



Survey of Business Conditions

11.01.2008

Tatum Survey of Business Conditions Summary

As of November 1, the Tatum Index of Business Conditions set another record for the lowest value in the seven year history of the survey. This month, the Index was at .4 compared to .9 last month. The three-month moving average also reached a new low—1.1 vs. 1.54. The previous three-month average low, 1.53, was recorded in March.

The ratio of “Improved-to-Worsen” for the last 30 days decreased from .5 to .3, while the comparable ratio for the next 60 days decreased from 1.3 to .5.

Four of the five indicators worsened for the month and for the 60 day outlook. The only area that showed an improvement was related to capital availability and pricing. The financing report from Tatum professionals is in contrast to most other reports of capital markets. See our analysis later in this report.

The results for the month confirmed that the U. S. economy is in a steep recessionary period. What is clearer now is that the recession is widespread, expanding from housing and autos to general consumption. Our results by region, market, company size and industry are universally negative.

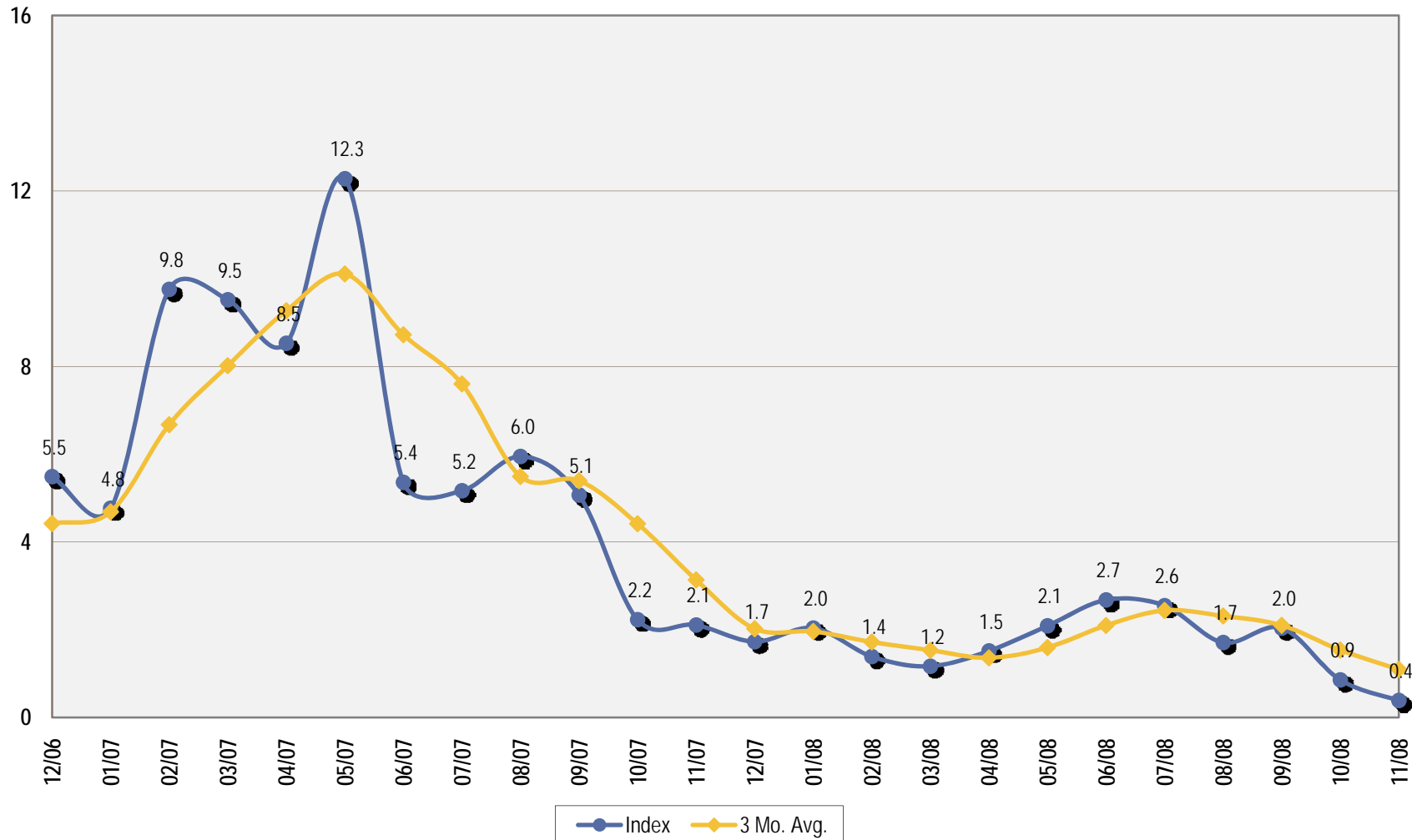
Tatum Index of Business Conditions

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 November 1st, the Tatum Index of Business Conditions dropped from 0.9 to 0.4, a new low for the second month in a row. The three-month moving average decreased from 1.5 to 1.1, which is also a new low for the seven years of our survey.

The index shows the impact of the unprecedented economic turmoil that has occurred in the past two months. Clearly, businesses are experiencing a significant downturn that is not expected to improve in the near term.

Tatum Index of Business Conditions



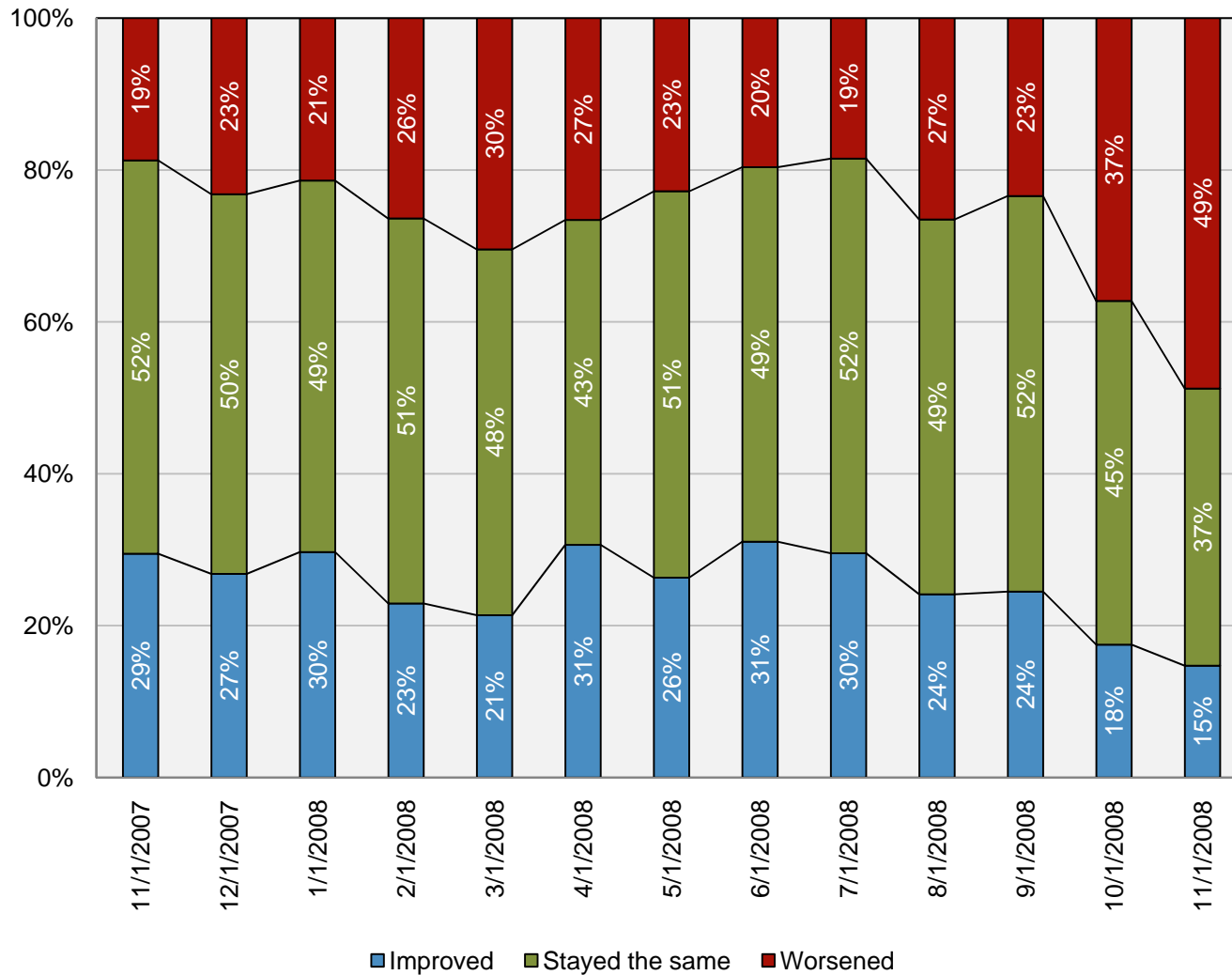
Business Conditions - Trends

In the past 30 days business conditions:

- > *Improved for 15%* of our respondents, a decrease from the 18% reported last month. This is the second month in a row the “improved” percentage has been in the teens.
- > *Worsened for 49%* of our respondents, a sharp rise from last month when the response was 37%.
- > *Stayed about the same for 36%* of our respondents compared to the 45% reported last month.

The results for the month continue the same pattern as reported last month. Our broad base of respondents are seeing a definite deterioration of business conditions. The Wall Street turmoil that began in September has sent an already weak economy into steep recession.

Business Conditions the Past 30 Days



Business Conditions - Trends

The ratio of “Improved-to-Worsened” in the last 30 days decreased from .5 to .3, the second month in a row the ratio has been below 1.

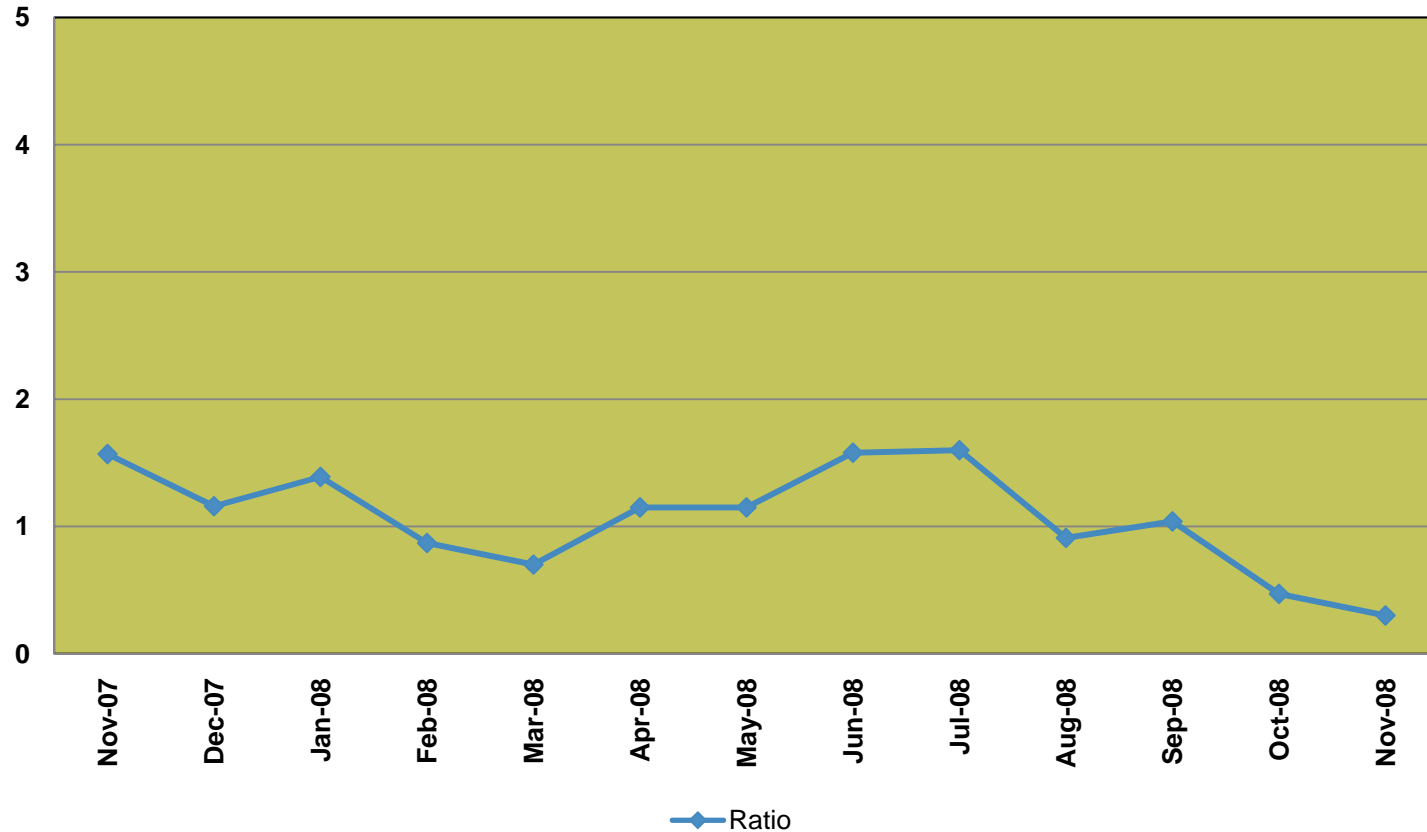
We believe that when this ratio is above 2.0, business conditions are positive. At less than 1.5, we believe conditions are potentially recessionary, and at less than 1.0 we believe the economy has a high probability of being in a period of negative growth.

{ With the ratio now below one for two consecutive months, there can be no doubt that we are in a recessionary period. }

Business Conditions - Trends

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

Total



Business Conditions - Trends

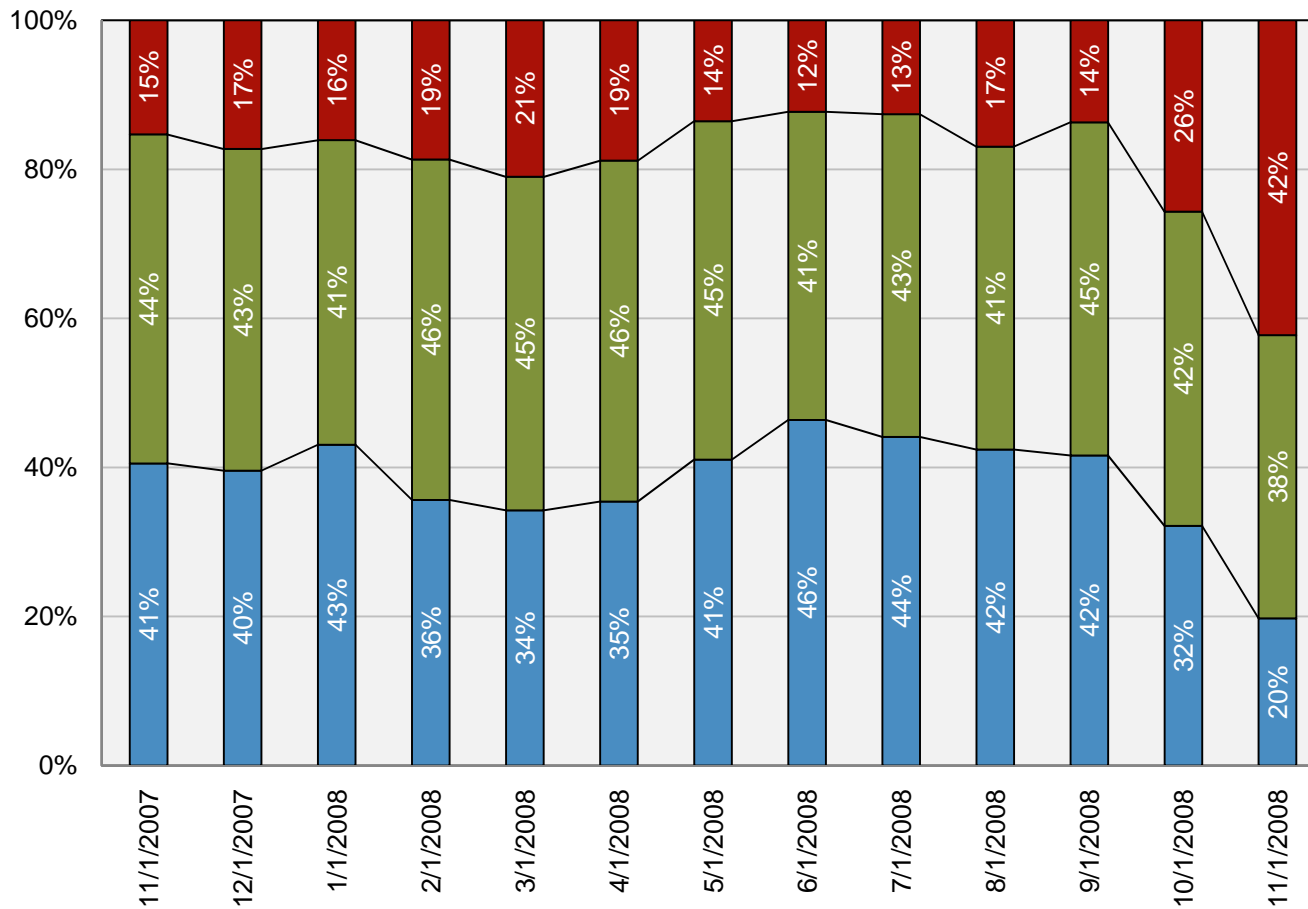
In the next 60 days, business conditions are expected:

- > *To improve for 20%* of our respondents down from the 32% reported last month.
- > *To get worse for 42%* of our respondents compared to 26% from last month. This is a sharp increase over last month. The fact the percentage is over 40% for the first time in the survey history, confirms clearly the extent of the downturn.
- > *To remain about the same for 38%* vs. 42% last month.

The 60 day outlook follows the same negative trend as what was reflected in the responses for the last 30 days. The responses indicate most businesses expect conditions to continue to deteriorate for at least the next two months.

Business Conditions - Trends

Next 60 Days



Business Conditions - Trends

In the next 60 days:

The ratio of “Will Improve” to “Will Worsen” decreased from 1.3 to .5.

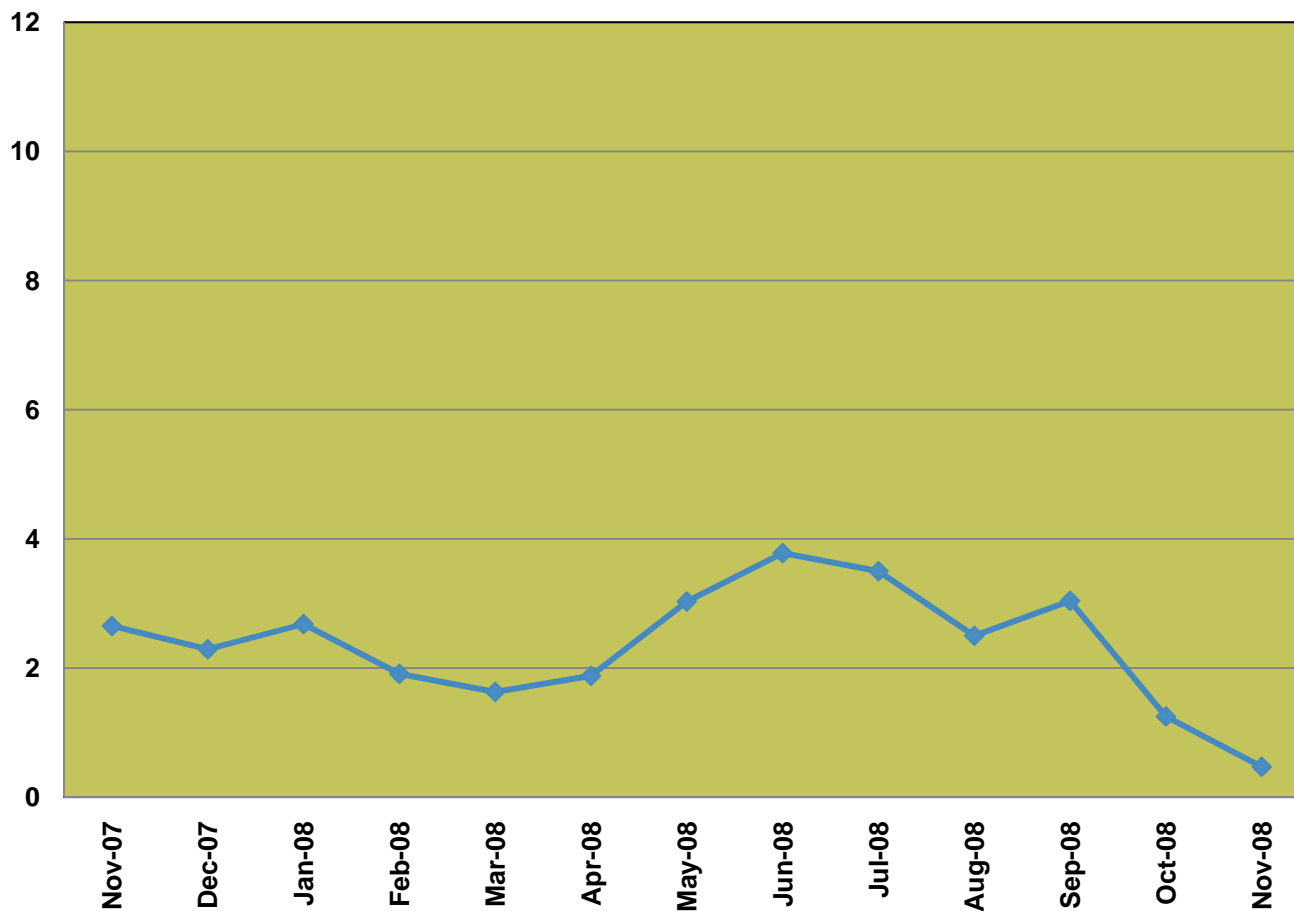
This is the second month in a row a new low was reached.

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 first time the ratio has been below one. Twice as many respondents expect conditions to worsen than to improve in the near term.

Business Conditions - Trends

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



Business Conditions – Current Results

Order Backlogs

In the past 30 days:

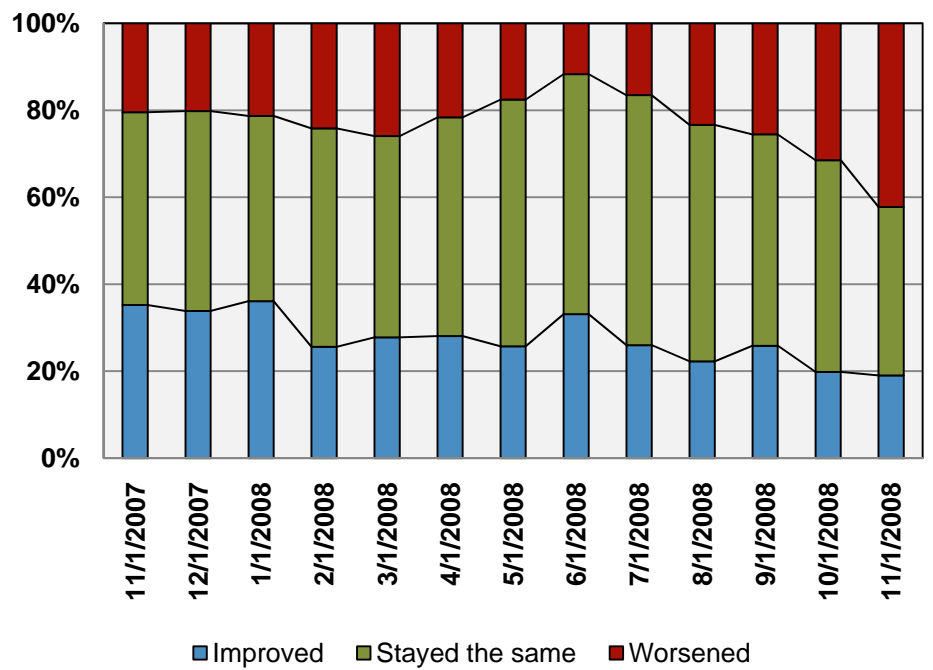
The percentage of respondents who reported an improvement in backlogs decreased to 19% from 20%. The percentage reporting lower backlogs increased to 42% from 31%.

In the next 60 days:

The percentage of respondents who indicated expectations of higher backlogs decreased to 25% from 30%. The “Will Worsen” percentage rose significantly to 36% from 23%.

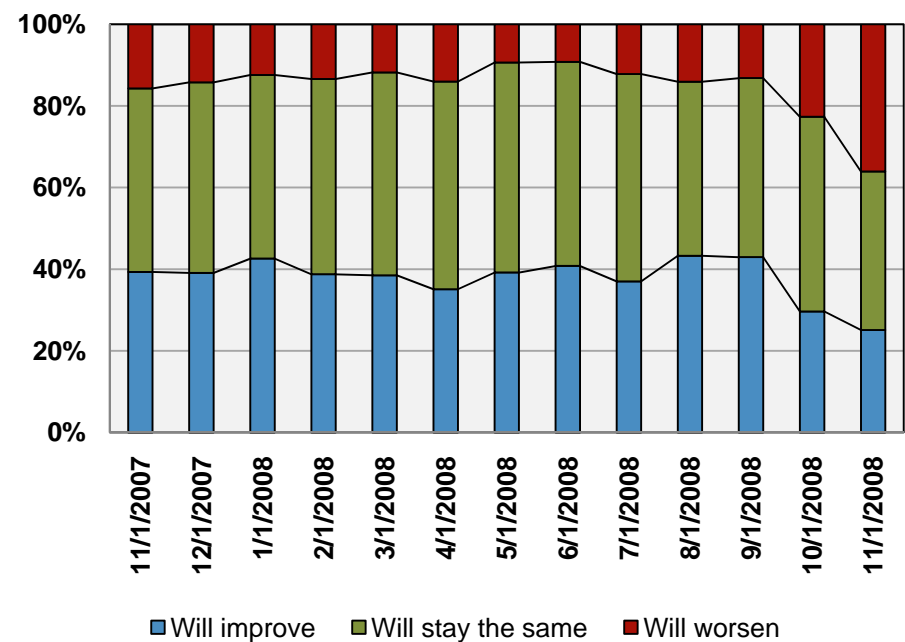
The responses are consistent with the responses related to general business conditions. Although the rate of decrease for conditions improving has slowed, those who say conditions will worsen has accelerated. Both indicators, past and future, are at all-time lows.

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:

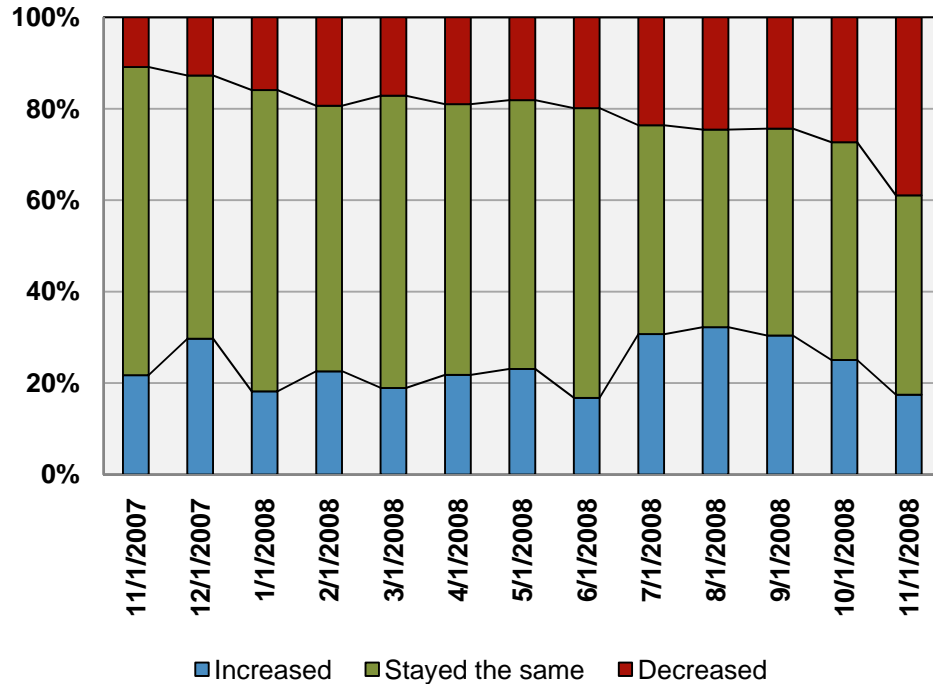
The percentage of respondents committing more on capital equipment decreased to 17% compared to the 25% reported last month. The percentage that committed less on capital increased to 39% from 27%.

In the next 60 days:

The percentage of respondents who said they plan to commit more for capital assets in the next 60 days decreased to 18% from 25%. The percentage who expected to commit less rose to 40% from 26% reported last month.

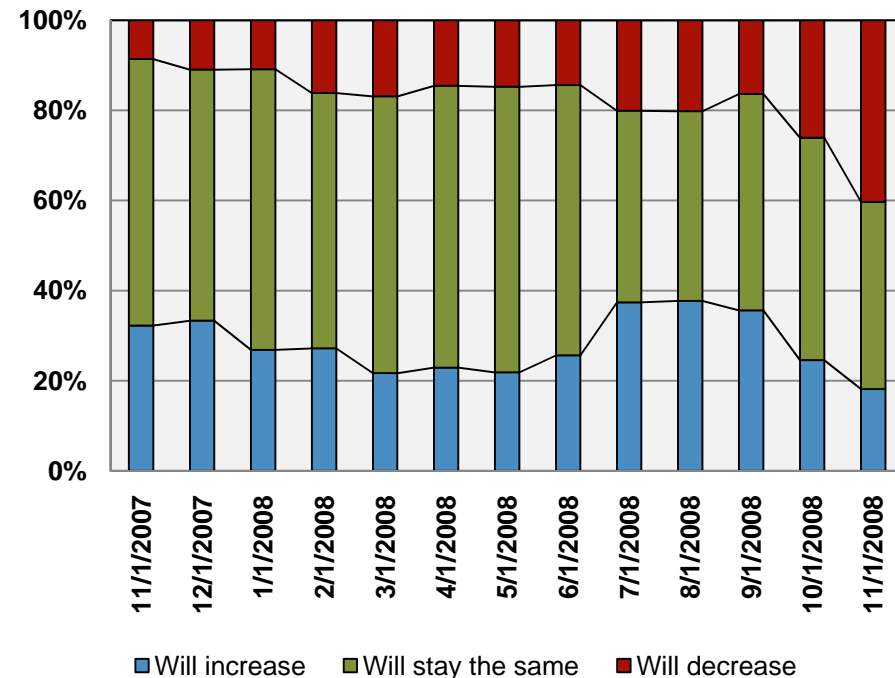
The “CapEx” results show the extent of concern about the economy, and this indicator also has implications for much of the technology sector that depends on new commitments and upgrades from business customers.

Business Conditions – Trends



Past 30 Days

Capital Expenditure Commitments Analysis



Next 60 Days

Business Conditions – Current Results

Employment

In the past 30 days:

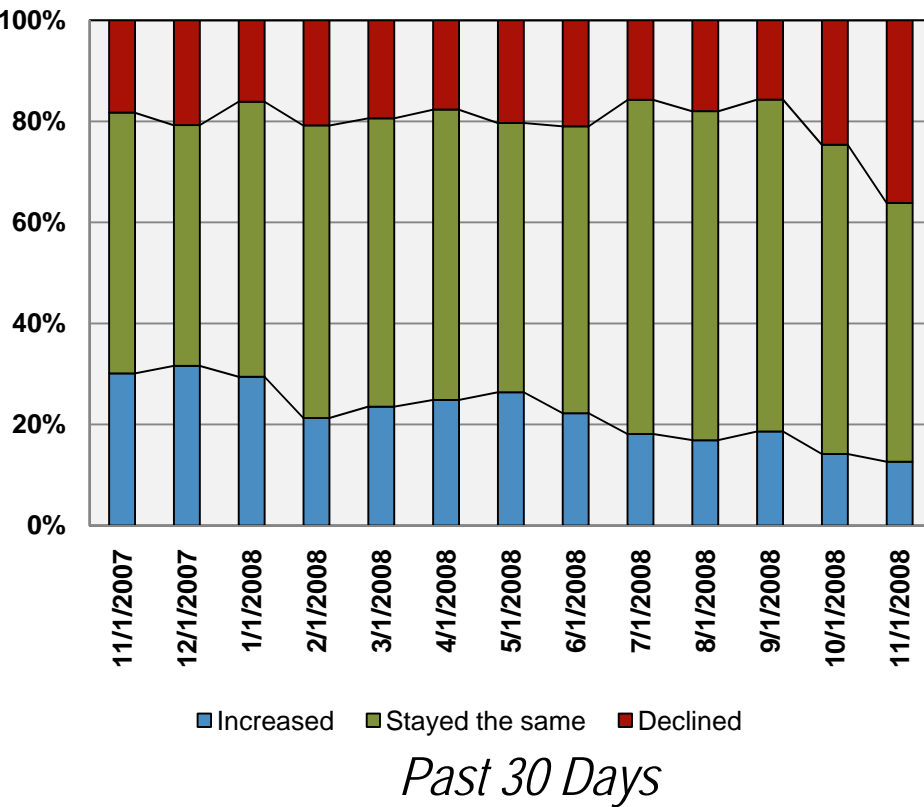
The percentage of respondents hiring more workers decreased to 13% from 14%. The percentage that indicated they did less hiring rose to 36% from 25% last month.

In the next 60 days:

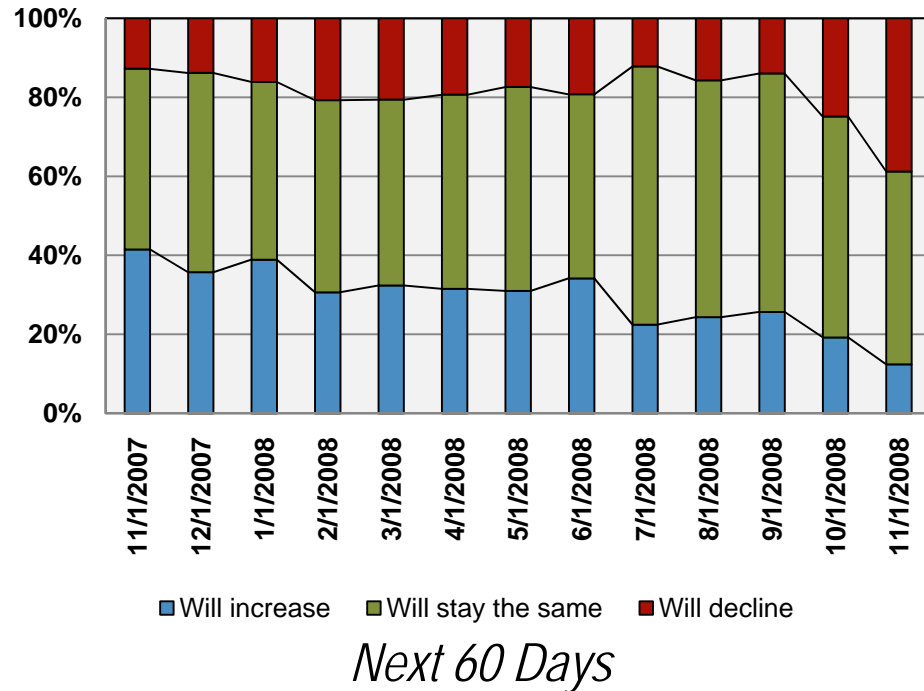
The percentage indicating they plan to increase hiring dropped to 12% compared to 19% reported last month. The percentage who expect to reduce hiring shot up to 39% from 25%.

The outlook for employment is grim, and this has implications on expectations for consumer spending, suggesting that the downward spiral in the economy is likely to last several months.

Business Conditions – Trends



Employment Analysis



Business Conditions – Current Results

Capital Availability and Pricing

The past 30 days:

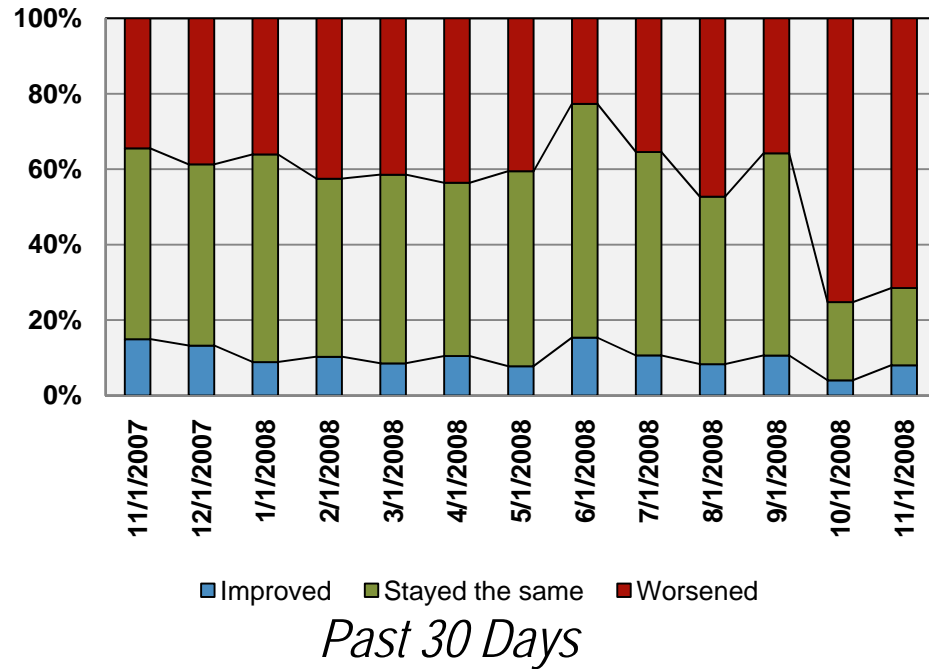
The percentage of respondents indicating an improvement increased to 8% compared to 4% from last month. The percentage who indicated conditions worsened decreased to 72% from 75%.

In the next 60 days:

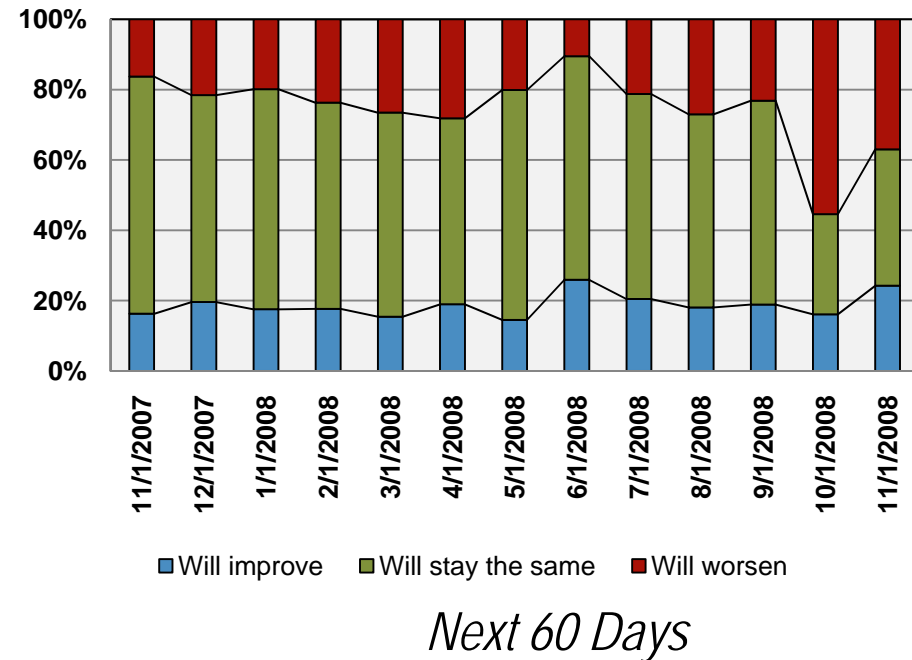
The percentage of the respondents who expect improvement in financing conditions in the next 60 days increased to 24% from 16%. The percentage saying conditions will get worse decreased to 37% from 55%.

This, the only positive area of the Survey, will seem curious to some readers. The financial market turmoil related to sub-prime mortgages actually began in August of 2007, then went through a period when conditions seemed to stabilize. Behind the scenes, Treasury and banking regulators were very concerned. In September of 2008, confidence plummeted when credit default swaps defaulted, AIG was bailed, Lehman went under, Merrill and Chase joined in a shotgun engagement and credit around the world froze. As of October 1, the world's financial system was threatened with potential melt-down. As of November 1, the earlier near-panic had stabilized due largely to coordinated government intervention. The November Survey "improvement" only suggests that the financial system seems to have pulled back from the brink of collapse reflected in October's Survey.

Business Conditions – Trends



Capital Availability / Pricing Analysis



Survey Participation Demographics – Industry

Manufacturing/Processing	23%
Service	21%
Technology	15%
Healthcare	11%
Financial	6%
Wholesale	5%
Construction	4%
Bio-Tech/Life Sciences	3%
Retail	3%
Transportation	3%
Other	6%

Survey Participation Demographics - Markets/Regions

Primary Geographic Markets

<i>Local</i>	<i>13%</i>
<i>Regional</i>	<i>20%</i>
<i>National</i>	<i>38%</i>
<i>International</i>	<i>29%</i>

Geographic Regions Represented (Total of 326 Responses)

<i>Northeast</i>	<i>16%</i>
<i>Southeast</i>	<i>24%</i>
<i>Midwest</i>	<i>15%</i>
<i>Southwest</i>	<i>19%</i>
<i>Pacific</i>	<i>26%</i>

Survey Participation Demographic Summary

The following are on relative scales from our respondents:

Regions:

Least weak – Midwest & Southwest

Weakest – Northeast & Pacific

Markets Served:

Least weak – No difference

Weakest – No difference

Industries*:

Least weak – Financial

Weakest – Wholesale

* With statistically significant participation

Company Size:

Least weak – Pre-Revenue & Small

Weakest – Mid-Market

Survey of Business Conditions

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