



Survey of Business Conditions

01.01.2009

Tatum Survey of Business Conditions Summary

As of January 1, the Tatum Index of Business Conditions for the month showed a slight improvement from last month---.53 versus .41, while the three month average declined to .44 compared to .55 last month. The past 30 days showed further deterioration in all measures except financing conditions. However, the 60-day outlook was materially improved with every indicator either flat or up.

The uptick in the outlook, a glimmer of hope for the beginning of improvement, does not suggest that we will be out of the recession soon. Except for financing conditions, the results were significantly worse in all indicators than the average for the past 13 months, with half of the responses at more than 50% less than the 13-month average.

Our Survey responses during the last several months have been by far the worst in the 8-year survey history. However, second consecutive month of improvements in the outlook, led by financing conditions, is a positive development. In financing conditions, the percentage responses for both the last 30 days and looking out 60 days are higher than or the same as the 13-month average relating to conditions improving or not worsening. The improvement in the pricing and availability of capital is a necessary a condition for the commencement of a turnaround in business conditions.

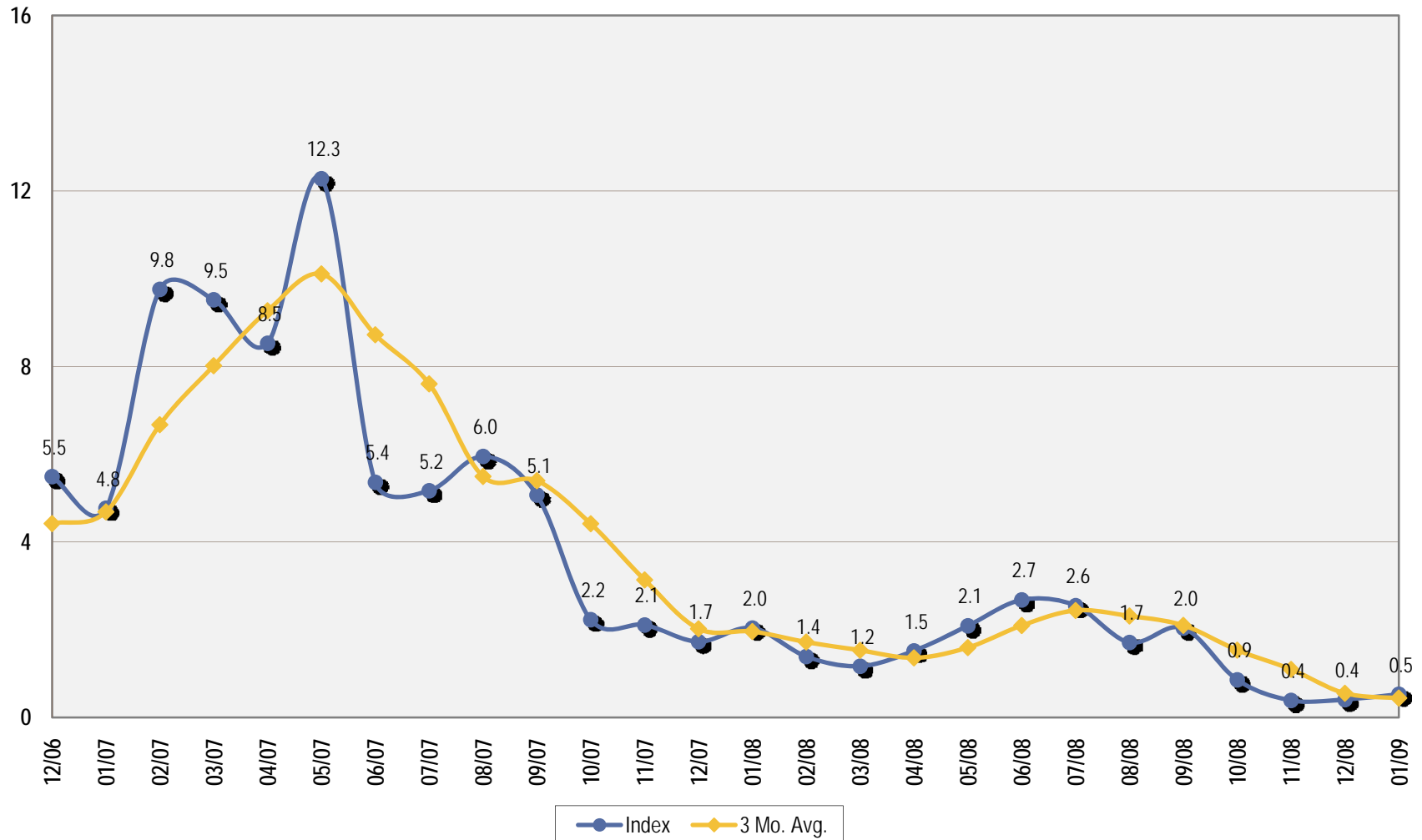
Tatum Index of Business Conditions

The **Tatum Index of Business Conditions** is a simple average of the ratio of our respondents who are reporting improvement versus those who are reporting a worsening in business conditions for the past 30 days and the next 60 days.

As of **January 1st**, the Tatum Index of Business Conditions increased to .53 compared to .41 reported last month. The three-month moving average is below 1 for the second month in a row -- .44 compared to .55 reported last month.

When this Index is at or below 1.0 we believe it is a reliable indicator of Recession. The up-tick in the Index was driven by the 60-day outlook, which improved markedly, while the past 30 days showed further deterioration. This is the second consecutive month in which the outlook has improved in the presence of deteriorating actual experience. We hope this may be the beginning of a positive trend out of the pits of Recession.

Tatum Index of Business Conditions



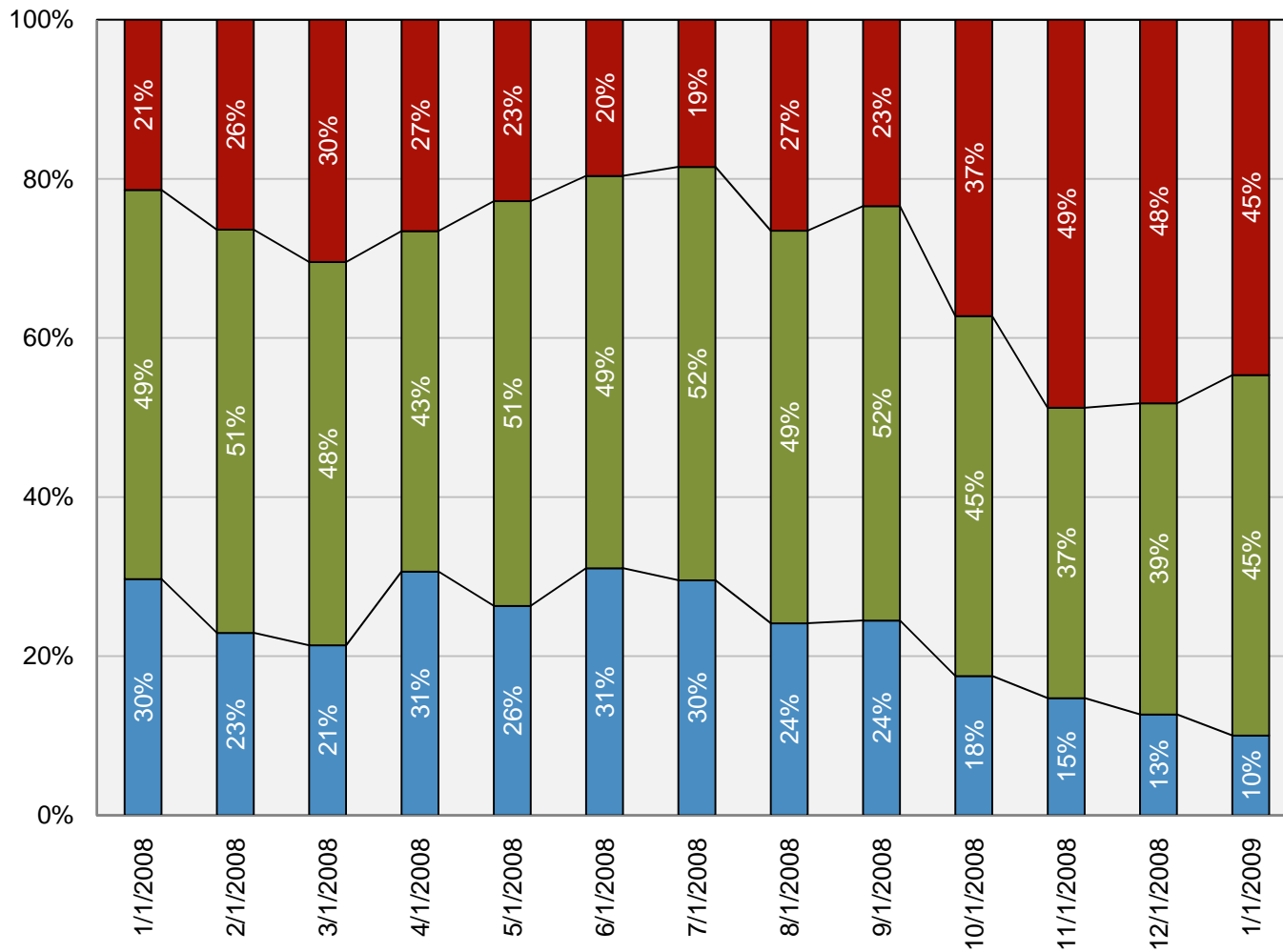
Business Conditions - Trends

In the past 30 days business conditions:

- > *Improved for 10%* of our respondents, a decrease from the 13% reported last month (Avg. Year—22%). This is the fourth month in a row the “improved” percentage has been in the teens.
- > *Worsened for 45%* of our respondents, a decrease from last month when the figure was at 48% (Avg. Year—31%).
- > *Stayed about the same for 45%* of our respondents, compared to the 39% reported last month.

Overall conditions remained the same as last month, which is the lowest during the year. To put the 10% improvement into perspective, during the last 13 months the highest percentage response on conditions improving was 31%. Related to 45% reporting worsening conditions, the best month in the past year was 19%. In a nutshell, the month of December saw the worst conditions in at least the past 8 years although there were fewer respondents who reported December to be worse than November.

Business Conditions the Past 30 Days



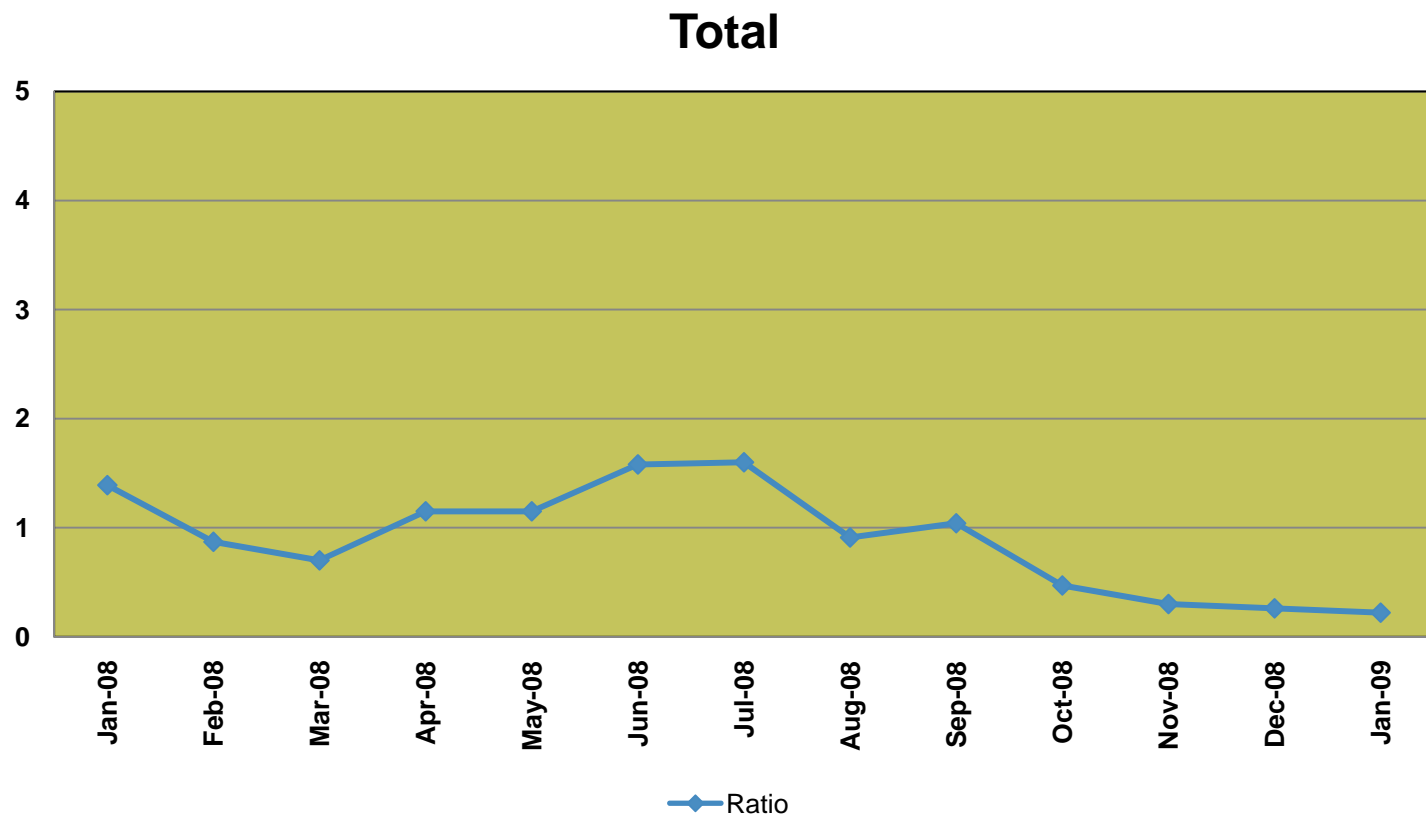
Business Conditions - Trends

The ratio of “Improved-to-Worsened” in the last 30 days decreased to .22 from .26. This is the fourth month in a row the ratio has decreased and been below 1, our indicator of Recessionary conditions. It is at an all-time low.

{ The result for the month speaks for itself. For every one response indicating conditions improved, there were almost five responses saying conditions worsened. The average for the year was .90. }

Business Conditions - Trends

Ratio of "Improved" to "Worsened" – Past 30 Days



Business Conditions - Trends

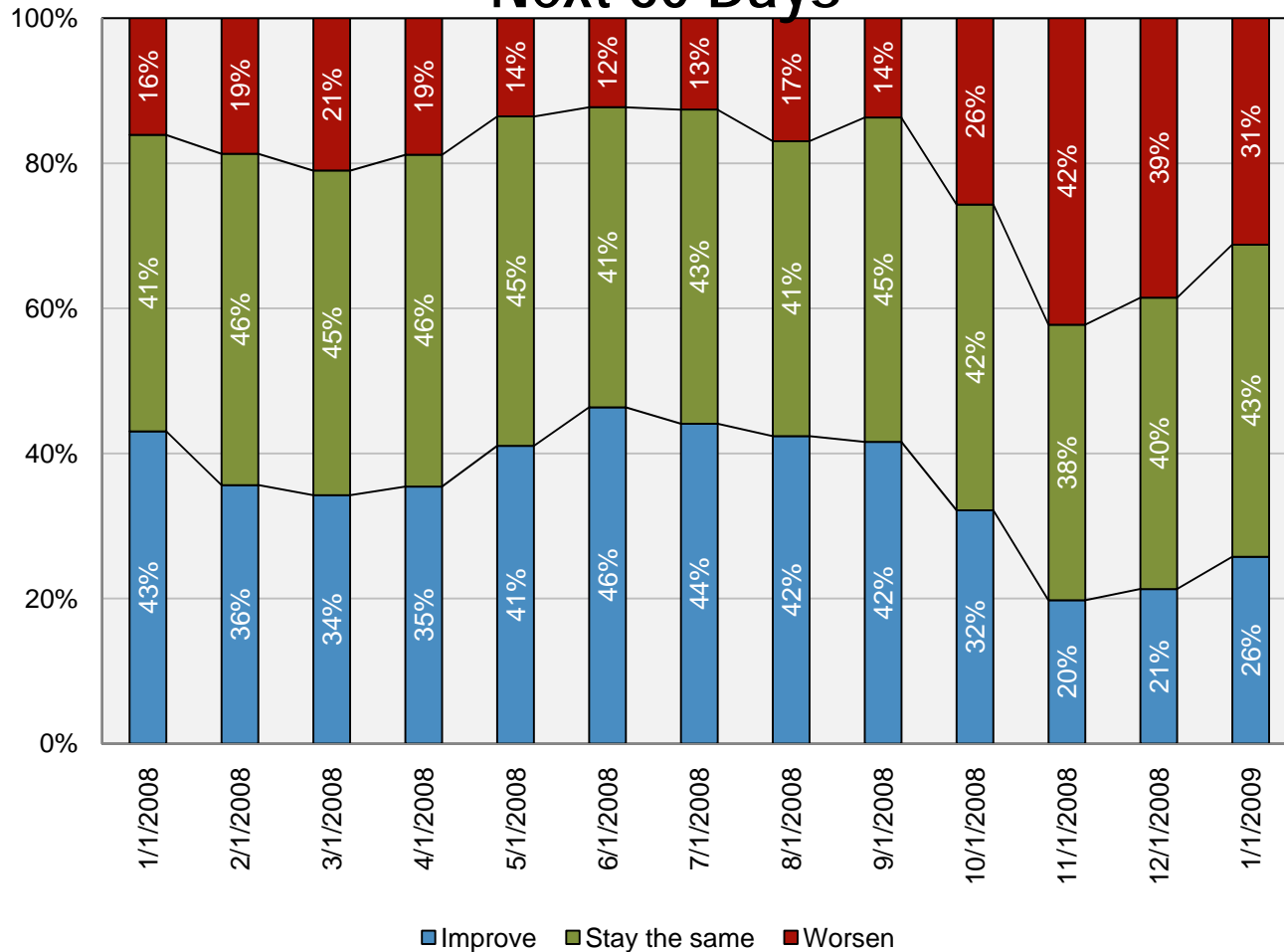
In the next 60 days, business conditions are expected:

- *To improve for 26%* of our compared to the 21% reported last month (Avg. Year—35%).
- *To get worse for 31%* of our respondents compared to the 39% reported last month (Avg. Year—23%).
- *To remain about the same for 43%* vs. 40% last month.

When combined with the responses related to the availability and pricing of capital, we are somewhat hopeful (optimistic) that the low point related to business conditions may have been reached. A turnaround will be dependent upon lenders actually making funds available, along with the cumulative effects of monetary and fiscal stimulus efforts enacted since September and proposed by the new administration.

Business Conditions - Trends

Next 60 Days



Business Conditions - Trends

In the next 60 days:

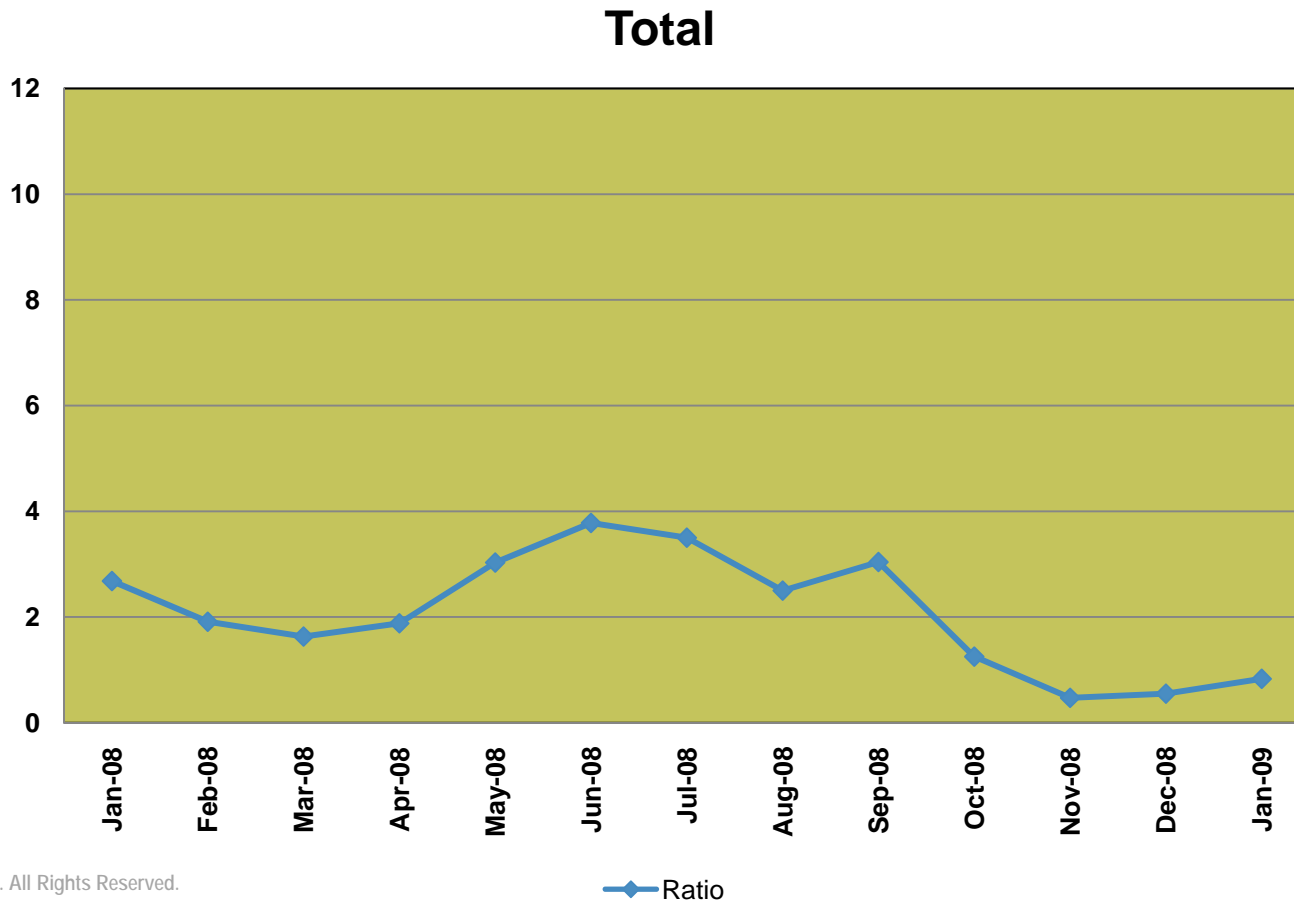
The ratio of “Will Improve” to “Will Worsen” improved to .83 vs. the .55 reported last month.

This is a very sensitive measurement that can shift dramatically. Therefore the 3-month moving average index of business conditions makes it easier to see the overall trend.

{ This is the second month in a row the index has increased, and we believe this supports the likelihood that conditions have bottomed out. }

Business Conditions - Trends

Ratio of "Will Improve" to "Will Worsen" – Next 60 Days



Business Conditions – Current Results

Order Backlogs

In the past 30 days:

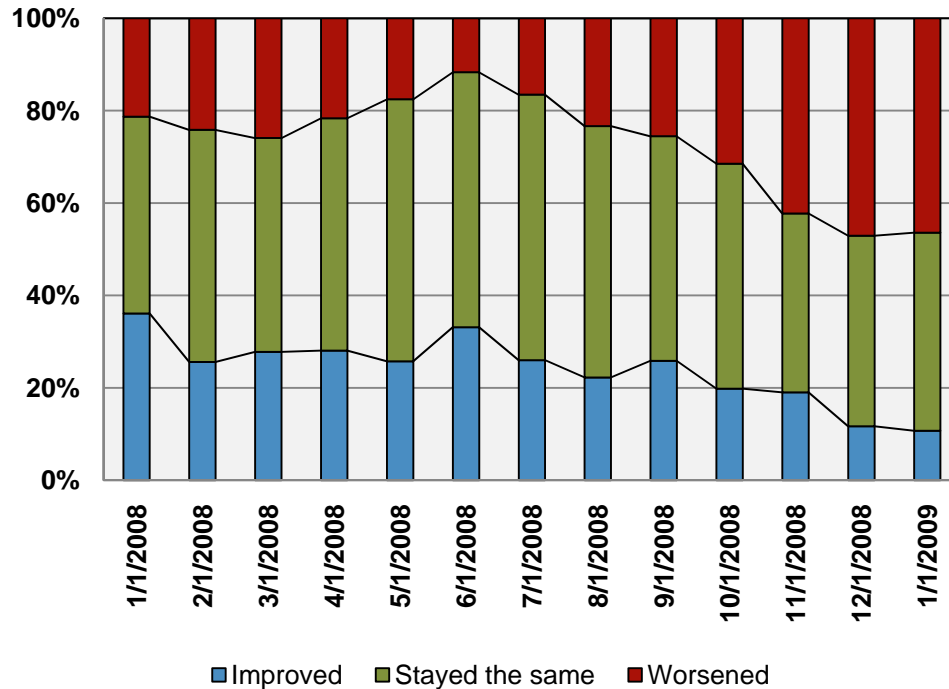
The percentage of respondents who reported an improvement in backlogs decreased to 11% from 12%. The percentage reporting lower backlogs decreased to 46% from 47%.

In the next 60 days:

The percentage of respondents who indicated expectations of higher backlogs remained at 28%. The “Will Worsen” percentage decreased to 26% from 34%.

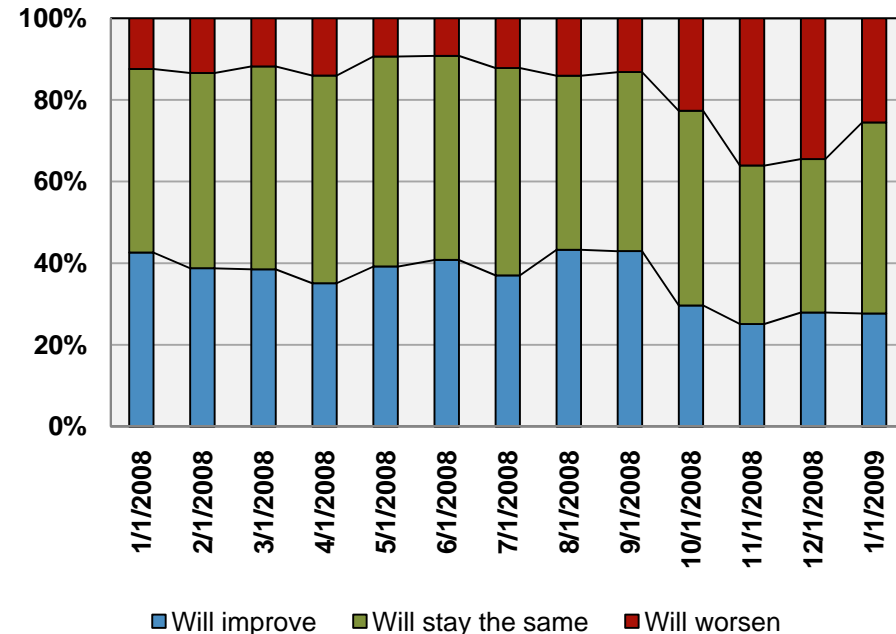
The results for the past 30 days are flat with the prior month, but the 60 day outlook is a bit better as fewer respondents expect backlogs to decline further.

Business Conditions – Current Results



Past 30 Days

Order Backlog Analysis



Next 60 Days

Business Conditions – Current Results

Capital Expenditure Commitments

In the past 30 days:

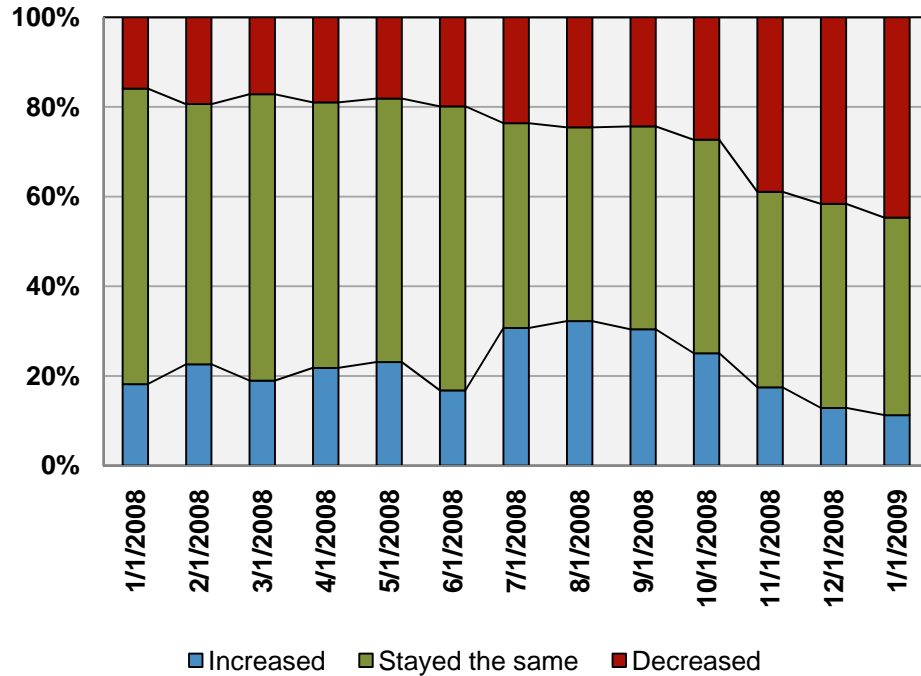
The percentage of respondents committing more on capital equipment decreased to 11% compared to the 13% reported last month. The percentage that committed less on capital increased to 45% from 42%.

In the next 60 days:

The percentage of respondents who said they plan to commit more for capital assets in the next 60 days remained at 17%. The percentage who expected to commit less dropped slightly to 37% from 38%.

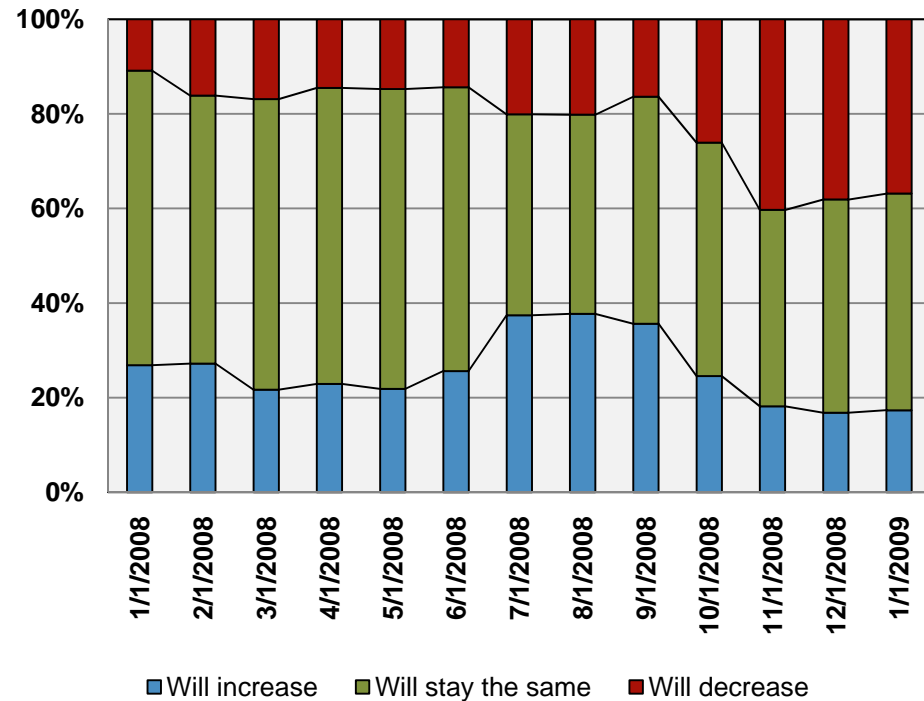
Businesses continue to eliminate discretionary expenditures as a defensive way to conserve cash. If lenders actually make credit available, as is expected, then we may see businesses authorizing capital purchases for the highest priority items.

Business Conditions – Trends



Past 30 Days

Capital Expenditure Commitments Analysis



Next 60 Days

Business Conditions – Current Results

Employment

In the past 30 days:

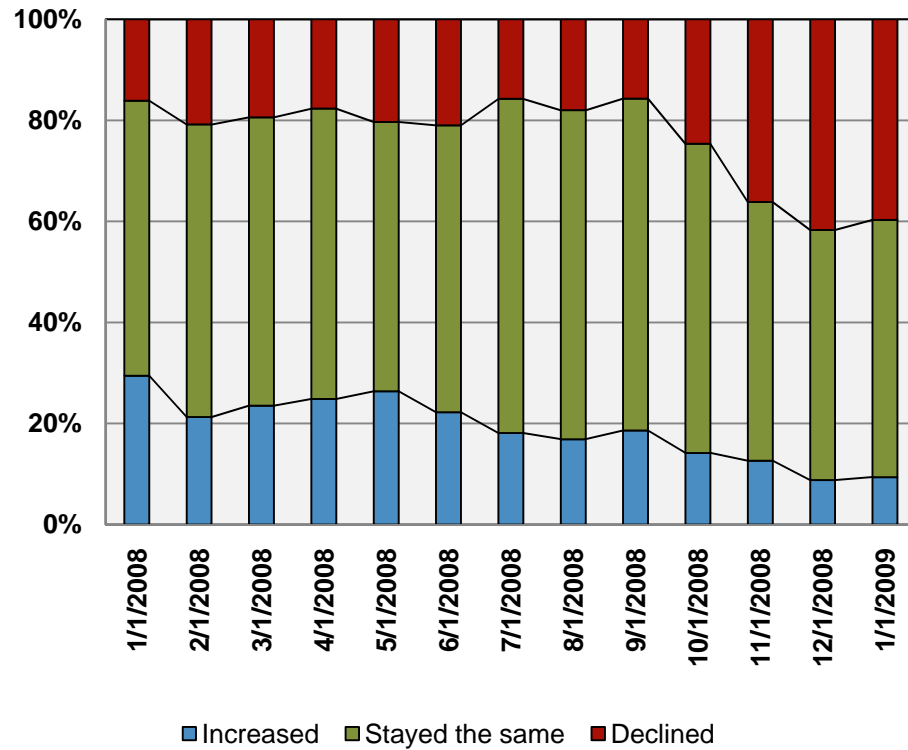
The percentage of respondents hiring more workers remained at 9% (Avg. Year—18%). The percentage that indicated they did less hiring decreased to 40% from 42% last month.

In the next 60 days:

The percentage indicating they plan to increase hiring rose slightly to 11% compared to 10% reported last month (Avg. Year—23%). The percentage who expect to reduce hiring was 33% compared to 36% from last month.

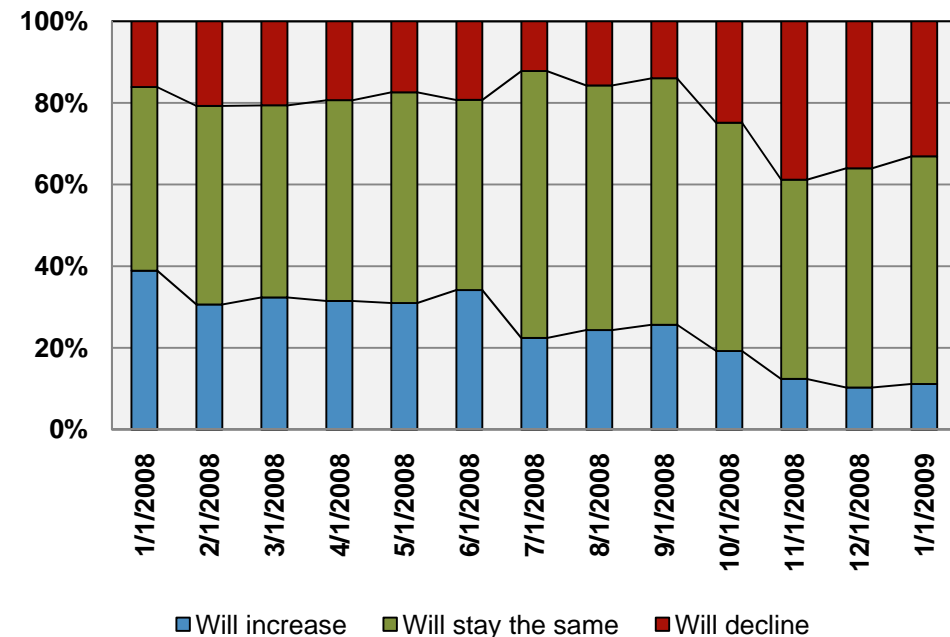
Businesses continue to cut staff to offset the drop in demand. Once again, for both periods the percentages related to increases in hiring are 50% less than the average for the year.

Business Conditions – Trends



Past 30 Days

Employment Analysis



Next 60 Days

Business Conditions – Current Results

Capital Availability and Pricing

The past 30 days:

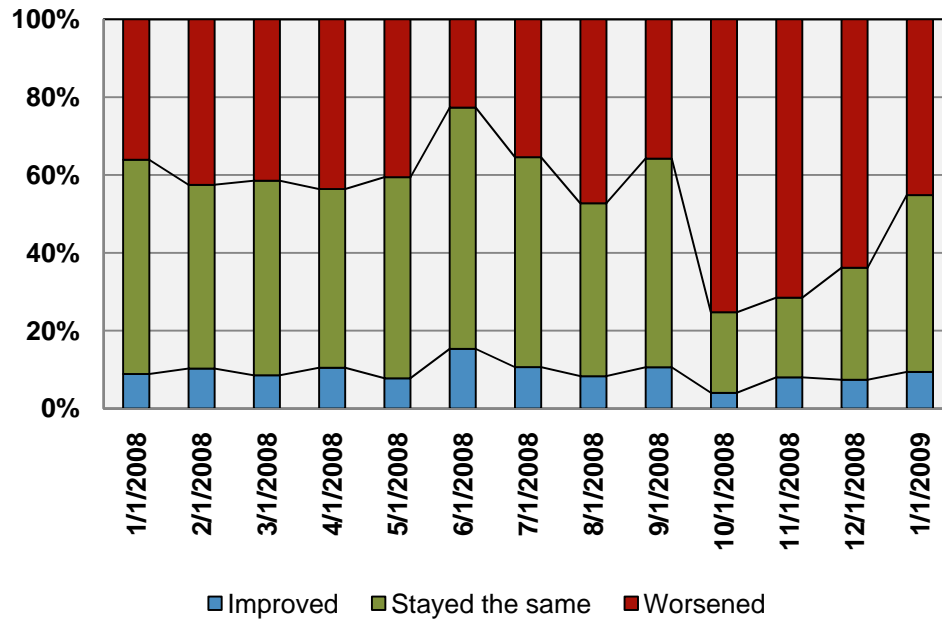
The percentage of respondents indicating an improvement increased to 9% compared to 7% from last month (Avg. Year—9%). The percentage who indicated conditions worsened improved to 45% from 64% (Avg. Year—49%).

In the next 60 days:

The percentage of the respondents who expect improvement in financing conditions in the next 60 days increased to 28% from 21% (Avg. Year—20%). The percentage saying conditions will get worse improved to 20% from 36% (Avg. Year—29%).

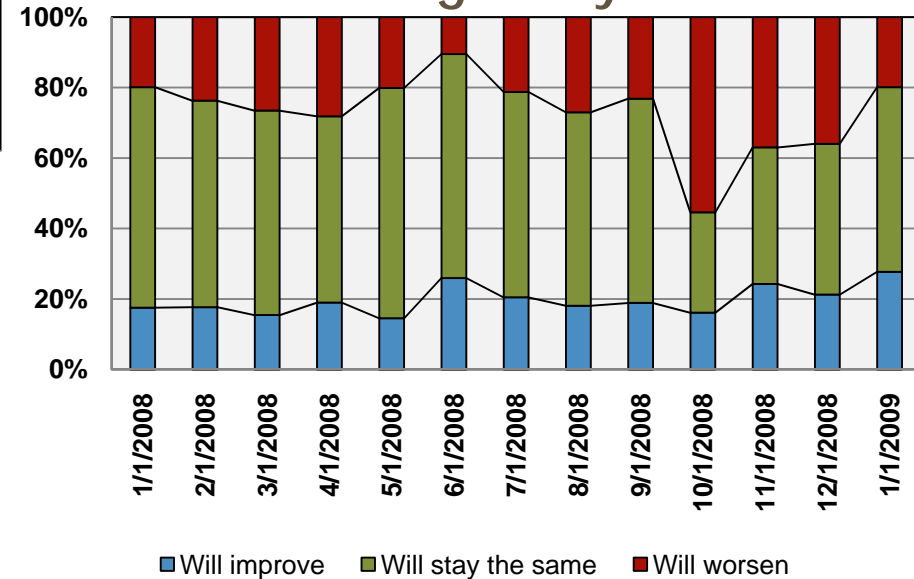
It is widely recognized that interest rates have fallen due to a combination of Recessionary effects and actions of the Federal Reserve. Less obvious, and arguably more important to most businesses is the availability of capital. We interpret the significant improvement in the outlook to reflect an expectation of some thawing in the credit freeze that has been predominant in the past four months. This could be a positive sign of a necessary condition for a turnaround in business conditions.

Business Conditions – Trends



Past 30 Days

Capital Availability / Pricing Analysis



Next 60 Days

Survey Participation Demographics – Industry

Manufacturing/Processing	24%
Service	21%
Technology	15%
Healthcare	13%
Financial	6%
Construction	4%
Wholesale	4%
Bio-Tech/Life Sciences	3%
Retail	3%
Transportation	3%
Other	4%

Survey Participation Demographics - Markets/Regions

Primary Geographic Markets

<i>Local</i>	12%
<i>Regional</i>	22%
<i>National</i>	39%
<i>International</i>	27%

Geographic Regions Represented (Total of 329 Responses)

<i>Northeast</i>	13%
<i>Southeast</i>	22%
<i>Midwest</i>	16%
<i>Southwest</i>	18%
<i>Pacific</i>	31%

Survey Participation Demographic Summary

The following are on relative scales from our respondents:

Regions:

Strongest – Pacific

Weakest – Southeast & Midwest

Industries*:

Strongest – Tech & Finance

Weakest – Service, Healthcare,
Wholesale

* With statistically significant participation

Markets Served:

Strongest – National

Weakest – Local

Company Size:

Strongest – Large & Small

Weakest – Mid-Market

Survey of Business Conditions

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