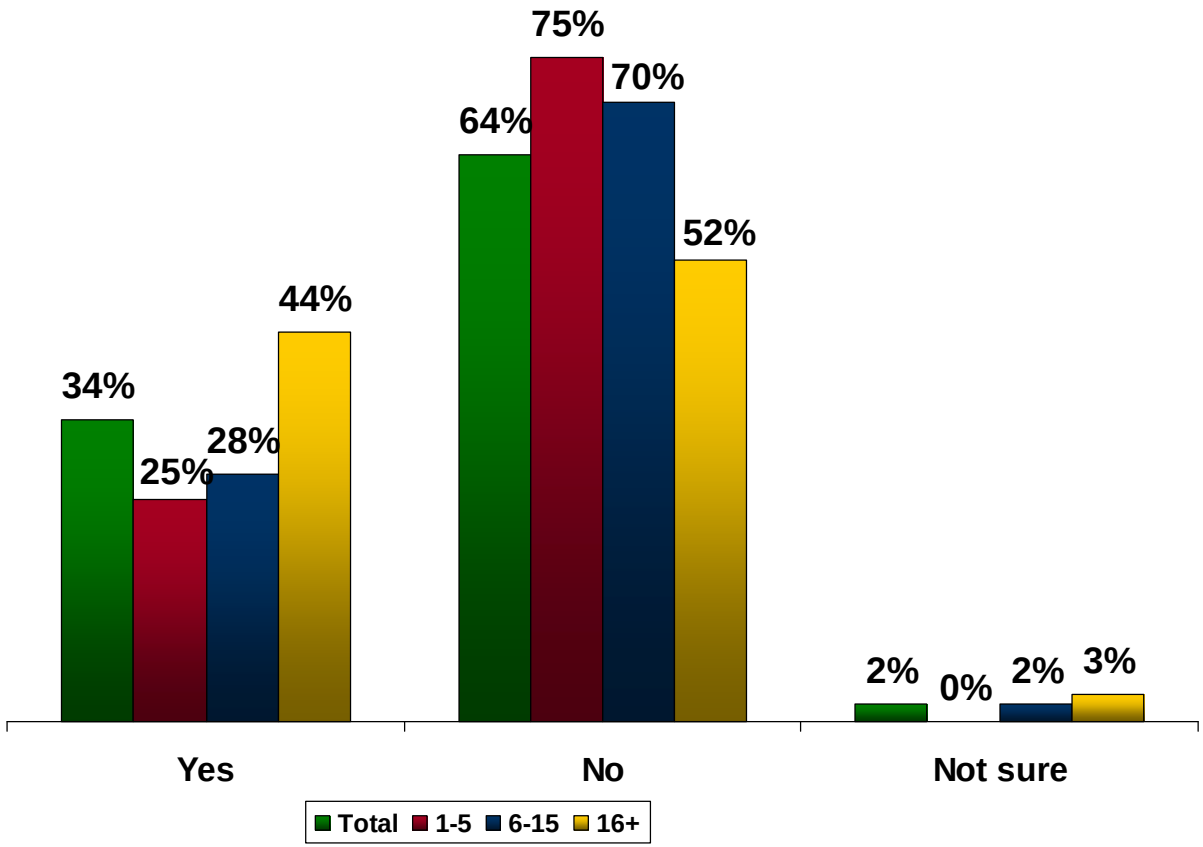
• **More than a third of small business owners have been sued themselves, or the company as a whole has been sued, during the past 10 years.**



Base: Concerned, Small Business Owners (n = 1109)
Q600 Has your company, or have you or another senior manager as the company's representative, been sued in the past ten years?

Whether Company Has Been Sued (by Employee Size)

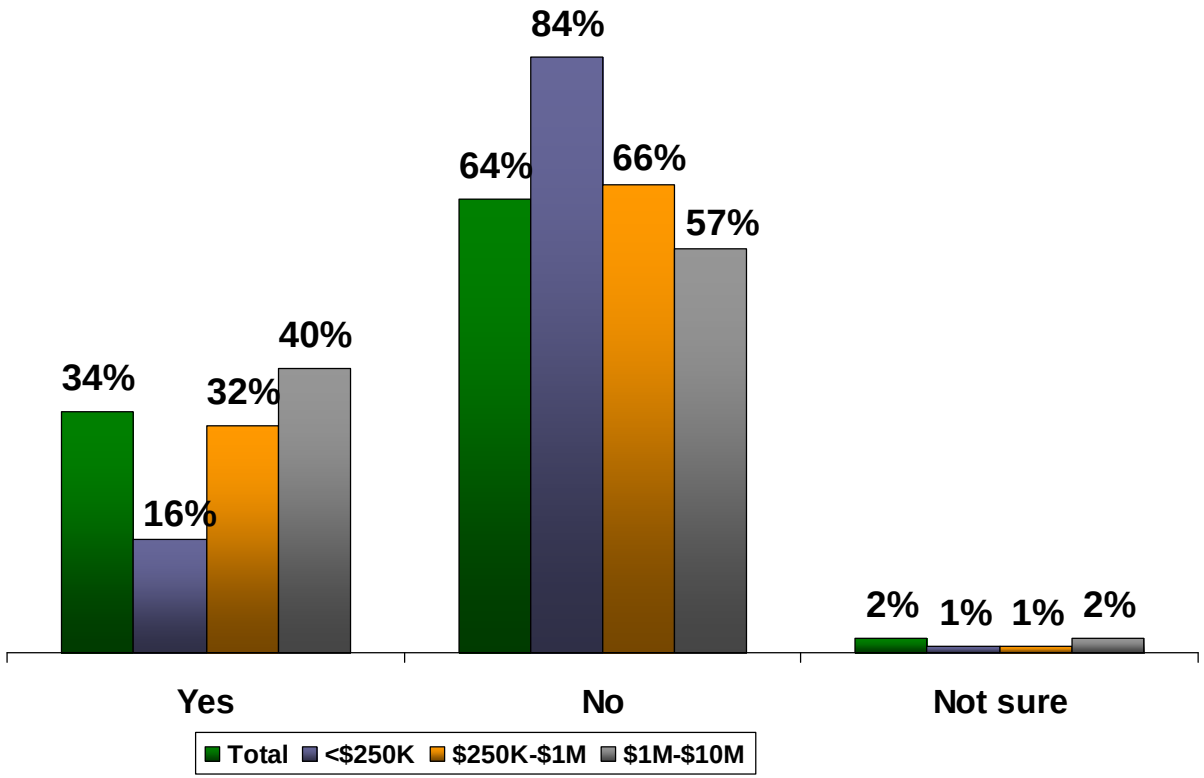
- **Over two in five companies with 16+ employees (44%) and a quarter of small companies with 1-5 employees have been sued.**



Base: Concerned, Small Business Owners (n = 1109)
Q600 Has your company, or have you or another senior manager as the company's representative, been sued?

Whether Company Has Been Sued (by Revenue)

•**Small companies with more revenue are more than twice as likely to have been sued than those with less revenues.**



Base: Concerned, Small Business Owners (n = 1109)
Q600 Has your company, or have you or another senior manager as the company's representative, been sued?

Most Significant Lawsuit Type

- **The most significant types of lawsuits include: financial loss by a customer resulting from purchase of product or service, personal injury incurred on the company's premises and personal injury resulting from the company's product or service.**

	Total
Base	(276)
	%
Financial loss by a customer resulting from the purchase of a product or service	18
Personal injury incurred on your company's premises	17
Personal injury resulting from your company's product or service	15
Employment dispute with an employee	12
Personal injury resulting from an accident with one of your company's vehicles	10
Financial loss by supplier resulting from a business transaction	5
Some other type	21
Not sure	1

Base: Small Business Owners Who Have Been Sued (n = 276)

Q605 Thinking about the most significant lawsuit, what type of lawsuit was this?

Impact of Lawsuit

- **Almost three quarters (73%) of small businesses have suffered as a result of lengthy litigation, and over six in ten (64%) have suffered because of the high costs.**

	Total
Base	(62)
	%
The litigation was very time consuming and your business suffered as a result.	73
The litigation was very expensive and your business suffered as a result.	64
You feel more constrained in making business decisions generally.	61
You made a business decision or decisions you would not have otherwise made.	54
You have changed business practices in ways that do not really benefit your customers.	45
You have changed business practices in ways that benefit your customers.	35
Some other effect	16
It had no effect on your business.	5
Don't know	2

Base: Small Business Owners Who Have Been Sued (n = 276)
Q615 What has been the impact on you or your senior manager as a result of this lawsuit at your company?
Q620 What other effect did the lawsuit have on your company?

Demographic Profile of Small Businesses Surveyed

Harris Interactive

Employees and Revenue

		%			%
Number of Employees	No employees	--	**Annual Revenue**	Less than $100,000	9
	1 employee	11		$100,000 to less than $250,000	8
	2-5 employees	23		$250,000 to less than $500,000	15
	6-10 employees	14		$500,000 to less than $1 million	14
	11-15 employees	9		$1 million to less than $5 million	34
	16-20 employees	4		$5 million to $10 million	21
	21-50 employees	21		More than $10 million	--
	51 or more employees	18			

Base: Concerned, Small Business Owners (n = 1109)
Q406 And how many employees currently work at your business?
Q407 And would you say that your businesses annual revenue is…

Job Title

	%		%
Executive/Upper Management (Net)	**68**	**Manager (Net)**	**24**
Co-Owner/Partner	6	General Manager	5
President	11	Manager	4
CEO/Chief Executive Officer	4	Office Manager	7
Vice President	2	Business Manager	1
Administrator	3	Other manager mentions	7
Executive Director	1	**Attorney/Lawyer**	**--**
Controller	1	**Other**	**9**
Other executive/upper management mentions	4		
Owner *(Subnet)*	**37**		
Owner	30		
Owner/Operator	2		
Owner/President	2		
Owner/Manager	2		
Other owner mentions	2		

Base: Concerned, Small Business Owners (n = 1109)
Q625 What is your job title?

Business Tenure

		%			%
Tenure with Business	1-10 years	43	**Length of owner owning or operating business**	Less than 1 year	1
	11-20 years	26		1 < 3 years	4
	21-30 years	20		3 < 10 years (Net)	21
	31-40 years	7		3 < 5 years	6
	41-50 years	4		5 < 10 years	15
	51-60 years	1		10+ years (Net)	72
	61-70 years	--		10 < 15 years	12
				15 < 20 years	10
Number of Businesses Owned or Operated	1	44		20 years or more	50
	2 – 4 (Net)	37			
	2	18			
	3	13			
	4	6			
	5 or more	15			
	Don't know	2			

Base: Concerned, Small Business Owners (n = 1109)
Q630 How long have you worked with this business?
Q640 How long has the owner owned or operated the business?
Q645 How many businesses have you owned or operated?

HARRIS INTERACTIVE

Researcher: Chasson Gracie
Email: cgracie@harrisinteractive.com
Phone: 212-539-9763

Project Controller: Kerry Esquivel
Email: kesquivel@harrisinteractive.com
Phone: 801-227-3634

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JOB TITLE: BUSINESS RESEARCH

CLIENT NAME OR INTERNAL SPONSOR: US CHAMBER

Information for Online Surveys

Title for initial survey page (Required for online jobs):

Number of Response Equivalents (REs):

TTT Code (Q23):

Wave Number/Version/Languages (if applicable):

Demographics Template (Required for online jobs): PHONE STUDY

SECTION 400: SAMPLE PRELOAD AND SCREENING QUESTIONS

[PROGRAMMER NOTE: PLEASE COORDINATE WITH THE SAMPLE PROGRAMMER ABOUT THE PROCESSING OF ANY PRELOADED VARIABLES INDICATED IN THIS SECTION.]

BASE: ALL RESPONDENTS
Q303 (QV7) PRELOAD - REGION

1 NORTHEAST
2 MIDWEST
3 SOUTH
4 WEST

BASE: ALL RESPONDENTS
Q309 (QV8) PRELOAD – STATE

1 WEST VIRGINIA SAMPLE FILE [N=100]
2 ILLINOIS SAMPLE FILE [N=200]
3 OTHER US STATE SAMPLE FILE [N=1,000]

BASE: ALL RESPONDENTS
Q320(QV9) VENDOR

1 ACROBAT
2 OSI
3 OTHER

BASE: ALL RESPONDENTS
Q400 Hello, I'm _____ from *The Harris Poll*. We have been commissioned by the United States Chamber of Commerce to conduct a survey among business owners and managers and would like to include your opinions. This study will examine important issues to business in your state. [IF NECESSARY READ: and will take about 10 minutes of your time. Please know that all your responses to this survey are completely confidential. If you qualify for and complete this interview, we will send you an executive summary of the findings as a thank you. Is this a convenient time for you? If not, we'd be glad to call you back at another time].

Are you currently responsible for running a small business either owned by yourself or someone else?

1 Yes
2 No [Q401]

BASE: NOT RESPONSIBLE FOR RUNNING A SMALL BUSINESS (Q400/2)
Q401 Is the person responsible for running the business available and may I speak with him or her?

1 Yes [JUMP BACK TO 400]
2 No [THANK AND TERMINATE]

BASE: CURENTLY RESPONSIBLE FOR RUNNING A SMALL BUSINESS (Q400/1,)

Q405: In what state do you currently do business?

[INTERVIEWER: DO NOT READ LIST] [SINGLE RESPONSE]

01 Alabama
02 Alaska
03 Arizona
04 Arkansas
05 California
06 Colorado
07 Connecticut
08 Delaware
09 District of Columbia
10 Florida
11 Georgia
12 Hawaii
13 Idaho
14 Illinois [minimum=200]
15 Indiana
16 Iowa
17 Kansas
18 Kentucky
19 Louisiana
20 Maine
21 Maryland
22 Massachusetts
23 Michigan
24 Minnesota
25 Mississippi
26 Missouri
27 Montana
28 Nebraska
29 Nevada
30 New Hampshire
31 New Jersey
32 New Mexico
33 New York
34 North Carolina
35 North Dakota
36 Ohio
37 Oklahoma
38 Oregon
39 Pennsylvania
40 Rhode Island
41 South Carolina
42 South Dakota
43 Tennessee
44 Texas
45 Utah
46 Vermont
47 Virginia
48 Washington
49 West Virginia [minimum=100]
50 Wisconsin
51 Wyoming
97 Not sure (Do not read) [THANK AND TERMINATE]
98 Decline to answer (Do not read) [THANK AND TERMINATE]

BASE: CURENTLY RESPONSIBLE FOR RUNNING A SMALL BUSINESS (Q400/1,) AND TOLD STATE (Q405/1-51)

Q406 And how many employees currently work at your business? Would you say…[READ LIST. CHOOSE ONE.]

1 You have no employees [TERMINATE]
2 Just one employee
3 Two to five employees [
4 Six to ten employees
5 Eleven to fifteen employees
6 Sixteen to twenty employees
7 Twenty-one to fifty employees
8 More than fifty employees
9 Not sure (vol.) [TERMINATE]
10 Decline to answer (vol) [TERMINATE]

BASE: CURENTLY RESPONSIBLE FOR RUNNING A SMALL BUSINESS (Q400/1,) AND TOLD STATE (Q405/1-51)

Q407 And would you say that your businesses' annual revenue is…[READ LIST. SELECT ONE RESPONSE]

1 Less than $100,000
2 $100,000 to less than $250,000
3 $250,000 to less than $500,000
4 $500,000 to less than $1 million
5 $1 million to less than $5 million
6 $5 million to $10 million, OR
7 More than $10 million [TERMINATE]
8 Not sure (vol.) [TERMINATE]
9 Decline to answer (vol.) [TERMINATE]

BASE: CURENTLY RESPONSIBLE FOR RUNNING A SMALL BUSINESS (Q400/1) AND TOLD STATE (Q405/1-51)

Q420: How concerned are you that in the next few years your business, or you as a person responsible for the business, might be sued in a frivolous or unfair lawsuit? That is a lawsuit that is brought against you that you believe does not have merit or is baseless and should not be the subject of a lawsuit.

[READ SCALE]

1 Very concerned
2 Somewhat concerned
3 Not too concerned [TERMINATE]
4 Not at all concerned [TERMINATE]
97 Not sure (vol.) [TERMINATE]
98 Decline to answer (vol.) [TERMINATE]

BASE: ALL RESPONDENTS
Q450 HIDDEN QUESTION

1 Not Qualified, Not business owner (Q400/2)
2 Not Qualified, Not concerned (Q420/3,4,97,98)
3 Qualified small business owner, concerned (Q400/1, AND Q420/1,2)
4 Not Qualified, No state mentioned (Q405/97 or 98)
5 Not Qualified, Number of employees 0 or not mentioned **[(Q406/1, 9 or 10) or (Q309/3 AND Q406/2,3 OR 4)or (Q309/1 AND Q405NE49 AND Q406/2,3 OR 4) or (Q309/2 AND Q405NE11 AND Q406/2,3 OR 4)]**
6 Not Qualified, Amount of revenue $10 million+ or not mentioned or other **[(Q407/7, 8 or 9) or (Q309/3 AND Q407/1,2 OR 3) or (Q309/1 AND Q405NE49 AND Q407/1,2 OR 3) or (Q309/2 AND Q405NE11 AND Q407/1,2 OR 3)]**

BASE: QUALIFIED RESPONDENTS (Q450/3 ONLY)
Q460 HIDDEN QUESTION – Region

GET CODE 1 IF Q450/3 AND Q309/1 AND Q405/49
GET CODE 2 IF Q450/3 AND Q309/2 AND Q405/14
GET CODE 3 IF Q450/3 AND Q309/3 AND Q405/1-51 OR (309/1 AND 405/NE49) OR (309/2 AND 405/NE 14)

1	WEST VIRGINIA OVERSAMPLE	[QMS = 200]
2	ILLINOIS OVERSAMPLE	[QMS = 300]
3	US NATIONWIDE (NO OVERSAMPLE)	[QMS = 1003]

BASE: QUALIFIED RESPONDENTS (Q450/3 ONLY)
Q1325 HIDDEN QUESTION – EMPLOYEE QUOTA

GET CODE 1 IF Q460/1 AND Q406/2,3 and 4
GET CODE 2 IF Q460/1 AND Q406/5,6
GET CODE 3 IF Q460/1 AND Q406/7,8
GET CODE 4 IF Q460/2 AND Q406/2,3 and 4
GET CODE 5 IF Q460/2 AND Q406/5,6
GET CODE 6 IF Q460/2 AND Q406/7,8
GET CODE 7 IF Q460/3 AND Q406/5,6
GET CODE 8 IF Q460/3 AND Q406/7,8

1	West Virginia 1-10 Employees	[QMS = 71]
2	West Virginia 11-20 Employees	[QMS = 16]
3	West Virginia 21+ Employees	[QMS = 13]
4	Illinois 1-10 Employees	[QMS = 54]
5	Illinois 11-20 Employees	[QMS = 23]
6	Illinois 21+ Employees	[QMS = 23]
7	Nation 11-20 Employees	[QMS = 10]
8	Nation 21+ Employees	[QMS = 40]

BASE: QUALIFIED RESPONDENTS (Q450/3 ONLY)
Q1327 HIDDEN QUESTION – QUOTA CHECK

1 Quota cell met [TERMINATE]
2 Quota cell not met
3 Quota cell not found

BASE: QUALIFIED RESPONDENTS (Q450/3 ONLY)
Q1330 HIDDEN QUESTION – REVENUE QUOTA
GET CODE 1 IF Q460/1 AND Q407/1
GET CODE 2 IF Q460/1 AND Q407/2
GET CODE 3 IF Q460/1 AND Q407/3
GET CODE 4 IF Q460/1 AND Q407/4
GET CODE 5 IF Q460/1 AND Q407/5
GET CODE 6 IF Q460/1 AND Q407/6
GET CODE 7 IF Q460/2 AND Q407/1
GET CODE 8 IF Q460/2 AND Q407/2
GET CODE 9 IF Q460/2 AND Q407/3
GET CODE 10 IF Q460/2 AND Q407/4
GET CODE 11 IF Q460/2 AND Q407/5
GET CODE 12 IF Q460/2 AND Q407/6
GET CODE 13 IF Q460/3 AND Q407/4
GET CODE 14 IF Q460/3 AND Q407/5
GET CODE 15 IF Q460/3 AND Q407/6

1 West Virginia Under $100K [QMS = 19]
2 West Virginia $100K-$249K [QMS = 23]
3 West Virginia $250K-$499K [QMS = 12]
4 West Virginia $500K-$999K [QMS = 16]
5 West Virginia $1M-$4.9M [QMS = 8]
6 West Virginia $5M-$10M [QMS =22]
7 Illinois Under $100K [QMS = 32]
8 Illinois $100K-$249K [QMS =10]
9 Illinois $250K-$499K [QMS =0] [TERMINATE]
10 Illinois $500K-$999K [QMS =6]
11 Illinois $1M-$4.9M [QMS =20]
12 Illinois $5M-$10M [QMS =32]
13 Nation $500K-$999K [QMS = 0] [TERMINATE]
14 Nation $1M-$4.9M [QMS = 10]
15 Nation $5M-$10M [QMS = 40]

BASE: QUALIFIED RESPONDENTS (Q450/3 ONLY)
Q1332 HIDDEN QUESTION – QUOTA CHECK

1 Quota cell met [TERMINATE]
2 Quota cell not met
3 Quota cell not found

SECTION 500

BASE: ALL QUALIFIED RESPONDENTS (Q450/3 AND Q1327/2 OR 3 AND Q1332/2 OR 3)

Q500 And now, I'd like to ask you specifically about your concerns about frivolous or unfair lawsuits. Have you ever made a business decision primarily to avoid such suits? In other words, have you ever made a decision about your products or services or employment practices because you felt you needed to protect the company from litigation?

1 Yes [ASK Q505]
2 No [ASK Q515]
97 Don't remember (Do not read) [ASK Q515]
98 Decline to answer (Do not read) [ASK Q515]

BASE: YES, MADE DECISION TO PROTECT AGAINST LITIGATION (Q500/1)

Q505 How have these actions intended to avoid frivolous or unfair lawsuits affected your company?

[INTERVIEWER: READ EACH ITEM - WAIT FOR RESPONDENT TO SAY "YES" OR "NO" AFTER EACH ITEM]
[MULTIPLE RESPONSE]
[RANDOMIZE 1-6]

1 They made my products/services more expensive. [ASK Q515]
2 They made a product/or service unavailable to customers. [ASK Q515]
3 They raised my costs and adversely affected the company's revenue. [ASK Q515]
4 They forced me to lay off employees. [ASK Q515]
5 They forced me to cut employee benefits. [ASK Q515]
6 They made me hesitant to make major business decisions. [ASK Q515]
7 Any other actions [ASK Q510]
98 Not sure (Do not read)
97 Decline to answer (Do not read)

BASE: OTHER DECISION (Q505/7)

Q510 What other ways have these actions affected your company?

[INTERVIEWER: RECORD VERBATIM]

BASE: ALL QUALIFIED RESPONDENTS (Q450/3)

Q515 If you could be assured that you would be protected from frivolous or unfair lawsuits, would you be able to operate your business in a way that would increase revenues?

[INTERVIEWER: READ SCALE]

1 Yes, considerably [ASK Q520]
2 Yes, somewhat [ASK Q520]
3 No, not much [ASK Q530]
4 No, not at all [ASK Q530]
97 Not sure/no response (Do not read) [ASK Q530]

BASE: YES, ABLE TO INCREASE REVENUE (Q515/1,2)
Q520 What would you be likely to use those increased revenues for?

[INTERVIEWER: READ EACH ITEM - WAIT FOR RESPONDENT TO SAY "YES" OR "NO" AFTER EACH ITEM]
[MULTIPLE RESPONSE]
[RANDOMIZE 1-6]

1 Develop new products or services. [ASK Q530]
2 Expand the markets for the products or services we now offer. [ASK Q530]
3 Improve the facilities or purchase new equipment. [ASK Q530]
4 Hire additional employees. [ASK Q530]
5 Increase compensation to employees. [ASK Q530]
6 Increase benefits offered to employees. [ASK Q530]
7 Some other way [ASK Q525]
97 Not sure (Do not read) [ASK Q530]
99 Decline to answer (Do not read) [ASK Q530]

BASE: OTHER WAY TO USE INCREASED REVENUE (Q520/7)
Q525: What other ways would you be likely to use those increased revenues?

[INTERVIEWER: RECORD VERBATIM]

BASE: ALL QUALIFIED RESPONDENTS (450/3)
Q530: Has anyone actually threatened to bring a lawsuit against the business or you as the person responsible for the business?

1 Yes [ASK Q535]
2 No [ASK Q545]
97 Not sure (Do not read) [ASK Q545]
98 no response (Do not read) [ASK Q545]

BASE: YES, HAVE BEEN THREATENED (Q530/1)
Q535: What impact have these threats had on your business? [READ LIST. SELECT ALL THAT APPLY.]

1 I've made business decisions that I would have otherwise not made in order to avoid frivolous lawsuits ASK Q545]
2 The threat of lawsuits has added time and expense to the operation of my business [ASK Q545]
3 I feel more constrained in making business decisions generally [ASK Q545]
4 They have had no effect. [ASK Q545]
5 Other [ASK Q540]
97 Not sure (Do not read) [ASK Q545]
98 Decline to answer (Do not read) [ASK Q545]

BASE: YES, HAVE BEEN THREATENED (Q535/5)
Q540: In what other ways have these threats had an impact on your business?

[INTERVIEWER: RECORD VERBATIM]

BASE: ALL QUALIFIED RESPONDENTS (Q450/3)
Q545: In your opinion, have lawsuits, or the threat of lawsuits against small businesses, increased or decreased as a concern generally?

1 Increased
2 Decreased
3 Not sure (Do not read)
4 Decline to answer (Do not read)

BASE: ALL QUALIFIED RESPONDENTS (Q450/3)
Q550: Do you think that frivolous or unfair lawsuits against businesses are a major problem, a minor problem, or not a problem at all?

1 Major
2 Minor
3 Not a problem at all
4 Not sure (Do not read)
5 Decline to answer (Do not read)

[INTERVIEWER: IF Q405/14,49 THEN ASK Q553 and 555, ALL OTHERS ASK Q600]

BASE: WORK IN ILLINOIS OR WEST VIRGINIA (Q405/14,49)
Q553: Overall, how would you describe the fairness and reasonableness of the lawsuit system in your state?
[READ LIST]
1 Excellent
2 Pretty good
3 Only fair
4 Poor
5 Not Sure (Do not read)
6 Decline to answer (Do not read)

BASE: WORK IN ILLINOIS OR WEST VIRGINIA (Q405/14,49)
Q555: Do you think that your state needs to pass new laws to protect business from frivolous or unfair lawsuits, or do you think that the current laws in your state are sufficient? (DO NOT READ)

1 New laws
2 Current laws are sufficient.
3 Not sure (Do not read)
4 Decline to answer (Do not read)

SECTION 600

BASE: ALL QUALIFIED RESPONDENTS (450/3)
Q600: Has your company, or have you or another senior manager as the company's representative, been sued in the past ten years?
[INTERVIEWER: IF RESPONDENT ASKS IF THEY SHOULD INCLUDE ANY PERSONAL LAWSUITS READ: "Please only think about lawsuits brought against your company or you in you in your capacity as an executive of that company."]

1 Yes
2 No
97 Not sure (vol.)
98 Decline to answer (vol.)

BASE: HAS BEEN SUED (Q600/1)
Q605: Thinking about the most significant lawsuit, what type of lawsuit was this?

[INTERVIEWER: READ EACH ITEM]
[SINGLE RESPONSE]
[RANDOMIZE 1-6]

1 Personal injury resulting from your company's product or service [ASK Q615]
2 Personal injury incurred on your company's premises [ASK Q615]
3 Personal injury resulting from an accident with one of your company's vehicles [ASK Q615]
4 Financial loss by a customer resulting from the purchase of a product or service provided by your company [ASK Q615]
5 Financial loss by supplier resulting from a business transaction [ASK Q615]
6 Employment dispute with an employee [ASK Q615]
7 Some other type [ASK Q610]
97 Not sure (vol.) [ASK Q615]
98 Decline to answer (vol.) [ASK Q615]

BASE: OTHER TYPE OF LAWSUIT (Q605/7)
Q610: What other type of lawsuit was this?

[INTERVIEWER: RECORD VERBATIM]

BASE: HAS BEEN SUED (Q600/1)
Q615: What has been the impact on you or your senior manager as a result of this lawsuit at your company? [INTERVIEWER, IF NECESSARY: "Please think of the most significant lawsuit you have been involved with."]

[INTERVIEWER: READ EACH ITEM - WAIT FOR RESPONDENT TO SAY "YES" OR "NO" AFTER EACH ITEM]
[MULTIPLE RESPONSE]
[RANDOMIZE 1-6]

1 You have changed business practices in ways that benefit your customers.
2 You have changed business practices in ways that do not really benefit your customers.
3 The litigation was very time consuming and your business suffered as a result.
4 The litigation was very expensive and your business suffered as a result.
5 You feel more constrained in making business decisions generally.
6 You made a business decision or decisions you would not have otherwise made.
7 Some other effect [ASK Q620]
8 It had no effect on your business.
97 Don't know/no response (Do not read)
98 Decline to answer (Do not read)

BASE: OTHER TYPE OF LAWSUIT (Q615/7)
Q620: What other effect did the lawsuit have on your company? [INTERVIEWER, IF NECESSARY: "Please think of the most significant lawsuit you have been involved with."]

[INTERVIEWER: RECORD VERBATIM]

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BASE: ALL QUALIFIED RESPONDENTS (450/3)
Q625: Now I have just a few questions for statistical purposes only. What is your job title?

[INTERVIEWER: RECORD VERBATIM]

BASE: ALL QUALIFIED RESPONDENTS (450/3)
Q630: How long have you worked with this business? (collected in years)

|_|_| RANGE: 01 (if less than 1 year use "01") – 70, USE 98 FOR NOT SURE AND 99 FOR DECLINE TO ANSER

BASE: ALL QUALIFIED RESPONDENTS
Q635:
In what industry do you currently work or have you most recently worked? (DO NOT READ LIST)

01 Accommodation and Food Services
02 Administrative Support Services
03 Advertising/Marketing
04 Agric./Forestry/Fishing/Hunting
05 Arts, Entertainment & Recreation
06 Automotive Services
07 Banking & Finance
08 Communications
09 Construction (heavy/special trades)
10 Education
11 Engineering Services
12 Healthcare & Social Assistance
13 Insurance
14 Legal Services
15 Manufacturing
16 Military
17 Mining
18 Other Services
19 Printing Trade
20 Public Administration/Government
21 Real Estate
22 Religious/Non-Profit Organizations

23 Research Services
24 Retail Trade
25 Technology Services
26 Telecommunications
27 Transportation & Warehousing
28 Travel
29 Utilities
30 Waste Management/Remediation Services
31 Wholesale Trade
32 Other
33 Never in the Workforce
34 Not sure (Do not read)
35 Decline to answer (Do not read)

BASE: ALL QUALIFIED RESPONDENTS (450/3)
Q640: How long has the owner owned or operated the business?

[INTERVIEWER: DO NOT READ LIST]

1 Less than 1 year
2 1 year to less than 3 years
3 3 years to less than 5 years
4 5 years to less than 10 years
5 10 years to less than 15 years
6 15 years to less than 20 years
7 20 years or more
8 Not sure (Do not read)
9 Decline to answer (Do not read)

BASE: ALL QUALIFIED RESPONDENTS (450/3)
Q645: How many businesses have you owned or operated?

[INTERVIEWER: DO NOT READ LIST]

1 1 Business
2 2 Businesses
3 3 Businesses
4 4 Businesses
5 5 or more Businesses
6 Not sure (Do not read)
7 Decline to answer (Do not read)

BASE: ALL QUALIFIED RESPONDENTS (450/3)
Q650: What is the Zip code for the business?

[INTERVIEWER: RECORD VERBATIM]

Q29: DELETED

BASE: ALL QUALIFIED RESPONDENTS (450/3)
Q655 To thank you for your time, we are offering you a chance to have an executive summary emailed to you regarding the details of this study. Would you like this email summary sent to you?

1 Yes
2 No

BASE: WANT EXECUTIVE SUMMARY (Q655/1)

Q660 Please provide an email address where we might send the executive summary.

Record email address