



Survey of Business Conditions

06.01.2009

Tatum Survey of Business Conditions Summary

As of June 1, the Tatum Index of Business Conditions reached its highest level since September 2007, just before the Recession began. This is the 7th consecutive month of increase in the Index, further confirming that business conditions, and the economy, are beginning to recover.

The percentage related to the 60 day outlook of conditions worsening is only 9% -- the first time it has been below 10% in more than a year.

The improvements are not dramatic, but they are consistent in overall positive trend.

Financial markets have stabilized, and demand is improving broadly. Our Survey detected the beginnings of the end of the Recession in the first quarter, and the early indications continue to suggest that the Recovery will begin in earnest in the second half of this year.

The strength in the outlook for employment and "Cap-Ex" shows a gathering confidence that the worst is over and a recovery is under way. If the current and recent trends continue, then we believe the recovery will ultimately be declared to have begun in the second or third quarters, and that the third quarter will likely have a positive rate of real growth.

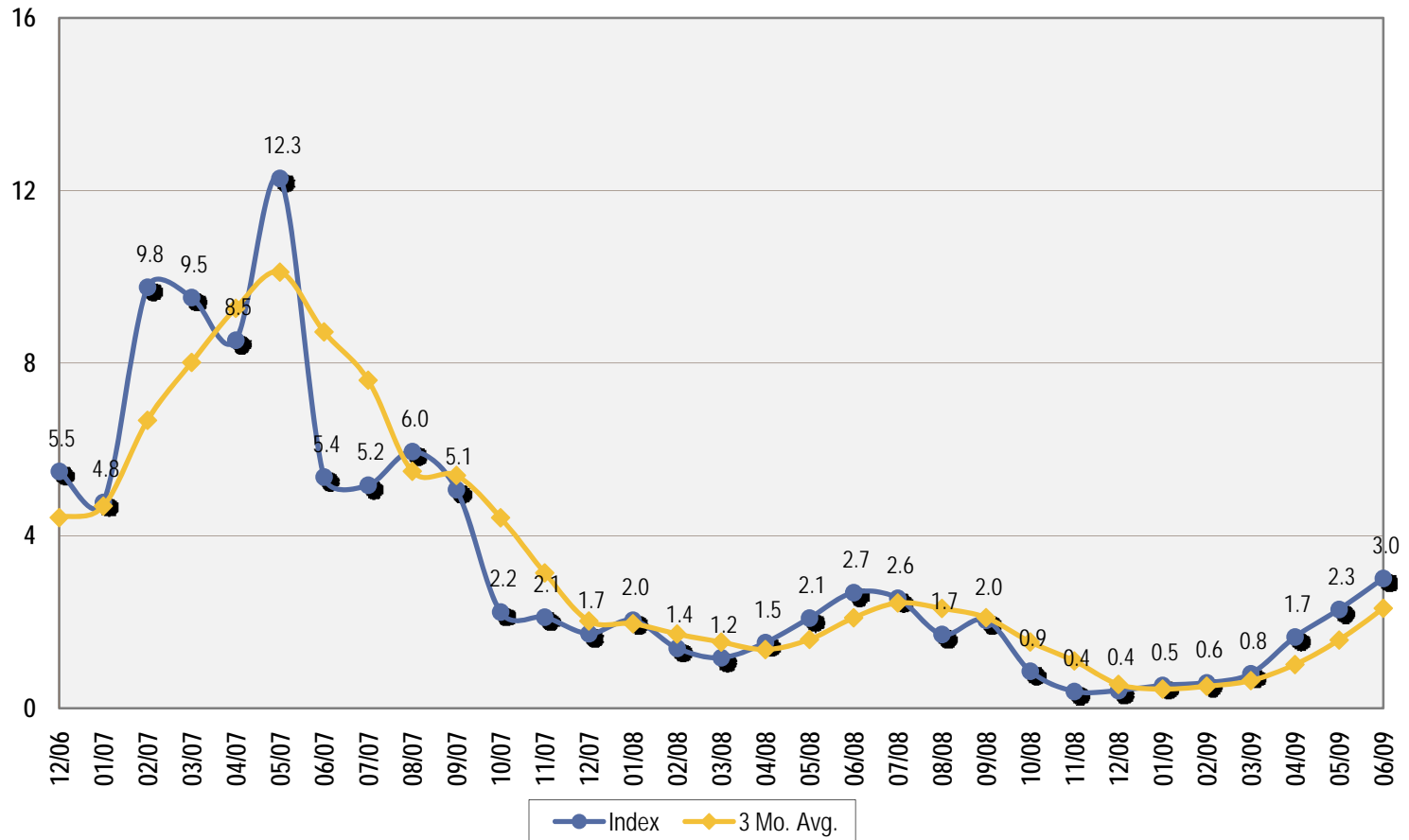
Tatum Index of Business Conditions

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 June 1st, the Tatum Index of Business Conditions increased for the seventh month in a row from 2.29 to **3.01**. The three-month moving average is now above 2 for the first time in 9 months. It increased from 1.58 to **2.32**.

The Index clearly shows businesses are seeing measurable improvements. Confidence about the near term future is the highest it has been in over a year, and it is heading in the right direction.

Tatum Index of Business Conditions



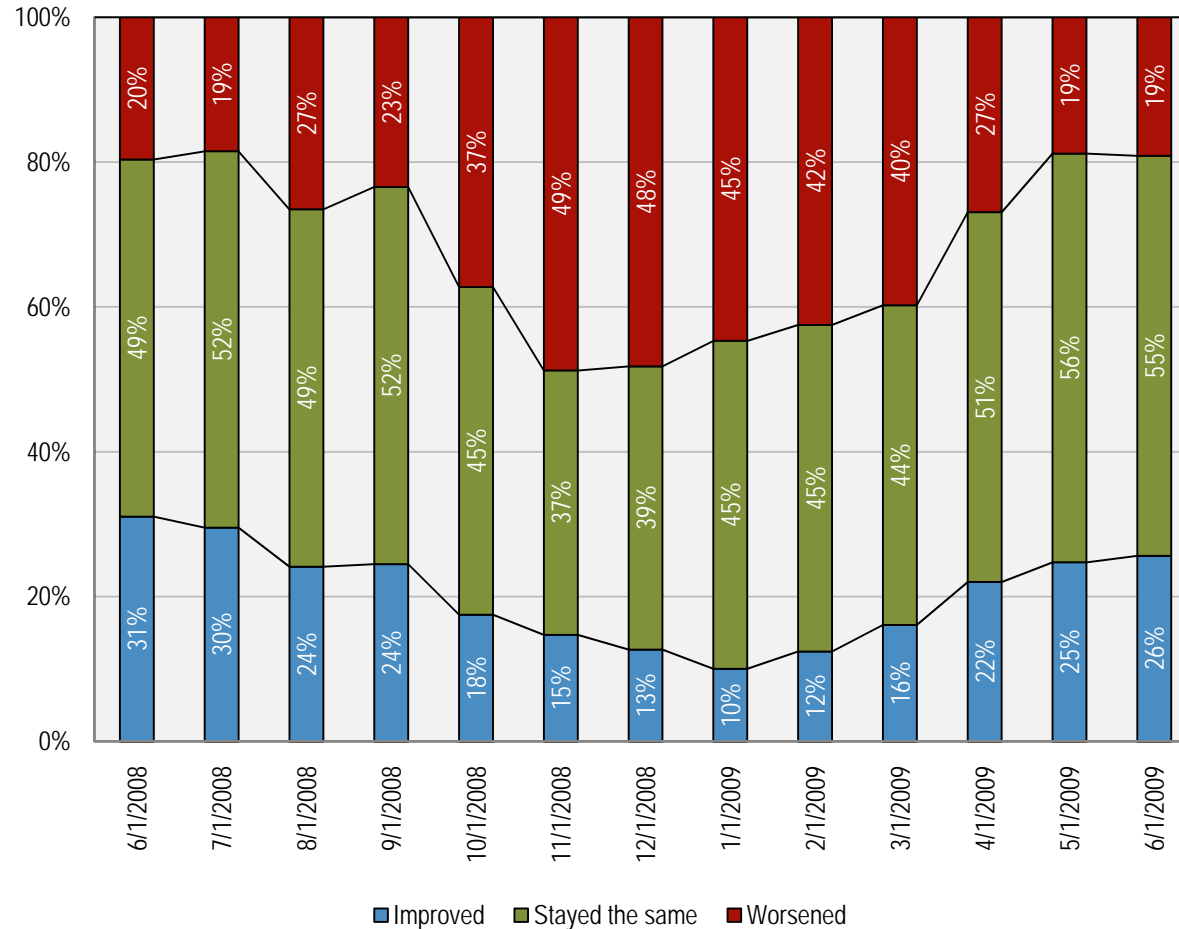
Business Conditions - Trends

In the past 30 days, business conditions:

- > *Improved for 26% of our respondents, an increase from 25%.*
- > *Worsened for 19%, the same percentage reported last month.*
- > *Stayed about the same for 55%, compared to 56% last month.*

The improvement was about the same as last month. We anticipate the recovery will be slow, although our Survey participants are becoming somewhat more positive with each passing month.

Business Conditions the Past 30 Days



Business Conditions - Trends

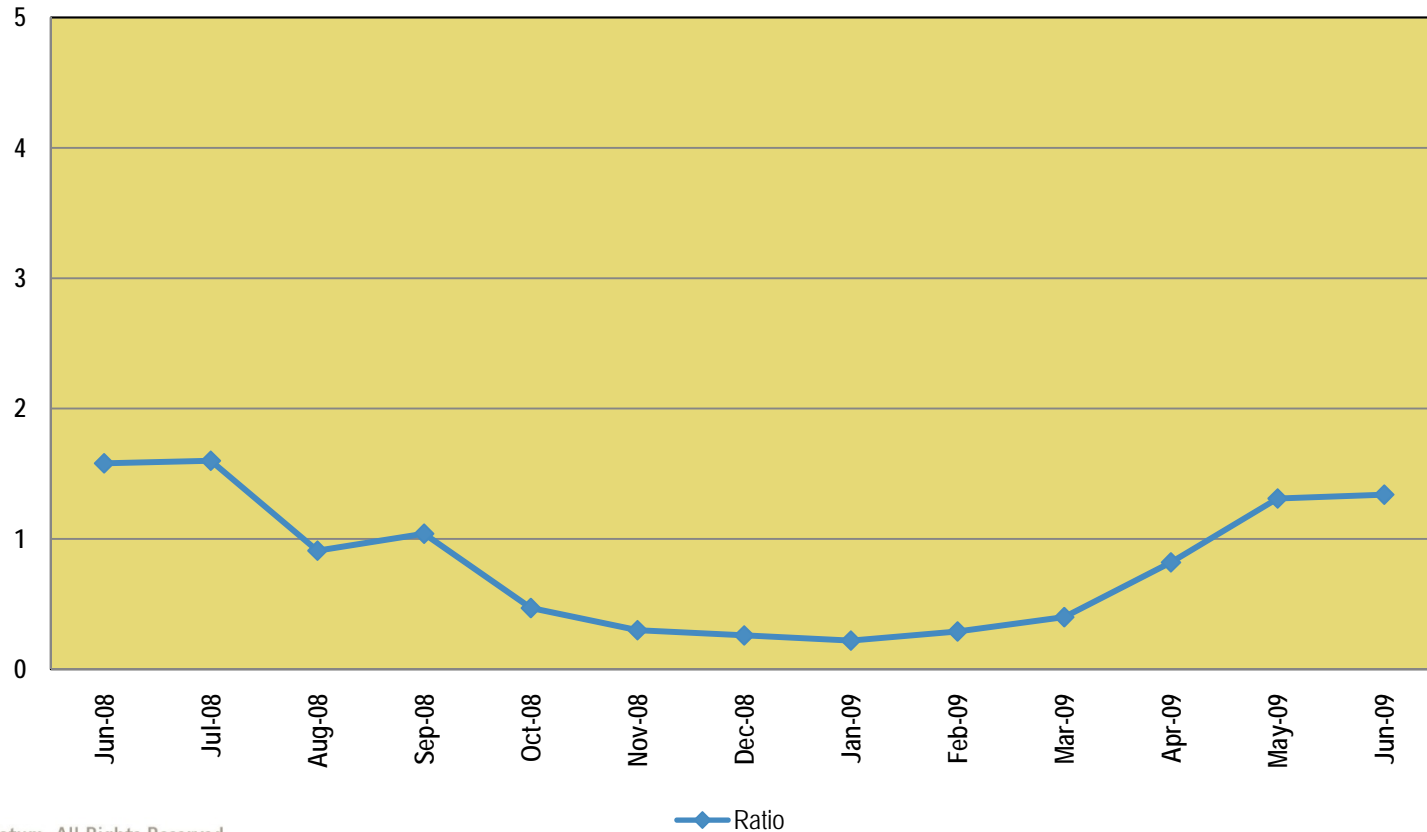
The ratio of “Improved-to-Worsened” in the last 30 days increased slightly from 1.31 to 1.34. This is the second month in a row the ratio has been above one (1).

{ *A very slight improvement from the prior month.* }

Business Conditions - Trends

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

Total



Business Conditions - Trends

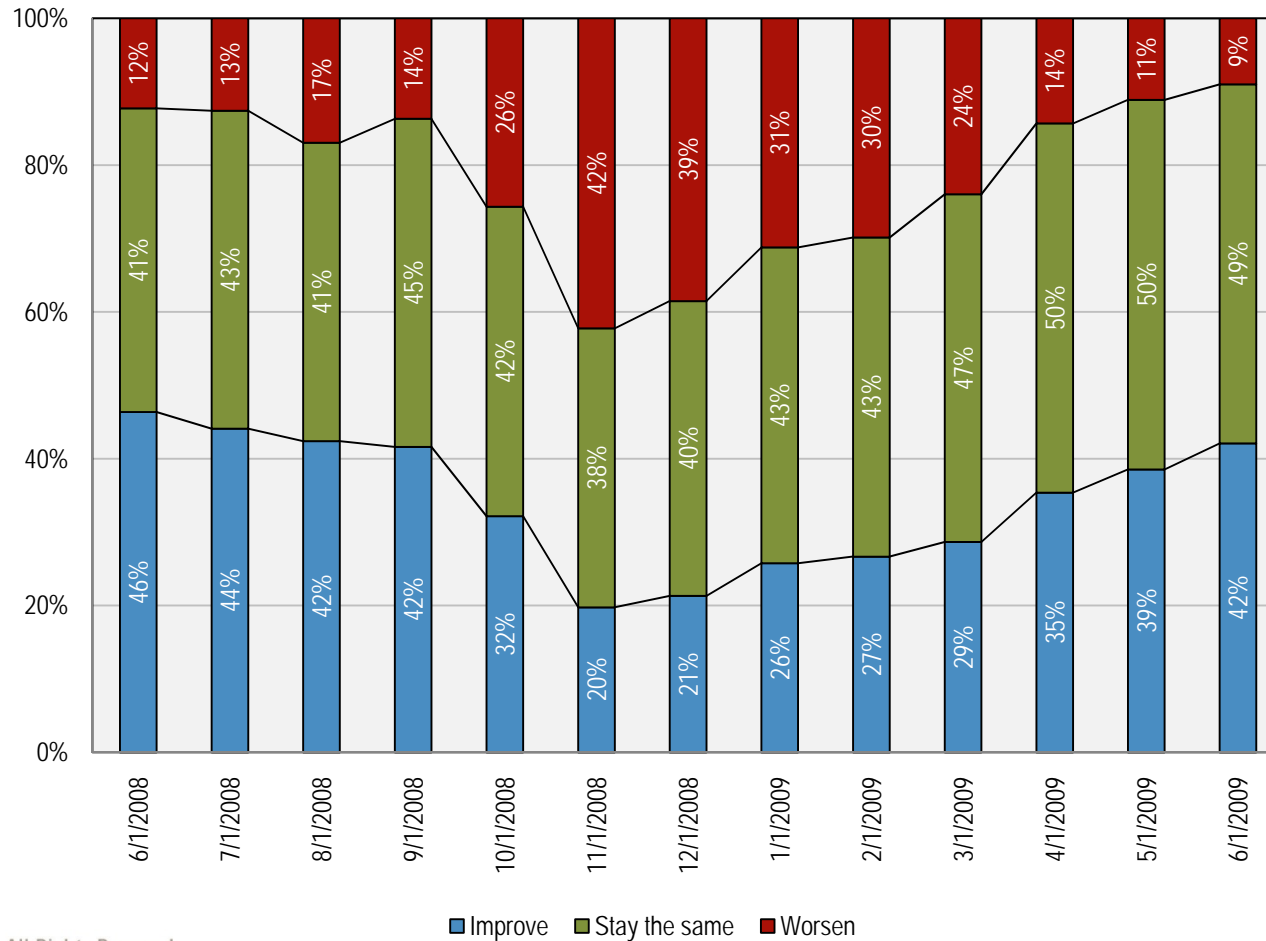
In the next 60 days, business conditions are expected:

- > *To improve for 42% of our respondents*, an increase from 39% reported last month.
- > *To get worse for 9%*, a decrease from 11% reported last month.
- > *To remain about the same at 49%* compared to the 50% reported last month.

*{ The results of the 60-day outlook improved noticeably from last month.
The “Will Worsen” percentage is now in single digits. }*

Business Conditions - Trends

Next 60 Days



Business Conditions - Trends

In the next 60 days:

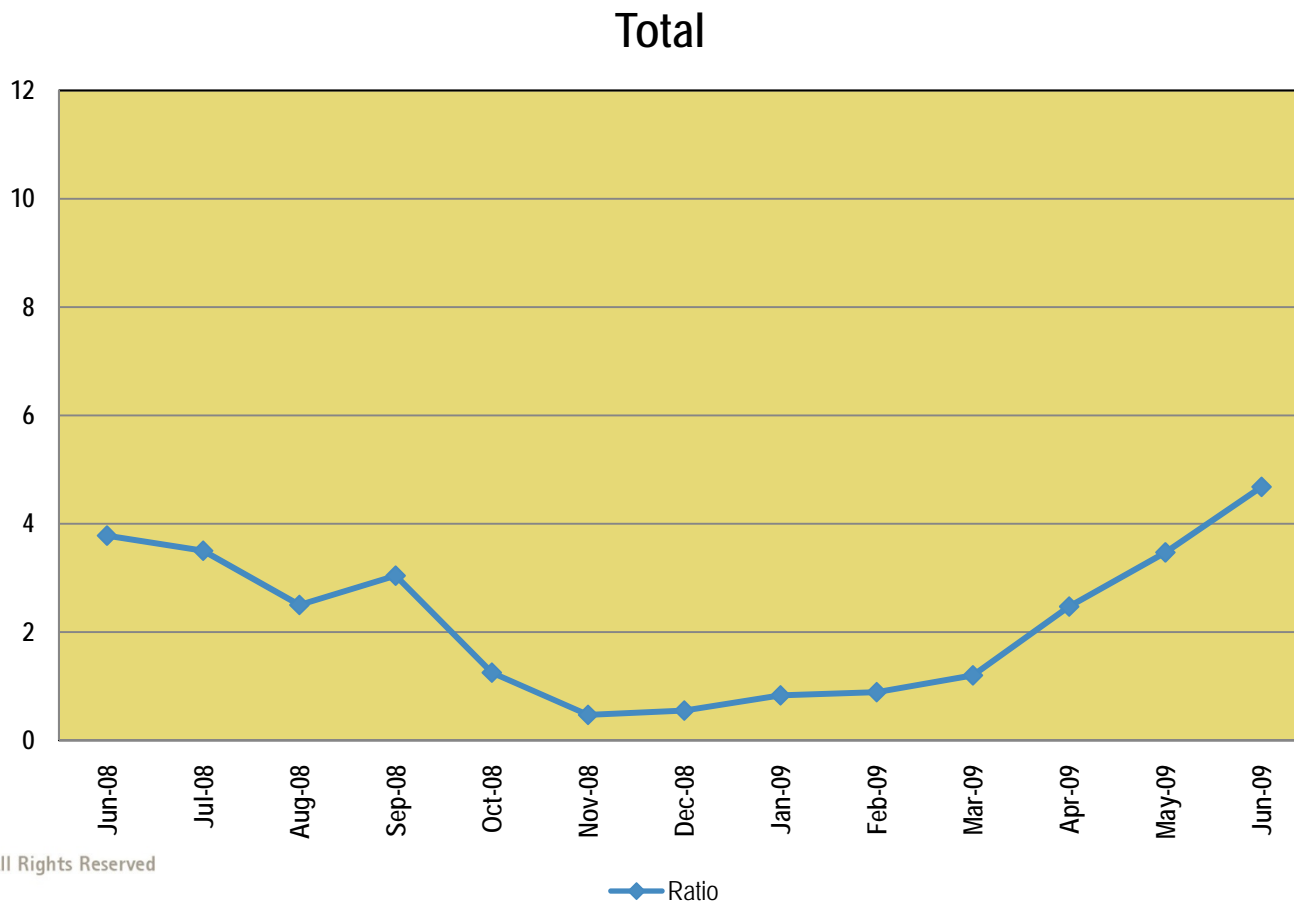
The ratio of “Will Improve” to “Will Worsen” increased from 3.27 to 4.68.

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 seventh month in a row this ratio has increased. The ratio is at its highest level since September 2007. }

Business Conditions - Trends

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



Business Conditions – Current Results

Order Backlogs

In the past 30 days:

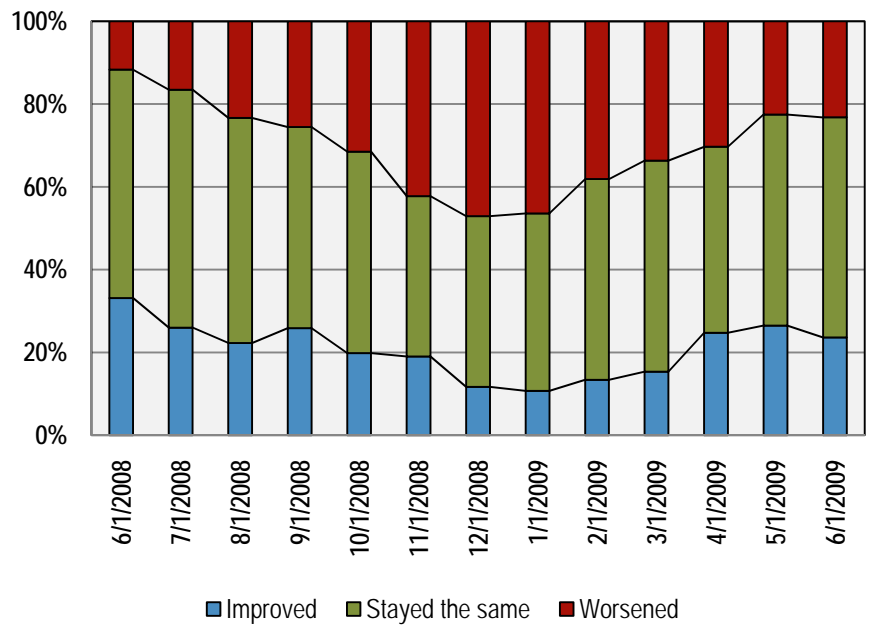
The percentage of respondents who reported an improvement in backlogs decreased from 26% to **24%**. The percentage reporting lower backlogs remained at **23%**.

In the next 60 days:

The percentage of respondents who indicated expectations of higher backlogs increased from 38% to **43%**. The “Will Worsen” percentage decreased from 11% to **8%**. This is the first time in a year the “Will Worsen” percentage has been in single digits.

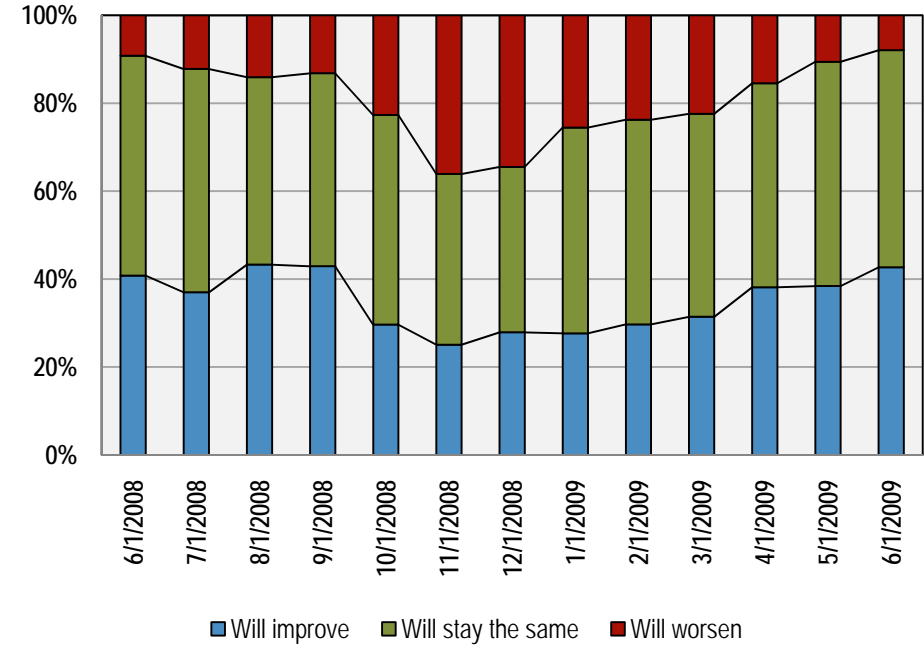
The outlook for order backlogs is at the highest level in the last 13 months. This is the fifth month in a row the percentages for the next 60 days have improved. Businesses are seeing more orders and rebuilding inventories accordingly.

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:

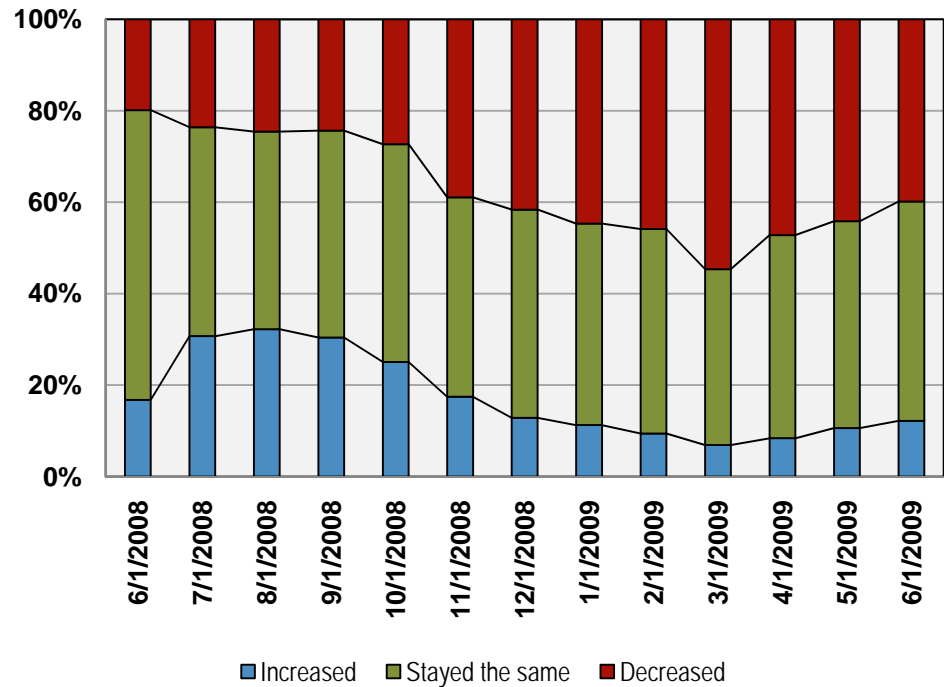
The percentage of respondents committing more on capital equipment increased from 11% to **12%**. The percentage that committed less on capital decreased from 44% to **40%**.

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 **20%**. The percentage who expected to commit less decreased from 26% to **23%**.

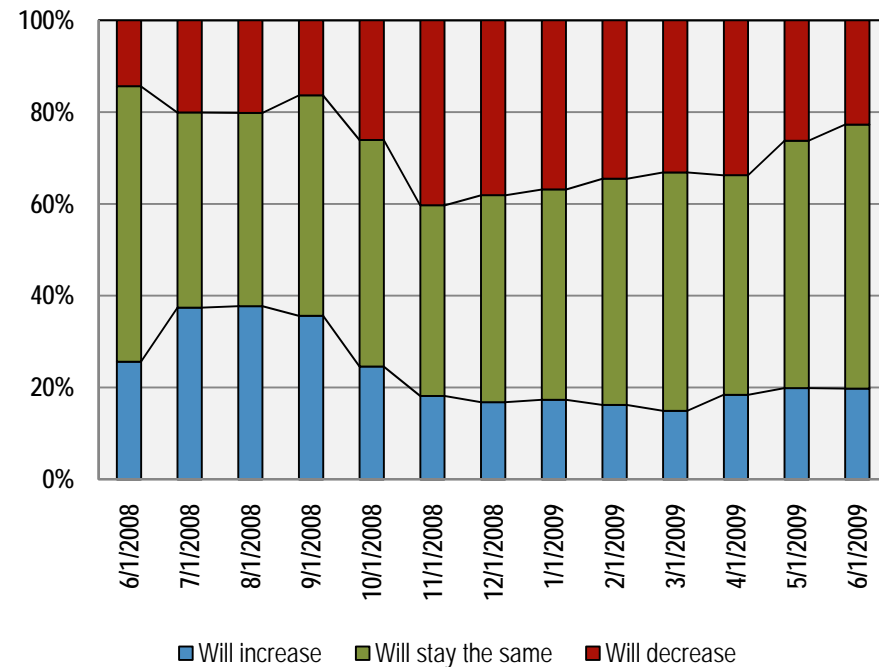
For the third month in a row, businesses are showing a willingness to spend money for capital goods. This is an encouraging trend. When both capital expenditure commitments and employment results show improvement, this is the strongest indicator the Recession has passed the bottom as these tend to be lagging indicators.

Business Conditions – Trends



Past 30 Days

Capital Expenditure Commitments Analysis



Next 60 Days

Business Conditions – Current Results

Employment

In the past 30 days:

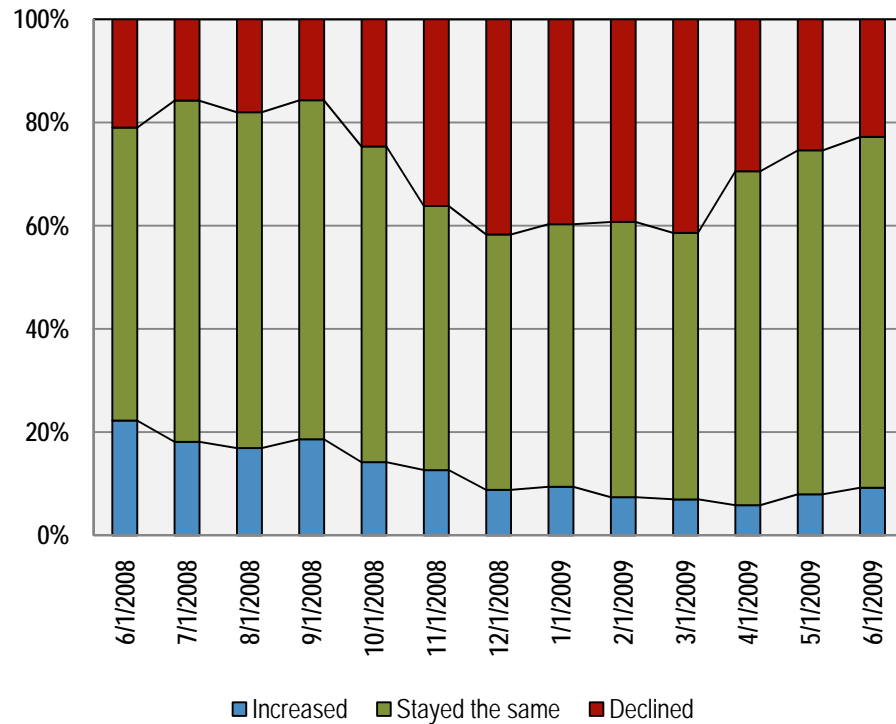
The percentage of respondents hiring more workers rose slightly from 8% to **9%**. The percentage that indicated they did less hiring decreased from 25% to **23%**.

In the next 60 days:

The percentage indicating they plan to increase hiring rose from 15% to **18%** last month. The percentage who expect to reduce hiring decreased from 18% to **15%**.

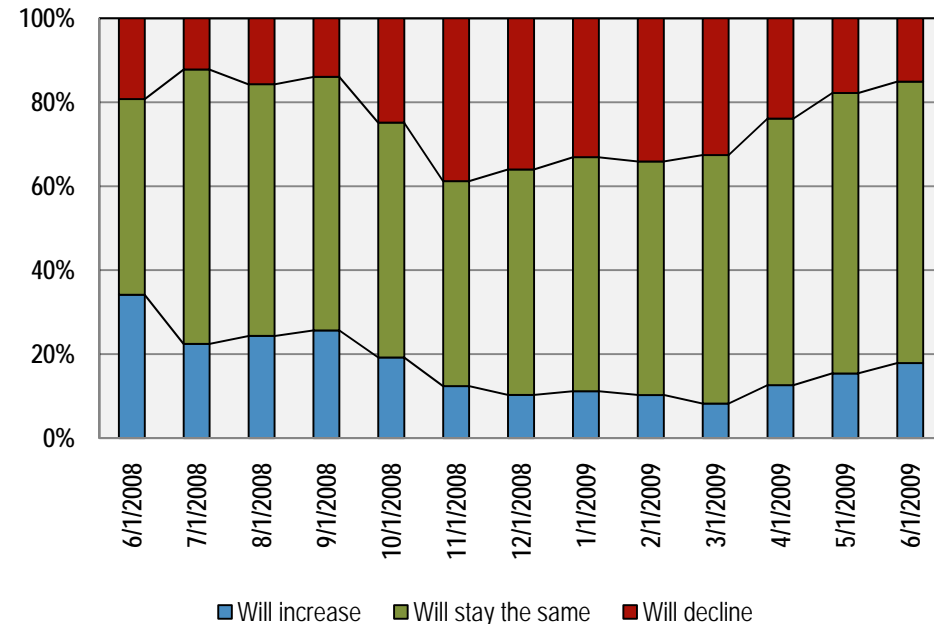
As we commented last month, our respondents are experiencing an improvement in the employment picture. In June, this outlook strengthened. Because of the lag in reporting results, we expect the unemployment statistics may have already peaked, pending the fallout from the auto industry restructurings.

Business Conditions – Trends



Past 30 Days

Employment Analysis



Next 60 Days

Business Conditions – Current Results

Capital Availability and Pricing

The past 30 days:

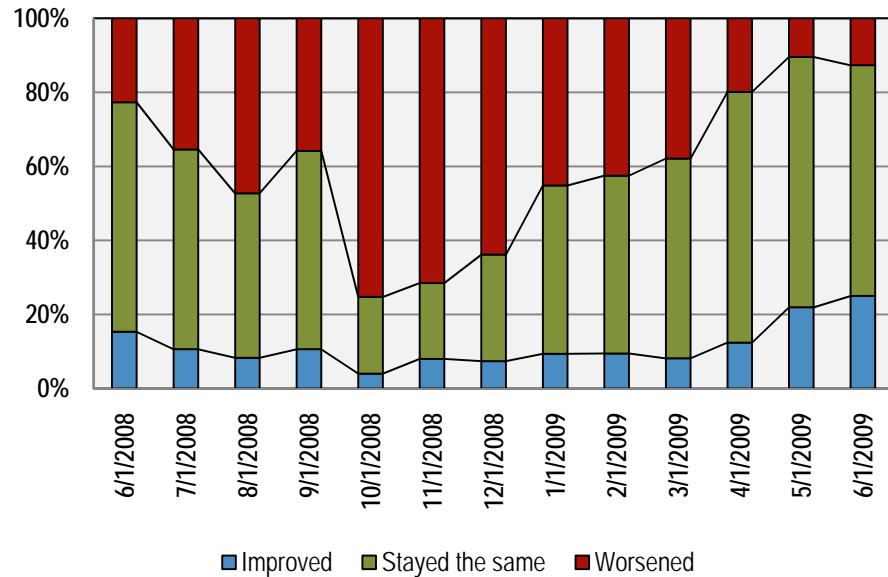
The percentage of respondents indicating an improvement increased from 22% to 25%. The percentage who indicated conditions worsened increased from 10% to 13%.

In the next 60 days:

The percentage of the respondents who expect improvement in financing conditions in the next 60 days decreased from 38% to 36%. The percentage saying conditions will get worse decreased from 11% to 9%.

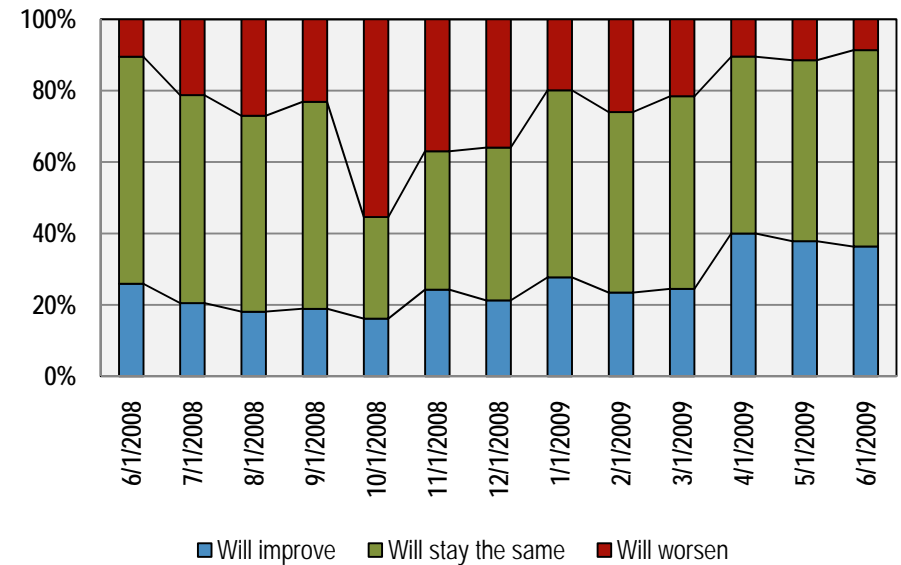
Overall for both time periods there was no change from last month. We believe this reflects a stabilization in capital markets and confidence on the part of borrowers to whom the banks are capable and willing to lend money, albeit with stricter terms and conditions, and at higher rates.

Business Conditions – Trends



Past 30 Days

Capital Availability / Pricing Analysis



Next 60 Days

Survey Participation Demographics – Industry

Manufacturing/Processing	23%
Service	22%
Technology	14%
Healthcare	11%
Financial	7%
Wholesale	4%
Construction	3%
Real Estate	3%
Bio-Tech/Life Sciences	3%
Transportation	3%
Other	7%

Survey Participation Demographics - Markets/Regions

Primary Geographic Markets

<i>Local</i>	<i>10%</i>
<i>Regional</i>	<i>23%</i>
<i>National</i>	<i>41%</i>
<i>International</i>	<i>26%</i>

Geographic Regions Represented (Total of 276 Responses)

<i>Northeast</i>	<i>13%</i>
<i>Southeast</i>	<i>26%</i>
<i>Midwest</i>	<i>14%</i>
<i>Southwest</i>	<i>19%</i>
<i>Pacific</i>	<i>28%</i>

Survey Participation Demographic Summary

The following are on relative scales from our respondents:

Regions:

Strongest – Southwest

Weakest – Pacific

Markets Served:

Strongest – National

Weakest – Regional/International

Industries*:

Strongest – Financial

Weakest – Service

* With statistically significant participation

Company Size:

Strongest – Pre-Revenue/Large

Weakest – Small/Mid-Market

Survey of Business Conditions

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