



Survey of Business Conditions

09.01.2008

Tatum Survey of Business Conditions Summary

As of September 1, the Tatum Index of Business Conditions rose from 1.7 to 2.0, while the three-month moving average decreased to 2.1. The ratio of “Improved-to-Worsen” for the last 30 days moved up slightly from .9 to 1.0 while the comparable ratio for the next 60 days increased from 2.5 to 3.0.

Overall, the other responses remained either the same or slightly better than last month. This is consistent with the lack of any major news event.

Responses about capital availability and pricing improved noticeably during the last 30 days, but remained about the same as last month looking forward for the next 60 days. The responses related to employment were positive, but only slightly, for both time periods.

The results for the month showed a minor improvement over last month. What caused this improvement? Mostly, there wasn't any real bad news, and there was a noticeable decline in oil prices. Yet, the underlying issues that have plagued the economy—the shakeup in capital markets, the housing slump, high energy costs—remain. Until there is a minimum of several consecutive news (business and political), the results will bounce around, and remain in an overall negative range.

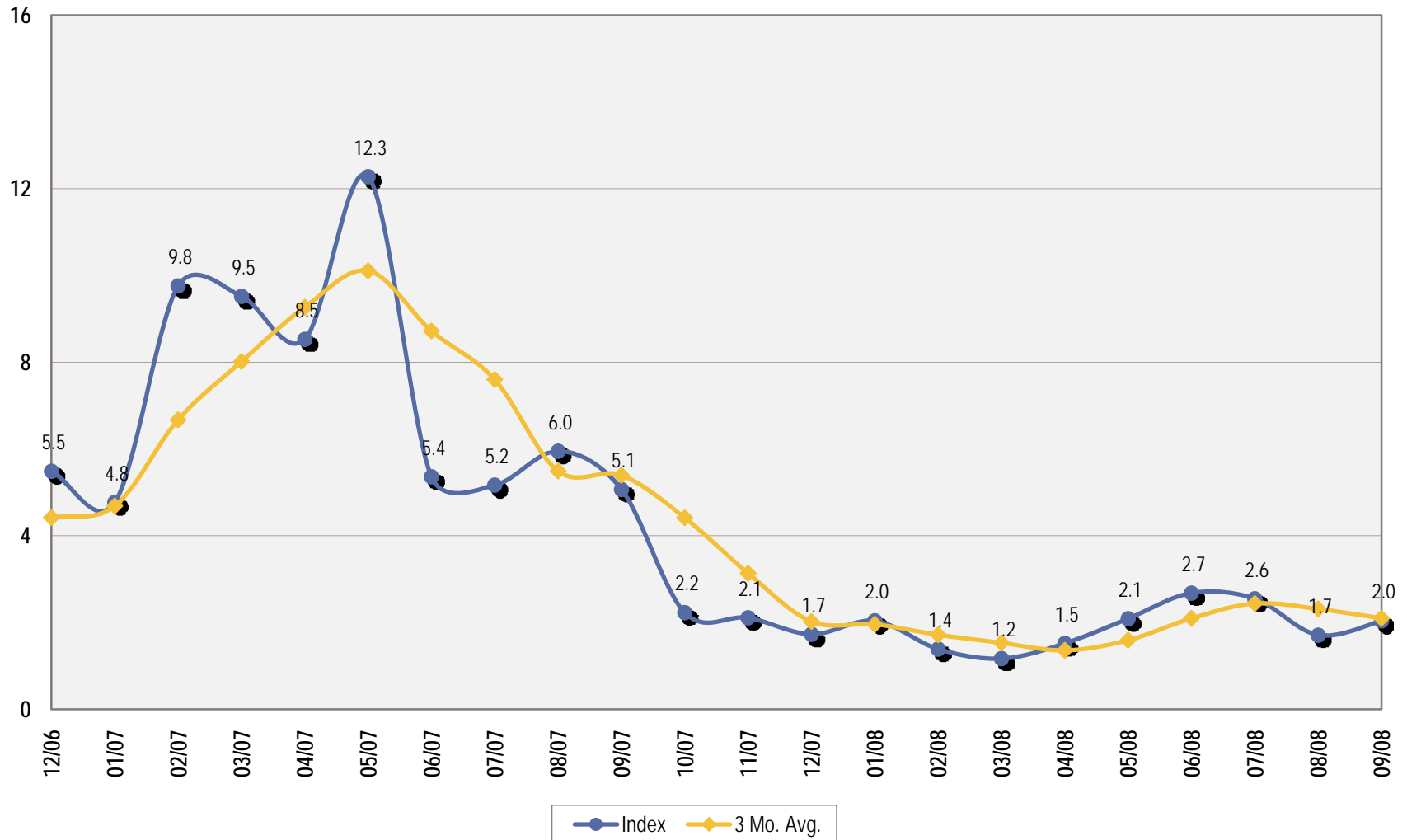
Tatum Index of Business Conditions

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 **September 1st**, the Tatum Index of Business Conditions turned around from last month and rose to 2.0. Last month it was at 1.7. However, the three-month moving average decreased to 2.1 from 2.3.

The monthly and three-month moving average indexes are converging. Although there was a minor uptick in confidence, business conditions continue to be less than robust. Until there is a conclusive change in the key fundamental conditions, the survey results will fluctuate within a small range month-to-month based on whether the current economic or political news story is positive or negative.

Tatum Index of Business Conditions



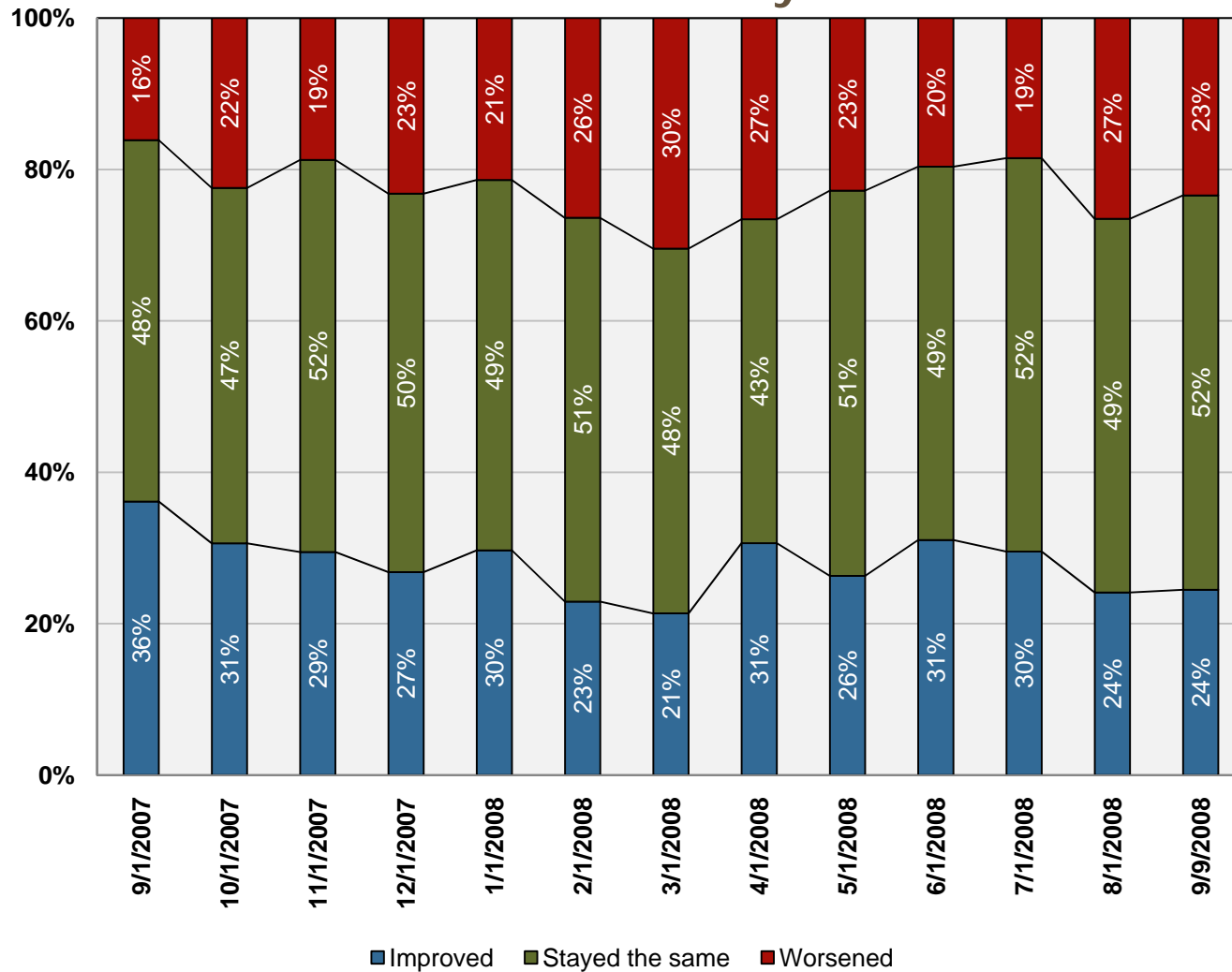
Business Conditions - Trends

In the past 30 days business conditions:

- > *Improved for 24%* of our respondents, the same as last month.
- > *Worsened for 23%* of our respondents, a decrease from the 27% reported last month.
- > *Stayed about the same for 53%* of our respondents, up from the 49% reported last month.

In a few words, there was no change from last month. The results are slightly below or exactly the same as last month. Businesses remain cautious.

Business Conditions the Past 30 Days



Business Conditions - Trends

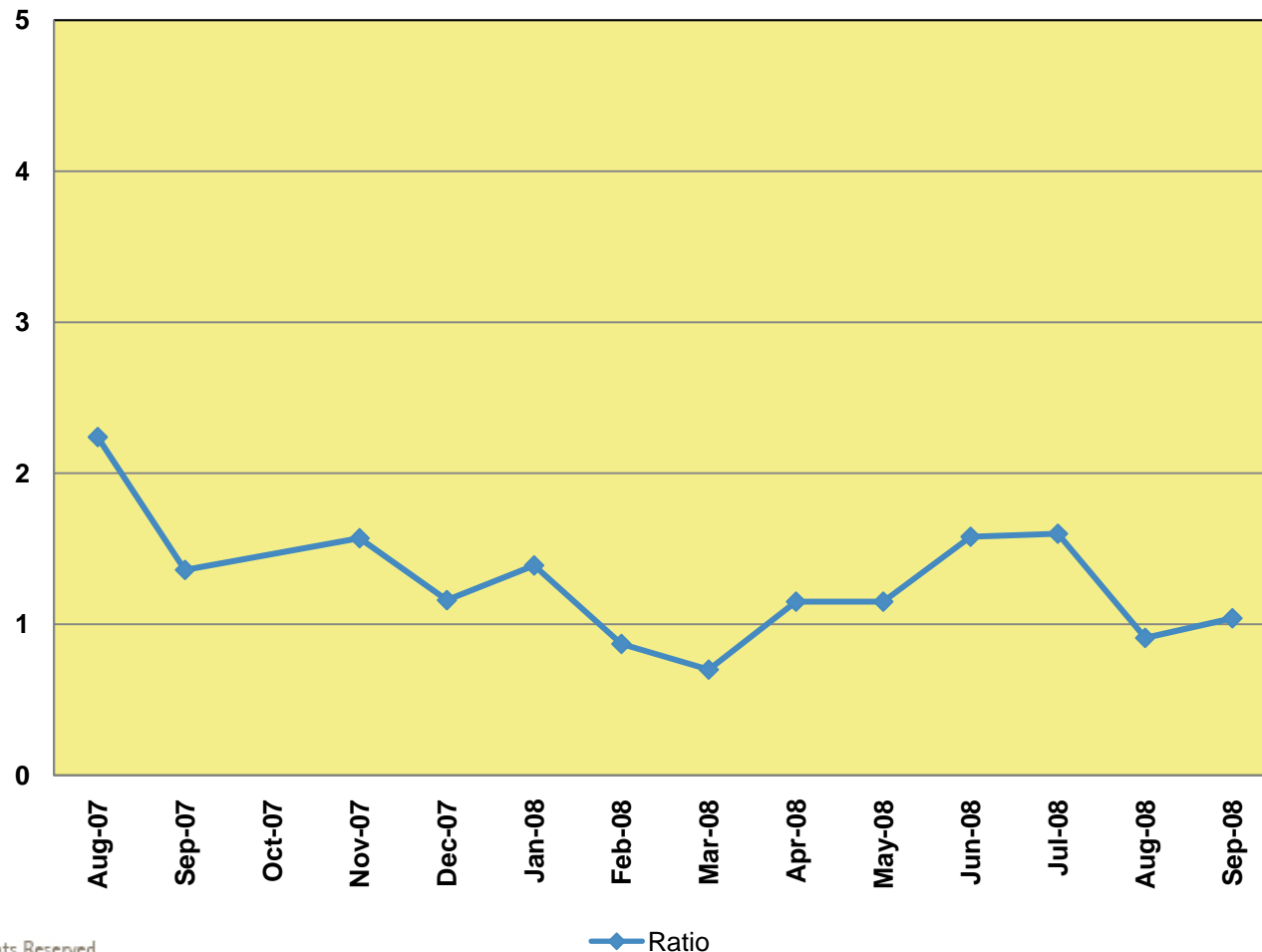
The ratio of “Improved-to-Worsened” in the last 30 days, increased slightly to 1.0 compared to .9 reported last month.

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.

Although up slightly from last month, the consensus remains subdued. We don't expect this outlook to change until there is a perceived belief that energy prices have stabilized at an acceptable level, and there is no longer negative news about banks writing down assets that puts pressure on obtaining more capital.

Business Conditions - Trends

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



Business Conditions - Trends

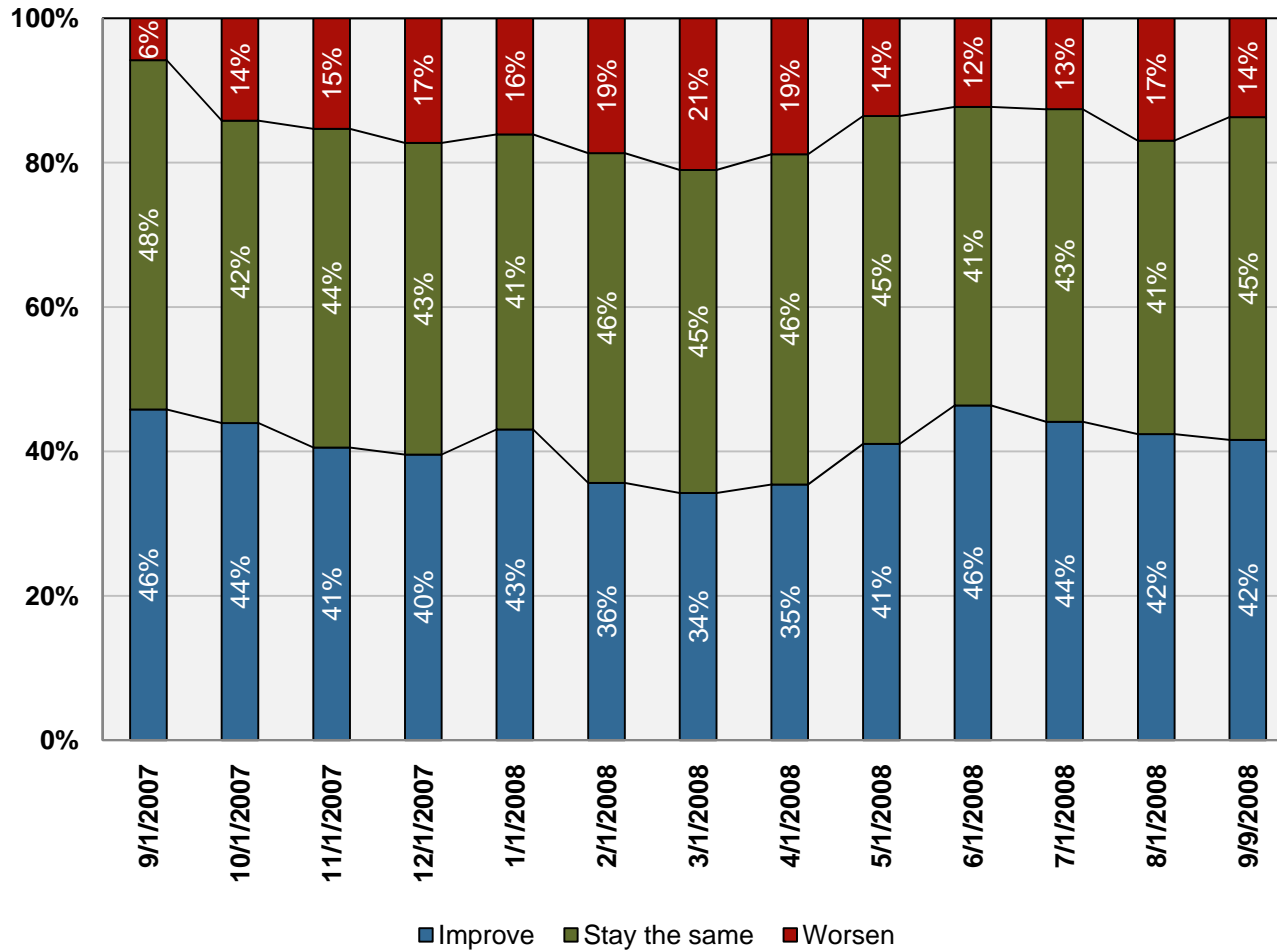
In the next 60 days, business conditions are expected:

- *To improve for 42%* of our respondents, the same as reported last month.
- *To get worse for 14%* of our respondents, a drop from the 17% reported last month.
- *To remain about the same for 44%* vs. 41% last month.

Overall there was no change from last month. Businesses need more positive news related to the capital markets stabilizing and demand for business is on a positive trend.

Business Conditions - Trends

Next 60 Days



Business Conditions - Trends

In the next 60 days:

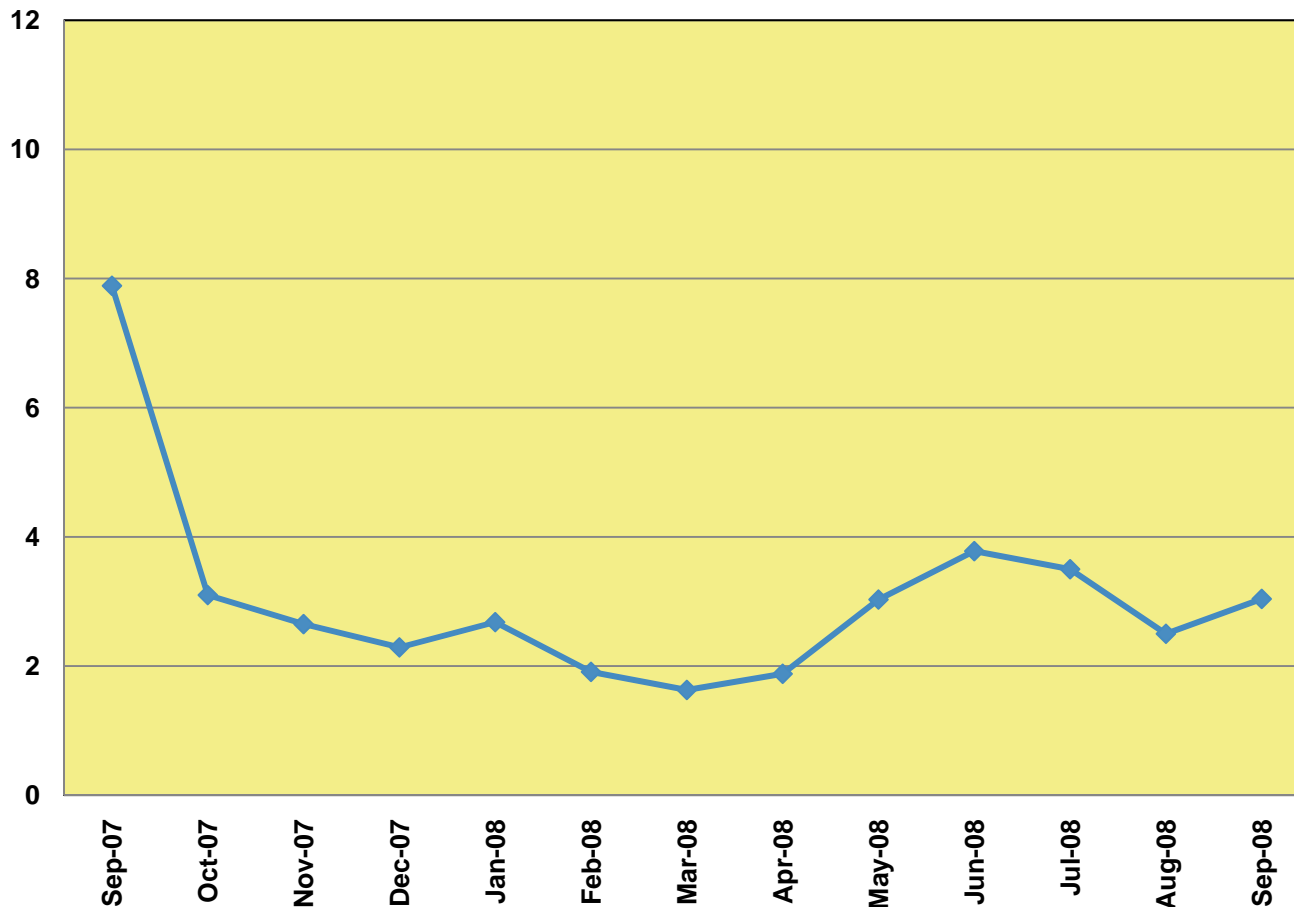
The ratio of “Will Improve” to “Will Worsen” increased to 3.0 from 2.5 reported last month.

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.

The lack of any significant negative news during the last month has tempered the responses. The fundamental negative issues remain about obtaining capital and reduced consumer and corporate demand.

Business Conditions - Trends

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



Business Conditions – Current Results

Order Backlogs

In the past 30 days:

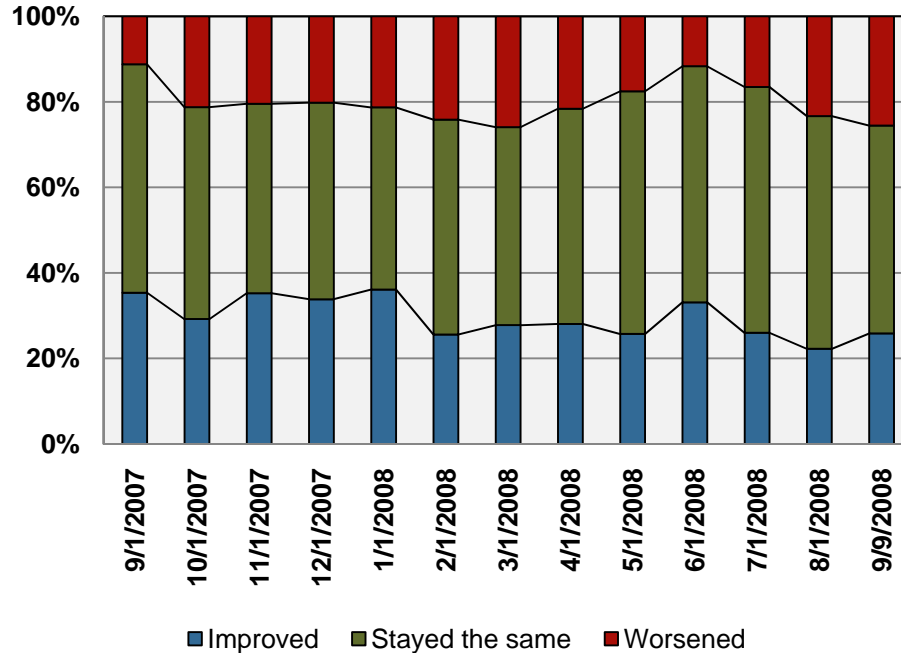
The percentage of respondents who reported an improvement in backlogs rose to 26% from 22%. The percentage reporting lower backlogs increased to 26% from 23%.

In the next 60 days:

The percentage who indicated expectations of higher backlogs remained at 43%. The “Will Worsen” percentage decreased to 13% from 14%.

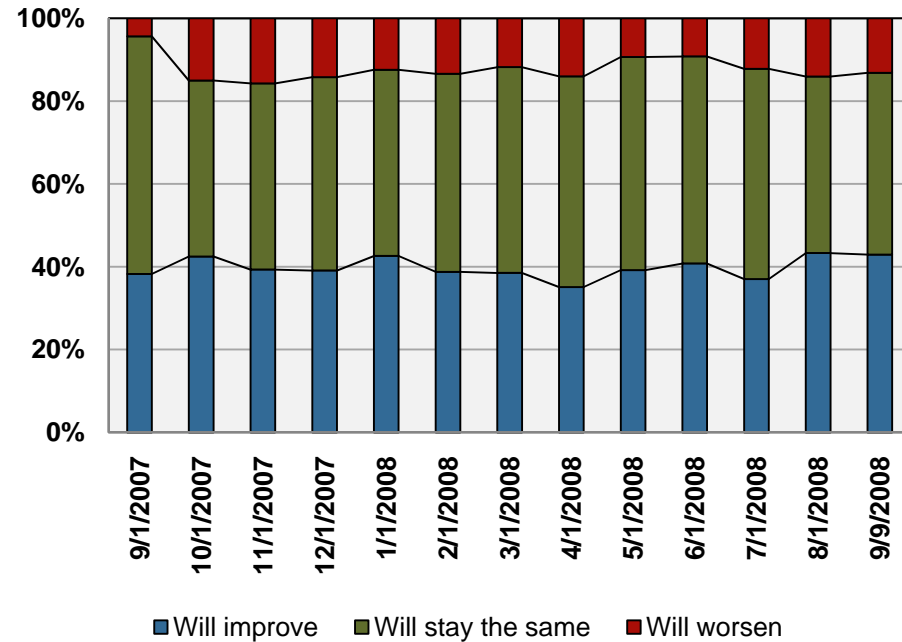
{ Backlogs remain flat. Demand remains in the doldrums. }

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:

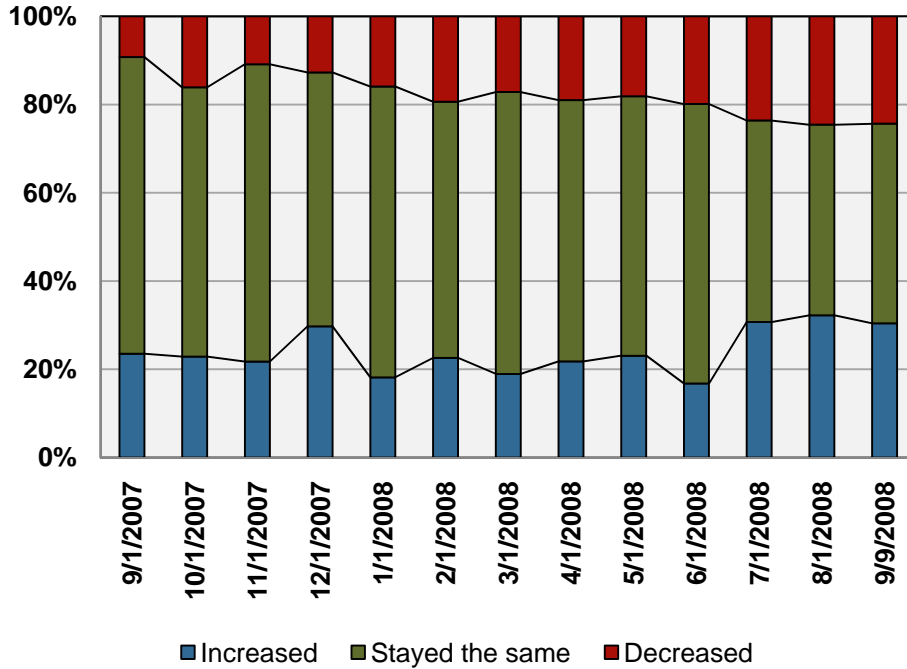
The percentage of respondents committing more on capital equipment decreased slightly to 30% from 32% reported last month. The percentage that committed less on capital also decreased slightly to 24% from 25%.

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 36% from 38%. The percentage who expected to commit less declined to 16% from 20% reported last month.

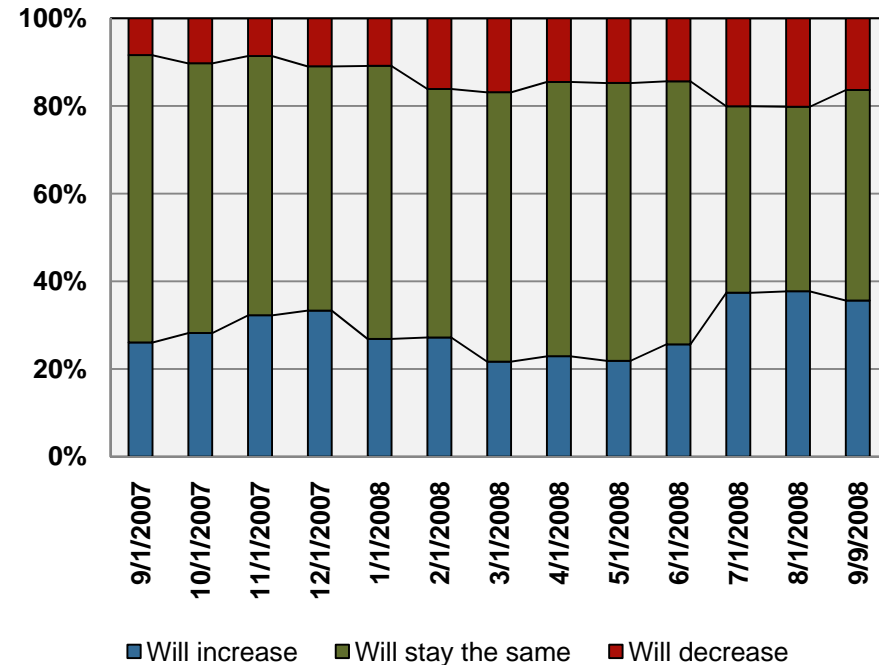
{ For the third month in a row, businesses continue to defer or cancel capital expenditures. }

Business Conditions – Trends



Past 30 Days

Capital Expenditure Commitments Analysis



Next 60 Days

Business Conditions – Current Results

Employment

In the past 30 days:

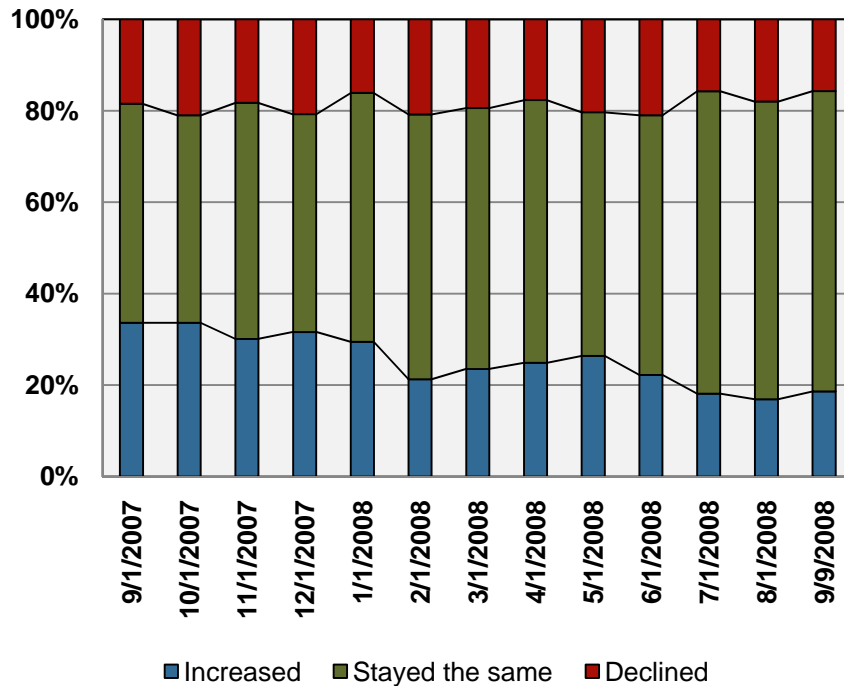
The percentage of respondents hiring more workers increased to 19% from 17%. The percentage that indicated they did less hiring decreased to 16% from 18% last month.

In the next 60 days:

The percentage indicating they plan to increase hiring rose to 26% from 24%. The percentage who expect hiring to decline decreased to 14% from 16% last month.

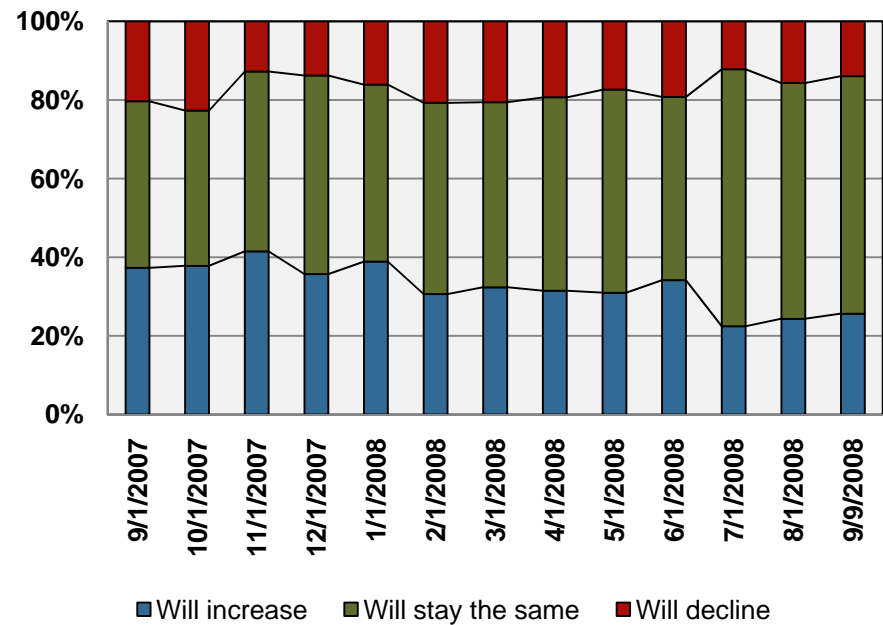
As reported with most of the other responses, there was only a slight improvement over last month. Businesses remain cautious regarding hiring new staff. They will count on some productivity improvements and increasing overtime rather than hiring new staff.

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 was 11% compared to 8% from last month. The percentage who indicated conditions worsened decreased significantly *to 36% from 47%*.

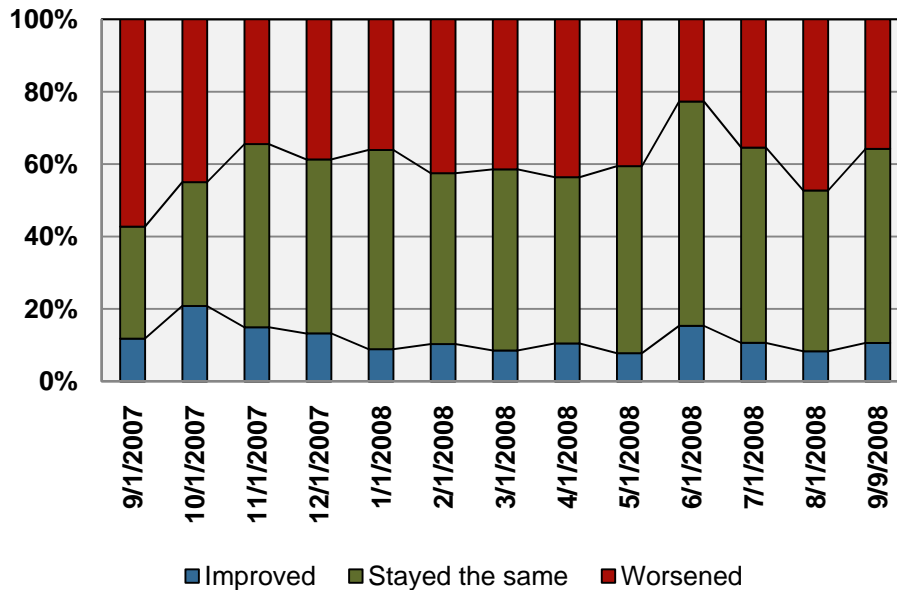
In the next 60 days:

The percentage of the respondents who expect improvement in financing conditions in the next 60 days increased to 19% from 18%. The percentage saying conditions will get worse decreased to 23% from 27%.

This is the only indicator that showed noticeable improvement from last month. Relatively, the current perception was credit was not as dear from the standpoint of availability and price as it had been in the past. Nevertheless, the outlook remains bearish.

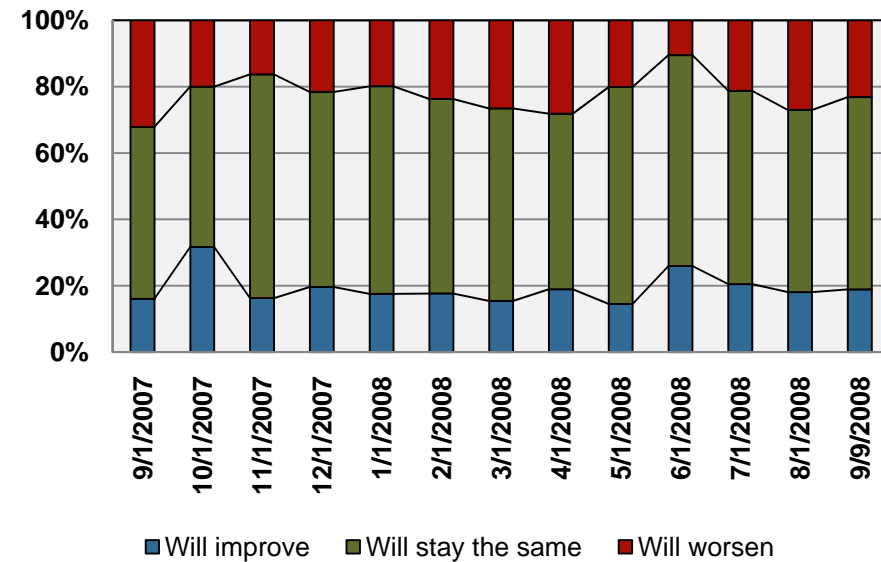
There was only a minor improvement related to the 60 day outlook. The outlook remains negative—tighter underwriting terms, higher rates and reduction in the amount a company can borrow.

Business Conditions – Trends



Past 30 Days

Capital Availability / Pricing Analysis



Next 60 Days

Survey Participation Demographics – Industry

Manufacturing/Processing	24%
Service	19%
Technology	18%
Healthcare	12%
Financial	6%
Construction	4%
Wholesale	3%
Bio-Tech/Life Sciences	3%
Real Estate	3%
Retail	3%
Other	5%

Survey Participation Demographics - Markets/Regions

Primary Geographic Markets

<i>Local</i>	11%
<i>Regional</i>	24%
<i>National</i>	34%
<i>International</i>	31%

Geographic Regions Represented (Total of 383 Responses)

<i>Northeast</i>	13%
<i>Southeast</i>	27%
<i>Midwest</i>	14%
<i>Southwest</i>	19%
<i>Pacific</i>	27%

Survey Participation Demographic Summary

The following are on relative scales from our respondents:

Regions:

Strongest – Southwest

Weakest – Southeast

Markets Served:

Strongest – Regional

Weakest – Local

Industries*:

Strongest – Technology

Weakest – Construction

* With statistically significant participation

Company Size:

Strongest – Large

Weakest – Small and Mid-Market

Survey of Business Conditions

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