



Survey of Business Conditions

10.01.2008

Tatum Survey of Business Conditions Summary

As of October 1, the Tatum Index of Business Conditions dropped to its lowest point in the history of the survey. For the month it was at .9 compared to 2.0 last month. The ratio of “Improved-to-Worsen” for the last 30 days decreased from 1.0 to .5, while the comparable ratio for the next 60 days decreased from 3.0 to 1.3.

EVERY indicator worsened for the month. The 60 day outlook is equally as bleak.

Based on the results of this month's survey there is no doubt that the U.S. economy has entered into a period of recession. We have previously noted widespread weakness most of this year, with a brief uptick in the spring months. The turmoil in financial markets have shaken general confidence to the core, and the continuing credit crunch will have a direct effect on business liquidity. Passage of the "Bailout Bill" probably has prevented the situation, at least in the near term, from becoming materially more severe.

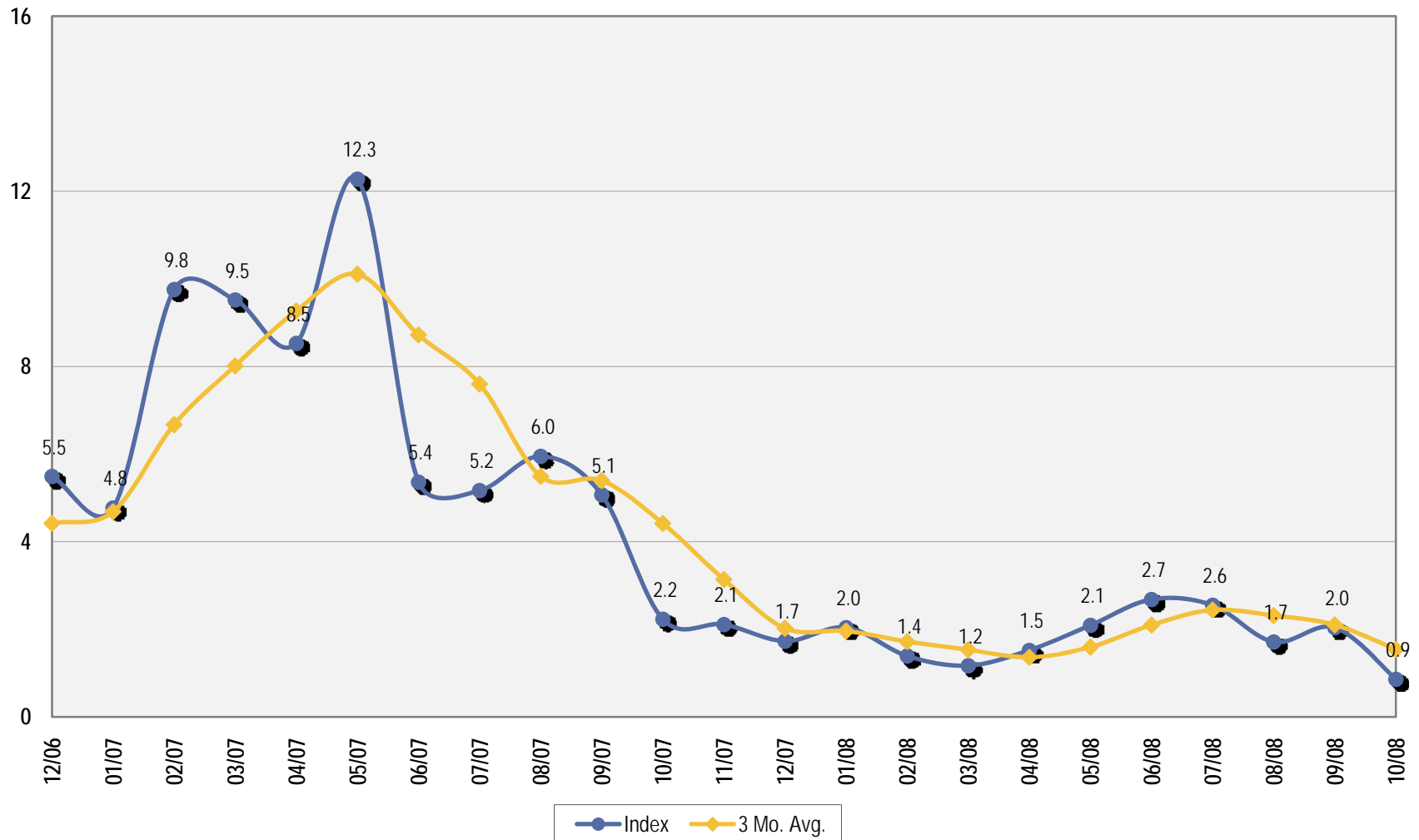
Tatum Index of Business Conditions

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 October 1st, the Tatum Index of Business Conditions dropped from 2.0 to .9, the lowest level ever. The previous low mark was set last March. The three-month moving average decreased from 2.1 to 1.5.

After appearing to have leveled off during the last several months, the index dropped significantly this month. The index was affected primarily by the more than 2 to 1 ratio of the number of responses saying business conditions worsened compared to improved during the last 30 days.

Tatum Index of Business Conditions



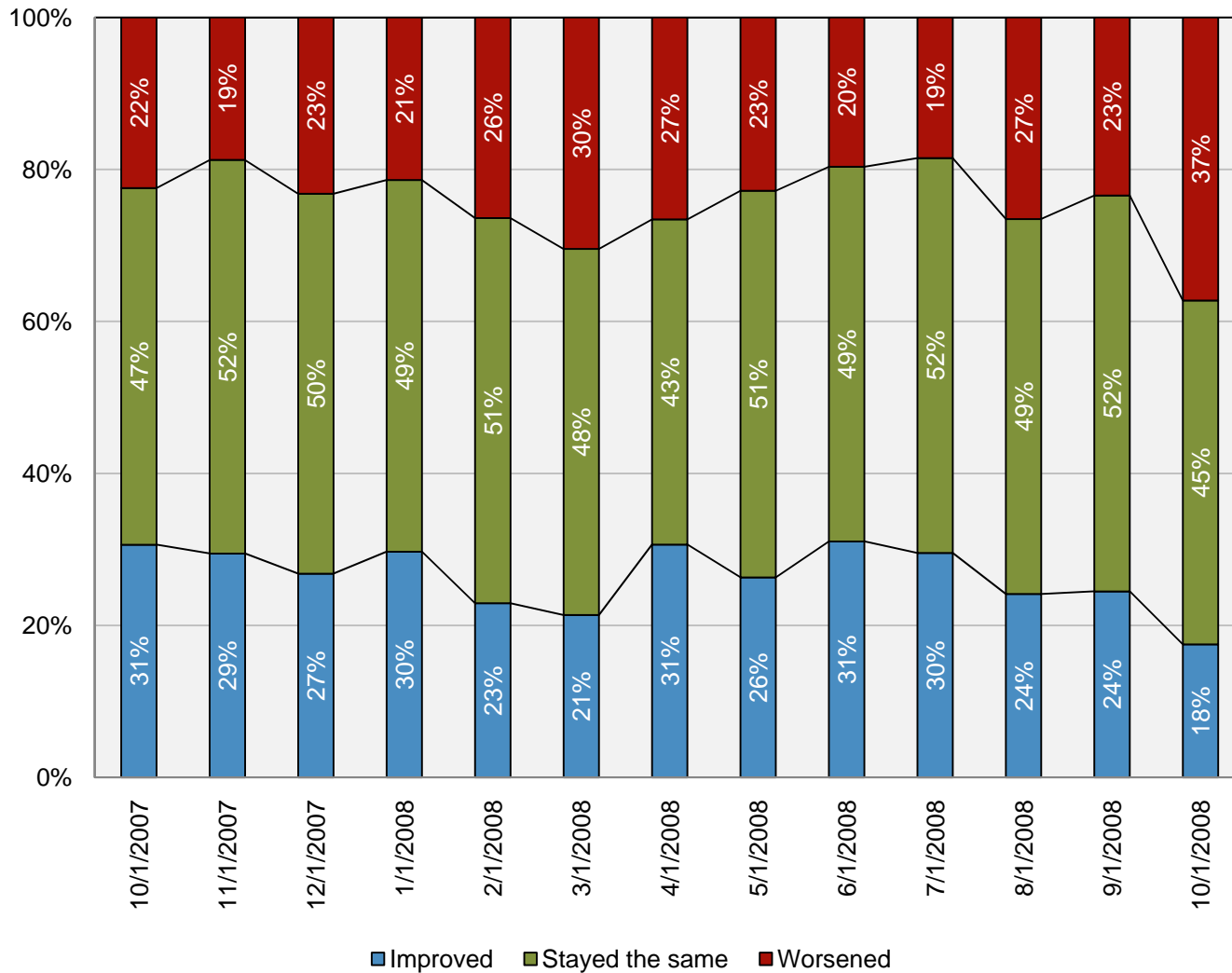
Business Conditions - Trends

In the past 30 days business conditions:

- > *Improved for 18%* of our respondents, a decrease from the 24% reported last month. This is the first time the “improved” percentage has been in the teens since the inception of the survey.
- > *Worsened for 37%* of our respondents, a sharp increase from the 23% reported last month.
- > *Stayed about the same for 45%* of our respondents compared to the 53% reported last month.

The significance of the impact of what transpired last month is clearly reflected by the fact there were more than twice the number of negative vs. positive responses this month. The percentage for conditions worsening being higher than the percentage saying conditions improved has occurred before, but never to this extent.

Business Conditions the Past 30 Days



Business Conditions - Trends

The ratio of “Improved-to-Worsened” in the last 30 days decreased from 1.0 to .5 indicating for every one response that conditions improved, there were two responses reporting business conditions worsened.

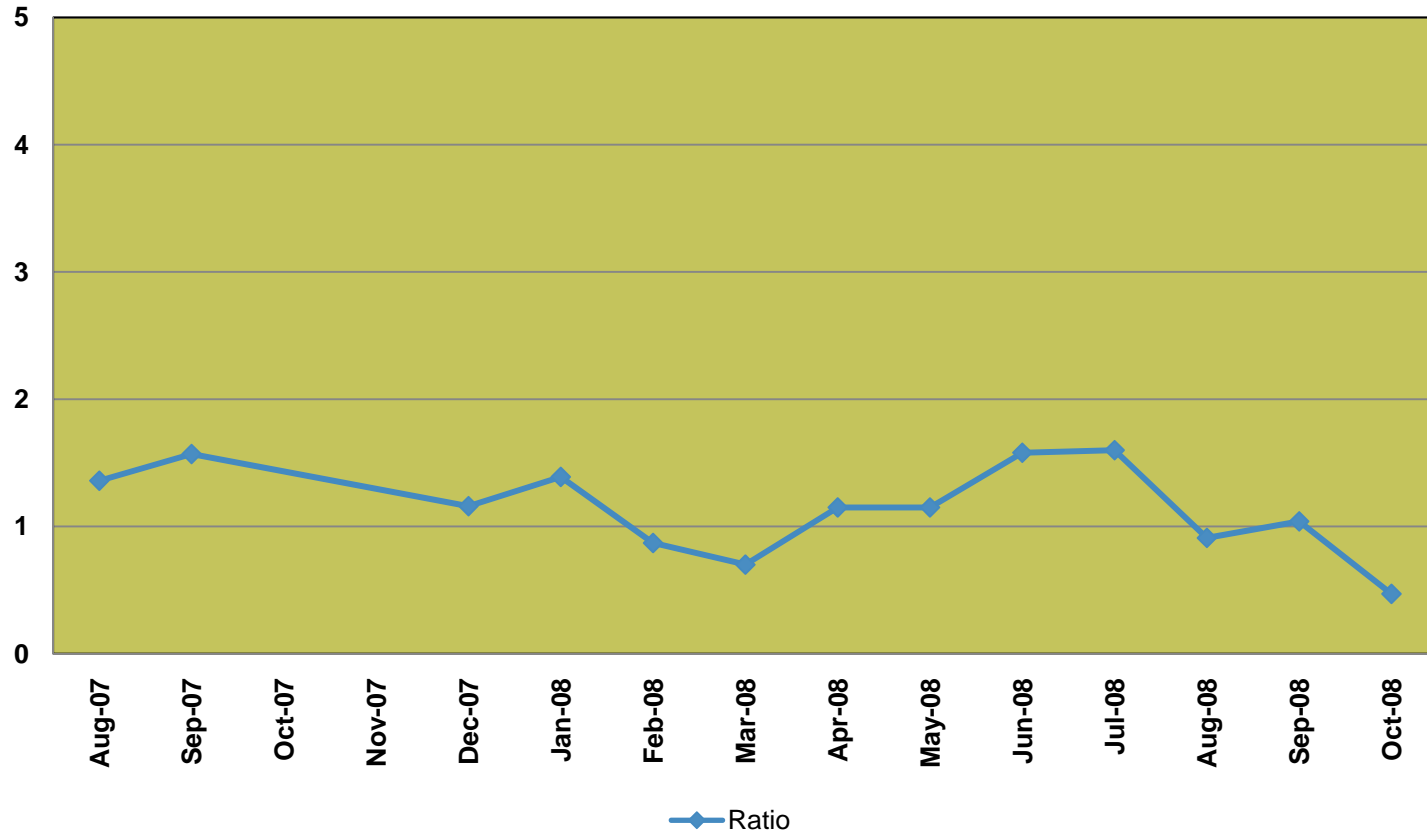
We believe that when this ratio is above 2.0, business conditions are positive. At less than 1.5, we believe conditions are potentially recessionary, and at less than 1.0 we believe the economy is very probably in a period of negative growth.

{ With the ratio now below one, we are clearly in a declining economy. }

Business Conditions - Trends

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

Total



Business Conditions - Trends

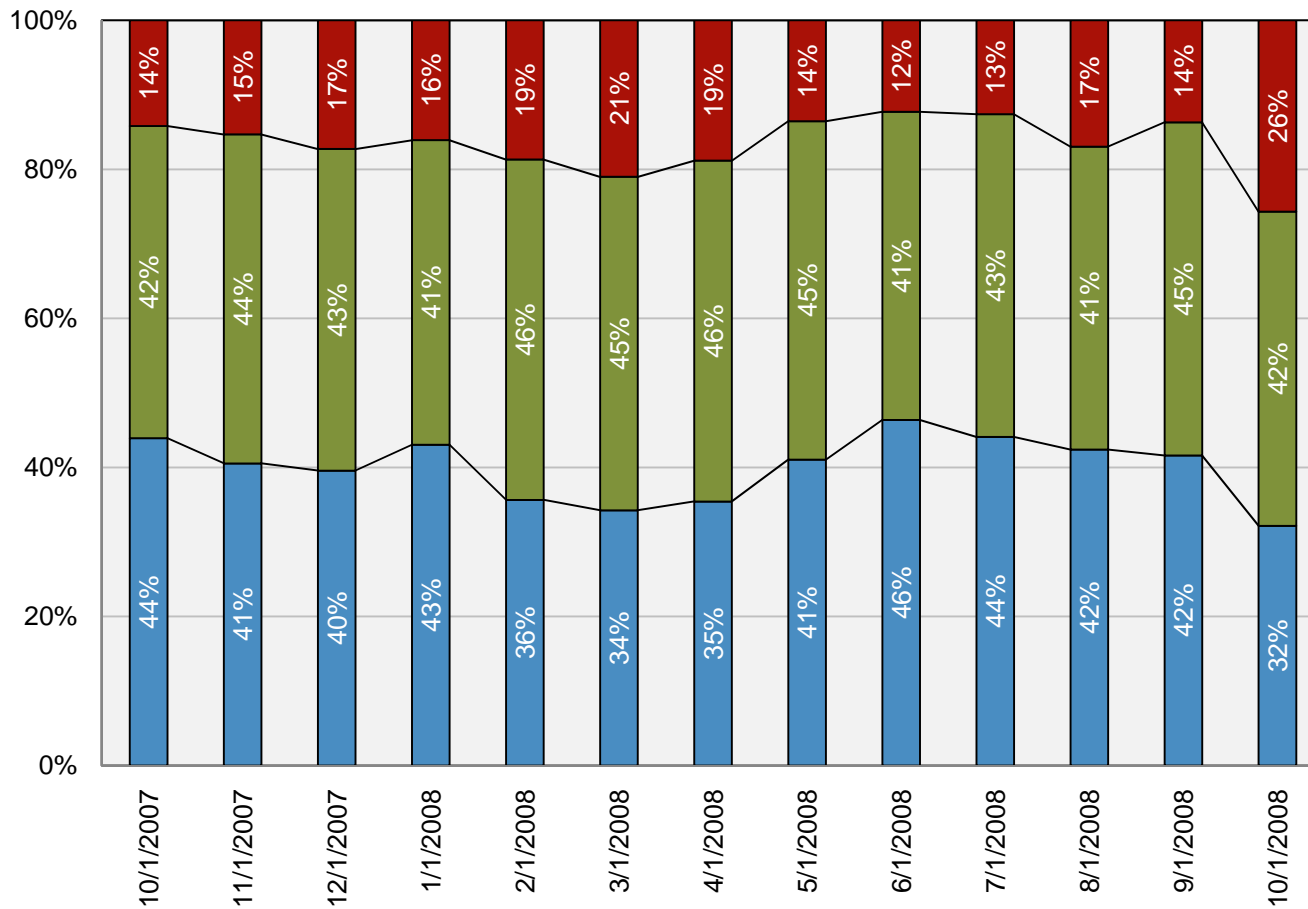
In the next 60 days, business conditions are expected:

- > *To improve for 32%* of our respondents down from the 42% reported last month.
- > *To get worse for 26%* of our respondents, almost double the 14% reported last month. This is the highest that this response has been since March of this year, when the percentage was 21%.
- > *To remain about the same for 42%* vs. 44% last month.

The 60 day outlook follows the same trend as what was reflected in the responses for the last 30 days. The immediate effect of the Bailout Bill is to support confidence; the real effects will be felt gradually over the coming months.

Business Conditions - Trends

Next 60 Days



Business Conditions - Trends

In the next 60 days:

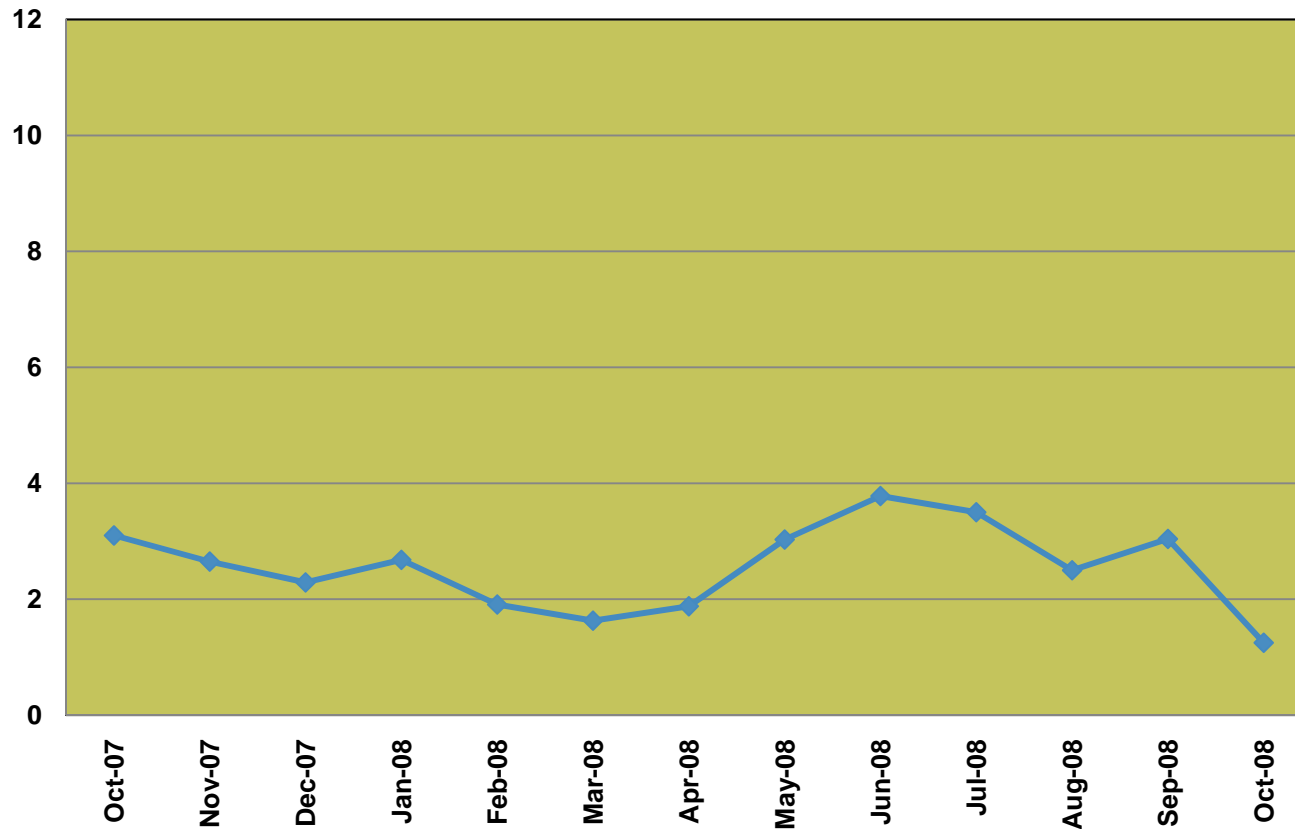
The ratio of “Will Improve” to “Will Worsen” decreased this by more than 50% and is at 1.3 vs. 3.0 reported last month. The previous low for this ratio was recorded in March of this year when the ratio was 1.6.

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.

{ The ratio was above 3 in four of the last five previous months. For the ratio to decrease so significantly shows a huge drop in confidence about the near term future. }

Business Conditions - Trends

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



Business Conditions – Current Results

Order Backlogs

In the past 30 days:

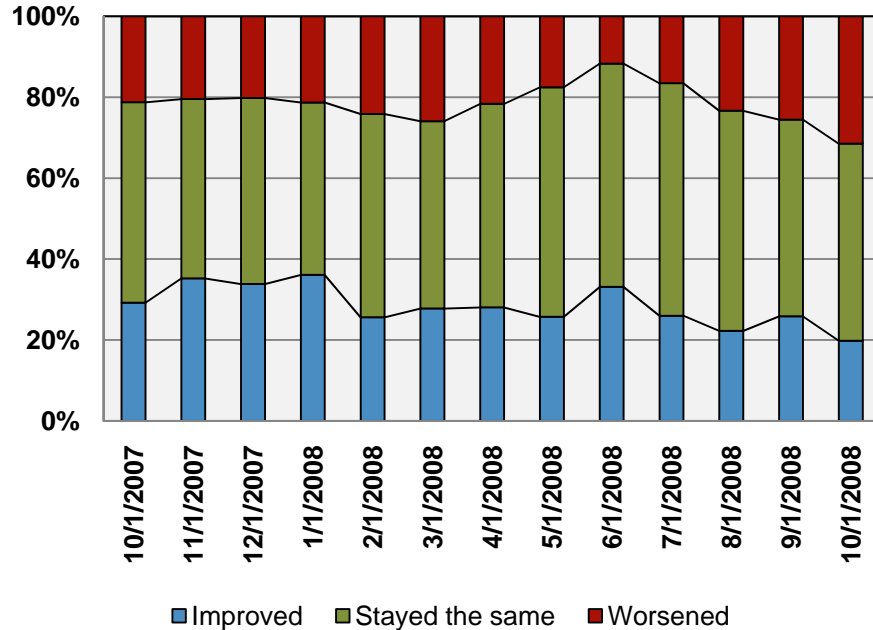
The percentage of respondents who reported an improvement in backlogs decreased to 20% from 26%. The percentage reporting lower backlogs increased to 31% from 26%.

In the next 60 days:

The percentage who indicated expectations of higher backlogs decreased to 30% from 43%. The “Will Worsen” percentage rose to 23% from 13%.

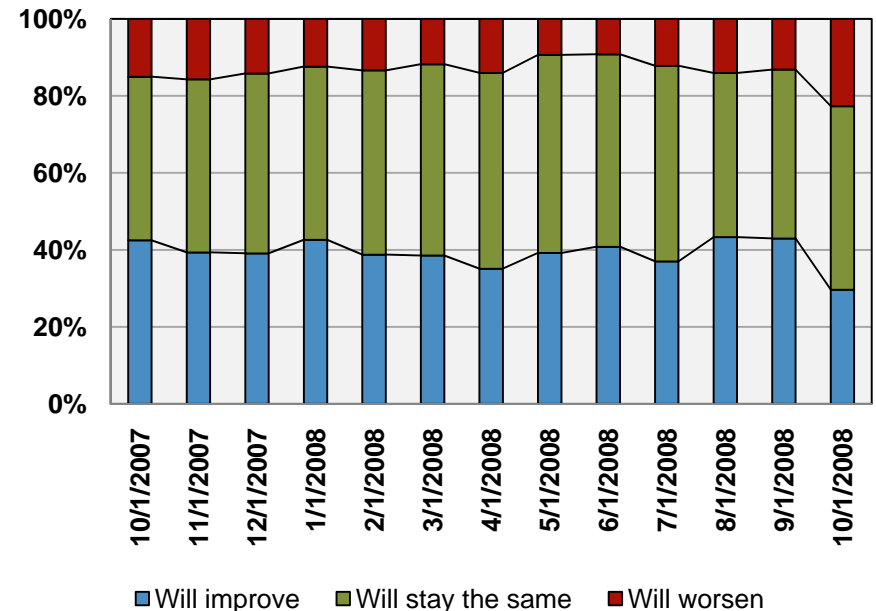
The responses are consistent with the responses related to general business conditions. Each of the indicators for the last 30 days and looking out 60 days are at their respective worst. Demand for goods and services is dropping.

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:

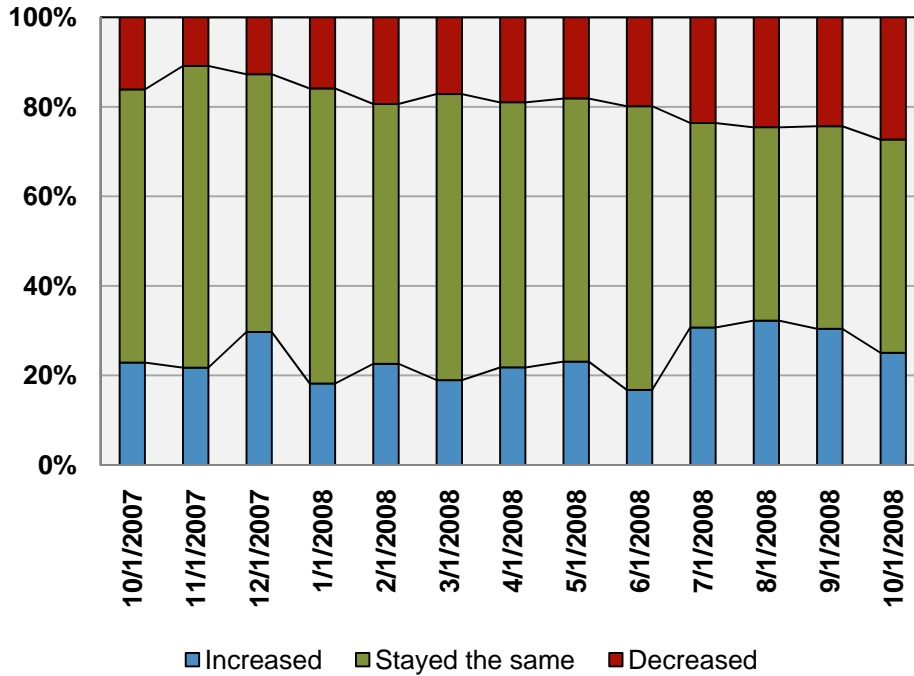
The percentage of respondents committing more on capital equipment decreased to 25% compared to the 32% reported last month. The percentage that committed less on capital increased to 27% from 24%.

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 25% from 36%. The percentage who expected to commit less rose to 26% from 16% reported last month.

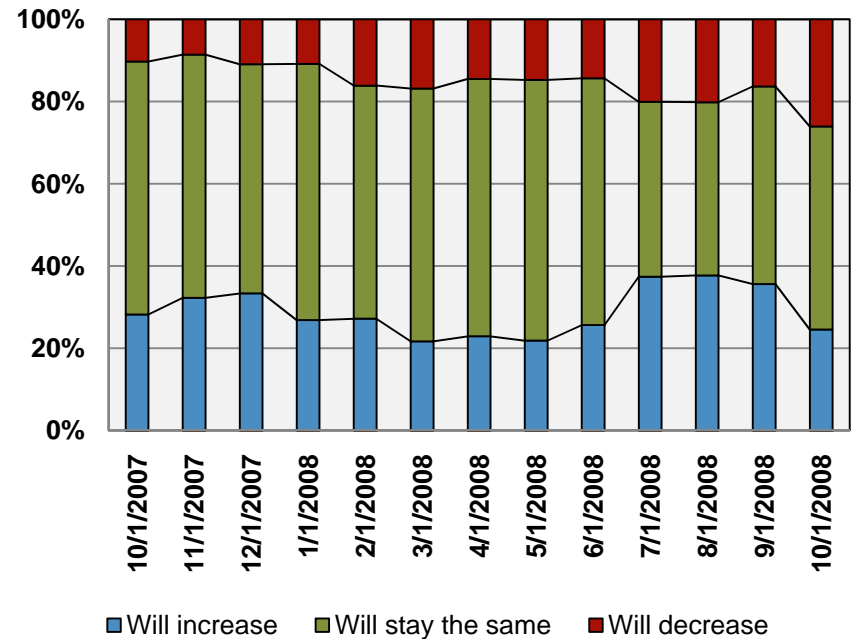
More than we have seen in the past, businesses are reducing and deferring capital expenditures, most likely as a defensive measure to maintain cash and improve liquidity, but also probably reflecting concerns about reductions in demand.

Business Conditions – Trends



Past 30 Days

Capital Expenditure Commitments Analysis



Next 60 Days

Business Conditions – Current Results

Employment

In the past 30 days:

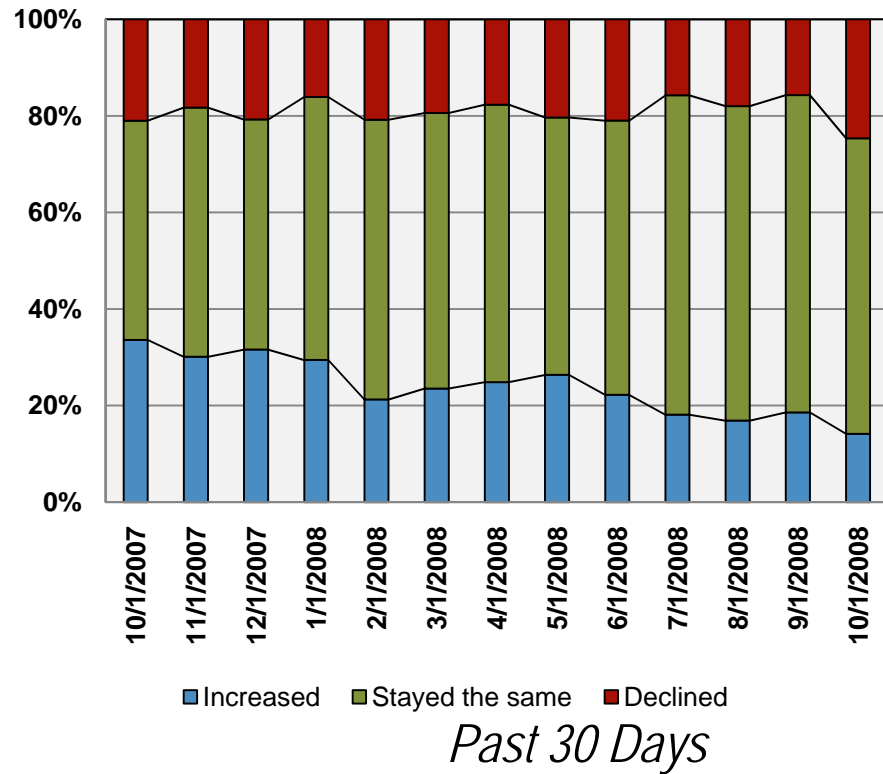
The percentage of respondents hiring more workers decreased to 14% from 19%. The percentage that indicated they did less hiring rose to 25% from 16% last month.

In the next 60 days:

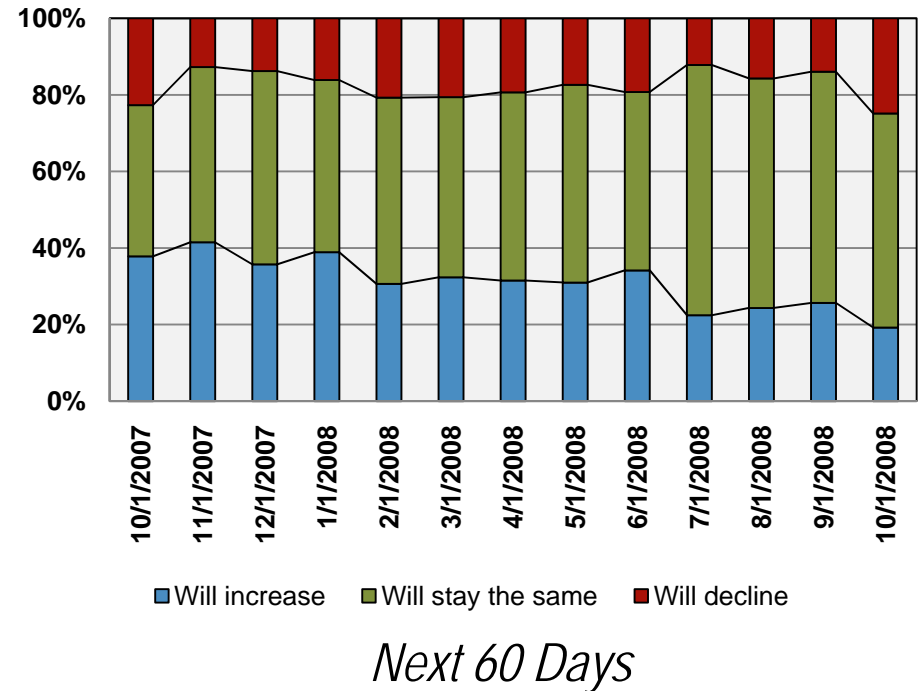
The percentage indicating they plan to increase hiring dropped to 19% compared to 26% reported last month. The percentage who expect to reduce hiring shot up to 25% from 14%.

This is another instance where every indicator to a question is at the lowest/worst level for the last 13 months. For the first time since the inception of the survey, the percentage of responses indicating that there will be an improvement in hiring during the next 60 days is in the teens. Businesses are concerned about the future and are minimizing new hiring.

Business Conditions – Trends



Employment Analysis



Business Conditions – Current Results

Capital Availability and Pricing

The past 30 days:

The percentage of respondents indicating an improvement decreased to 4% compared to 11% from last month. The percentage who indicated conditions worsened leaped to 75% from 36%.

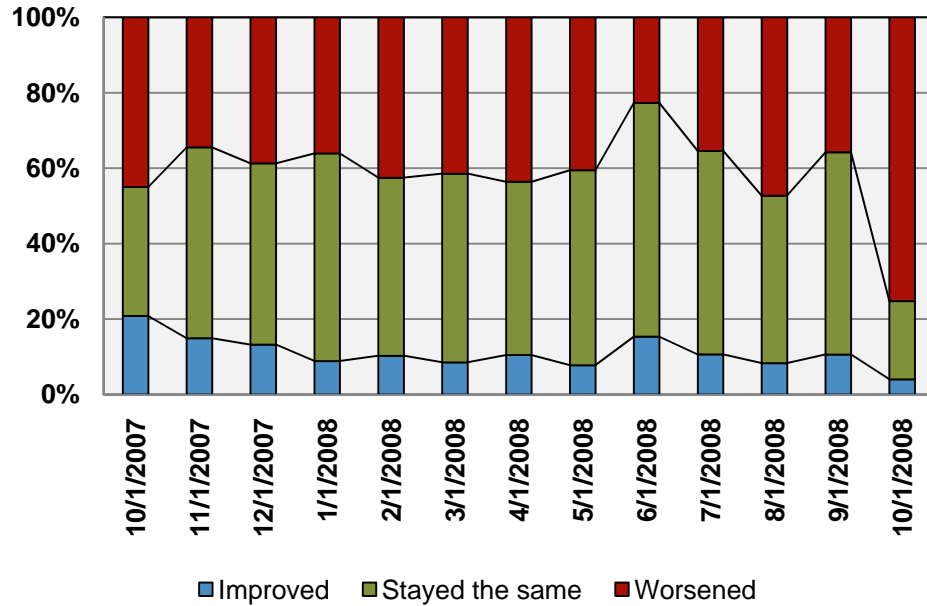
In the next 60 days:

The percentage of the respondents who expect improvement in financing conditions in the next 60 days decreased to 16% from 19%. The percentage saying conditions will get worse increased more than 100 fold increasing to 55% from 23%.

The percentages related to conditions having worsened or will worsen are at all time negative records. This is a reflection at the business level of what is going on in the banks nationwide and on Wall Street.

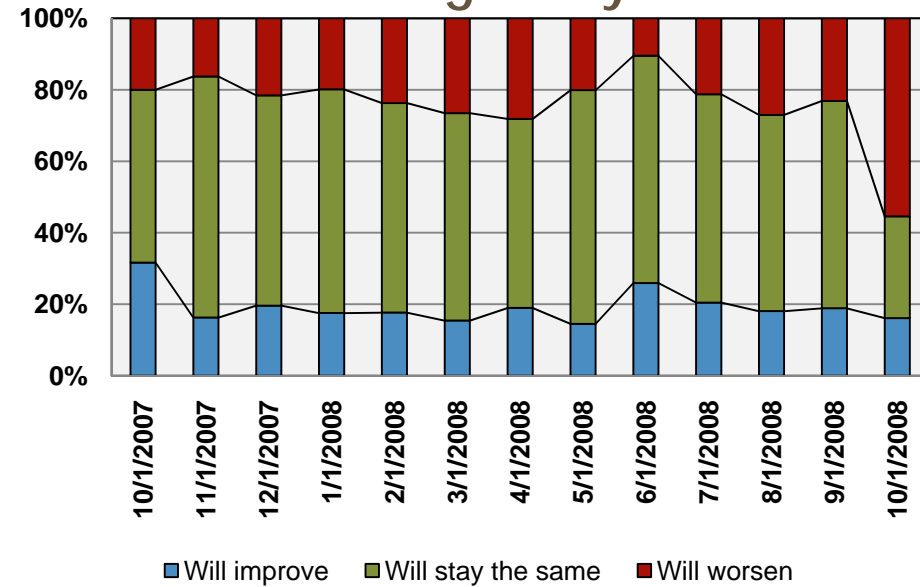
Our responders are clearly saying tight capital and the increase in borrowing costs are a tremendous concern to them. The lack of credit availability is a significant factor.

Business Conditions – Trends



Past 30 Days

Capital Availability / Pricing Analysis



Next 60 Days

Survey Participation Demographics – Industry

Manufacturing/Processing	22%
Service	21%
Technology	15%
Healthcare	13%
Financial	7%
Wholesale	5%
Construction	4%
Bio-Tech/Life Sciences	3%
Retail	3%
Transportation	2%
Other	5%

Survey Participation Demographics - Markets/Regions

Primary Geographic Markets

<i>Local</i>	<i>13%</i>
<i>Regional</i>	<i>23%</i>
<i>National</i>	<i>37%</i>
<i>International</i>	<i>27%</i>

Geographic Regions Represented (Total of 400 Responses)

<i>Northeast</i>	<i>14%</i>
<i>Southeast</i>	<i>25%</i>
<i>Midwest</i>	<i>16%</i>
<i>Southwest</i>	<i>20%</i>
<i>Pacific</i>	<i>25%</i>

Survey Participation Demographic Summary

The following are on relative scales from our respondents:

Regions:

Strongest – Southwest/Pacific

Weakest – Southeast/Northeast

Industries*:

Strongest – Manufacturing / Service

Weakest – Financial / Wholesale

* With statistically significant participation

Markets Served:

Strongest – International / National

Weakest – Regional

Company Size:

Strongest – Pre-Revenue / Small

Weakest – Mid-Market

Survey of Business Conditions

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