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The Tatum Survey of Business Conditions

As of October 1, 2009

Introduction

Tatum conducts a monthly survey of its executives and consulting professionals regarding current business and economic conditions. The survey looks back at the past 30 days and forward to the next 60 days. With our executives and consulting professionals serving a broad base of industries in every geographic region of the United States, the Tatum Survey of Business Conditions takes a representative pulse of economic activity at the first day of every month. Results are published the first week of each month at www.TatumLLC.com.

Arrows are used in this report to illustrate at a glance the direction of the indicators for the 30 prior days and the next 60 days (see legend at the end of this document).

Summary as of October 1, 2009

A look back at the past 30 days suggests some continued progress in the recovery. However, the look ahead for the next 60 days indicates a cloud of caution. The good news this month is in the outlook for employment (fewer reductions) and capital expenditures (higher commitments). The bad news is in the outlook for backlogs (lower) and financial capital markets (more challenging).

Index of Business Conditions

Tatum's **Index of Business Conditions** combines elements of the past 30 days and the next 60 days into one number, summarizing our view of the current overall trend. The current month's index moved down as the effect of the cautious outlook exceeded the effect of the positive past 30 days. This may prove to be just a temporary blip in an otherwise positive trend, as occurred in August. Further, despite the drop, the Index remains at the second highest level in the past two years. To view the Tatum Index of Business Conditions, please click on **{Index of Business Conditions}**.

Order Backlogs

Order Backlogs are normally the most tangible indication of relative strength or weakness in near-term deliveries of products and services. As of October 1, order backlogs were up again in our survey. The outlook for the next 60 days, however, is negative, suggesting softness in expectations for new orders in the near term. **{More about Order Backlogs}**

Capital Expenditure Commitments

Capital Expenditure Commitments were stronger last month, and there is also a positive outlook for further gains. This is quite encouraging news and may be the reason why the Technology sector is out-

303 Peachtree Street, NE Suite 4400 Atlanta, Georgia 30308 Main ··· 404.880.1300 Fax ··· 404.880.1301 www.tatumllc.com

performing most other sectors. As there is plenty of operating capacity, the pick-up in “Cap-Ex” has to be related mainly to efficiency improvements. {More about Capital Expenditure Commitments}

Employment

Employment is improving somewhat due primarily to fewer reductions, rather than more hiring. Never-the-less we see this as positive in the indicator that typically lags changes in economic activity. {More about Employment}

Capital Availability and Pricing

While banks are trying to rebuild their capital base they are facing continued challenges in commercial real estate loans, and, therefore, they continue to be tight in credit availability. Our respondents are not seeing a positive outlook in the market for financial capital. {More about Capital Availability and Pricing}

Segments, Regions and Markets

The Technology sector continues to be the strongest among our respondents, while manufacturing (excepting exports) and real estate are the lagging sectors. Real estate is especially challenged. This month, the Southwest region reported the weakest conditions while the Northeast reported the strongest (or perhaps the least weak). Mid-sized companies serving regional markets reported the biggest challenges, suggesting the smaller companies may be benefitting from market flexibility and large businesses are surviving from market clout and scale. {More about Demographics}

We hope you found Tatum’s Commentary interesting and useful. We welcome your comments and questions. Click on {October 2009 Tatum Survey of Business Conditions} to view the complete report.

Sam Norwood, Senior Partner {link to send comments to Sam Norwood}

Glen Passin, Partner

Legend — Conditions improved or will improve — Conditions worsened or will worsen

Conditions remained about the same or will remain the same