



Survey of Business Conditions

05.01.2009

Tatum Survey of Business Conditions Summary

As of May 1, the Tatum Index of Business Conditions continued its steady, upward trend. This month, the Index rose to 2.29 from 1.58---the sixth month in a row the index has risen. It is above 2.00 for the first time since last August.

Significantly, all indicators in the survey looking both forward and backward, except one, improved. The one exception was the 60-day outlook regarding interest rates and capital availability, which statistically did not change.

Another indication of the depth of the improvement is the results for the month for general business conditions, order backlogs and financing conditions are now above each of their respective 13-month averages. The results for employment and capital expenditures, which improved, did not exceed their 13-month averages as they tend to lag the other indicators.

We are finding increasingly persuasive evidence in our Survey that the Recession is in a process of ending. Not only have our indicators been turning increasingly positive for the past six months (November 2008 was the low point in our Survey), but we also are seeing very mixed results in our demographic analysis, an indication of change. We believe inventory liquidation has largely run its course, the financial system is stabilizing, residential housing demand is beginning to turn up and confidence about the future is rising.

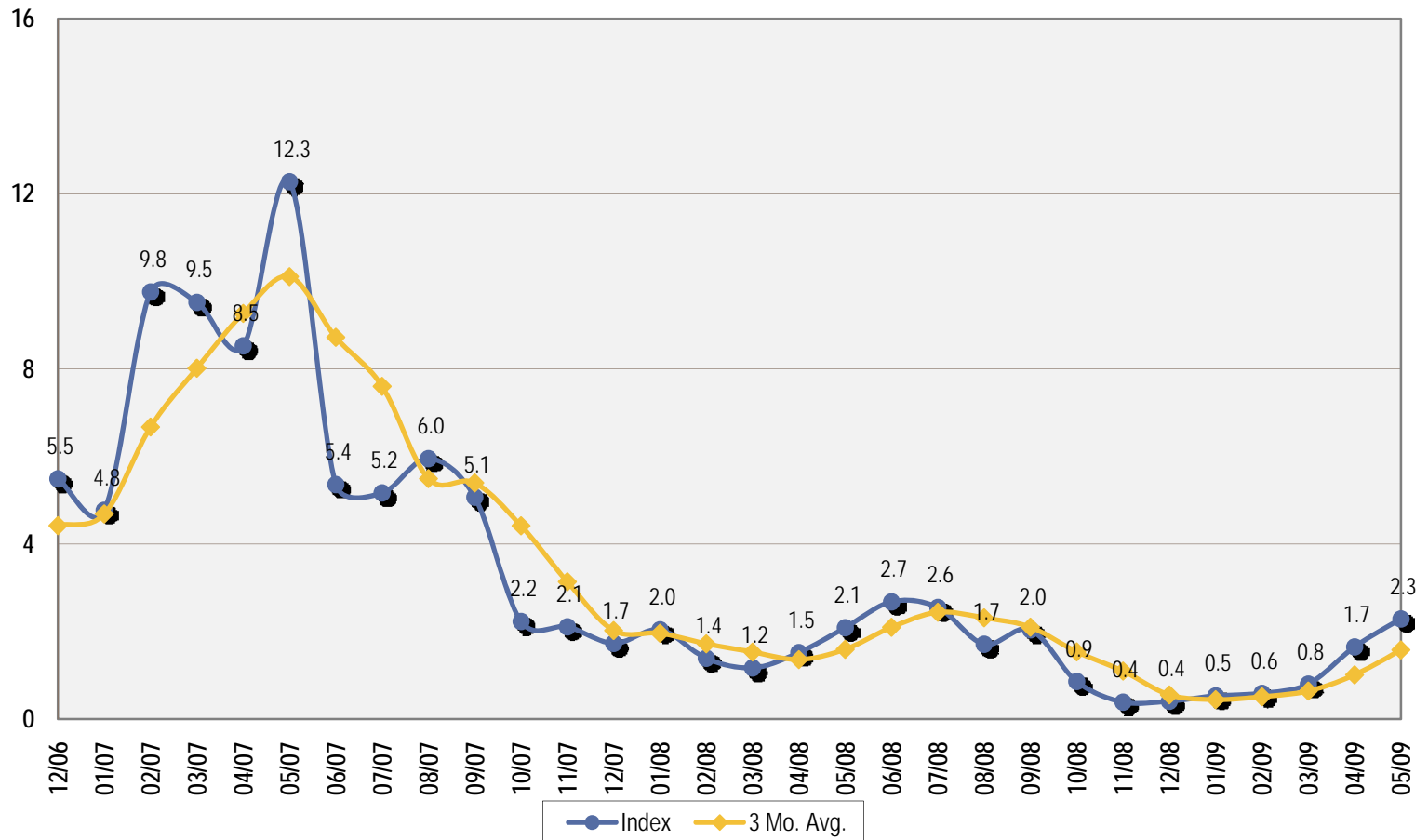
Tatum Index of Business Conditions

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 May 1st, the Tatum Index of Business Conditions increased for the sixth month in a row to 2.29 from 1.65 last month. The three-month moving average remained above 1.00 for the second month in a row—1.58 vs. 1.01 from last month.

The Index has risen to the highest level since September 2007, just before the Recession officially began. As the Index is driven by both the rate of change and the status at a moment in time, we cannot declare that the Recession is over. However, the underlying factors indicate the improvement is likely to continue.

Tatum Index of Business Conditions



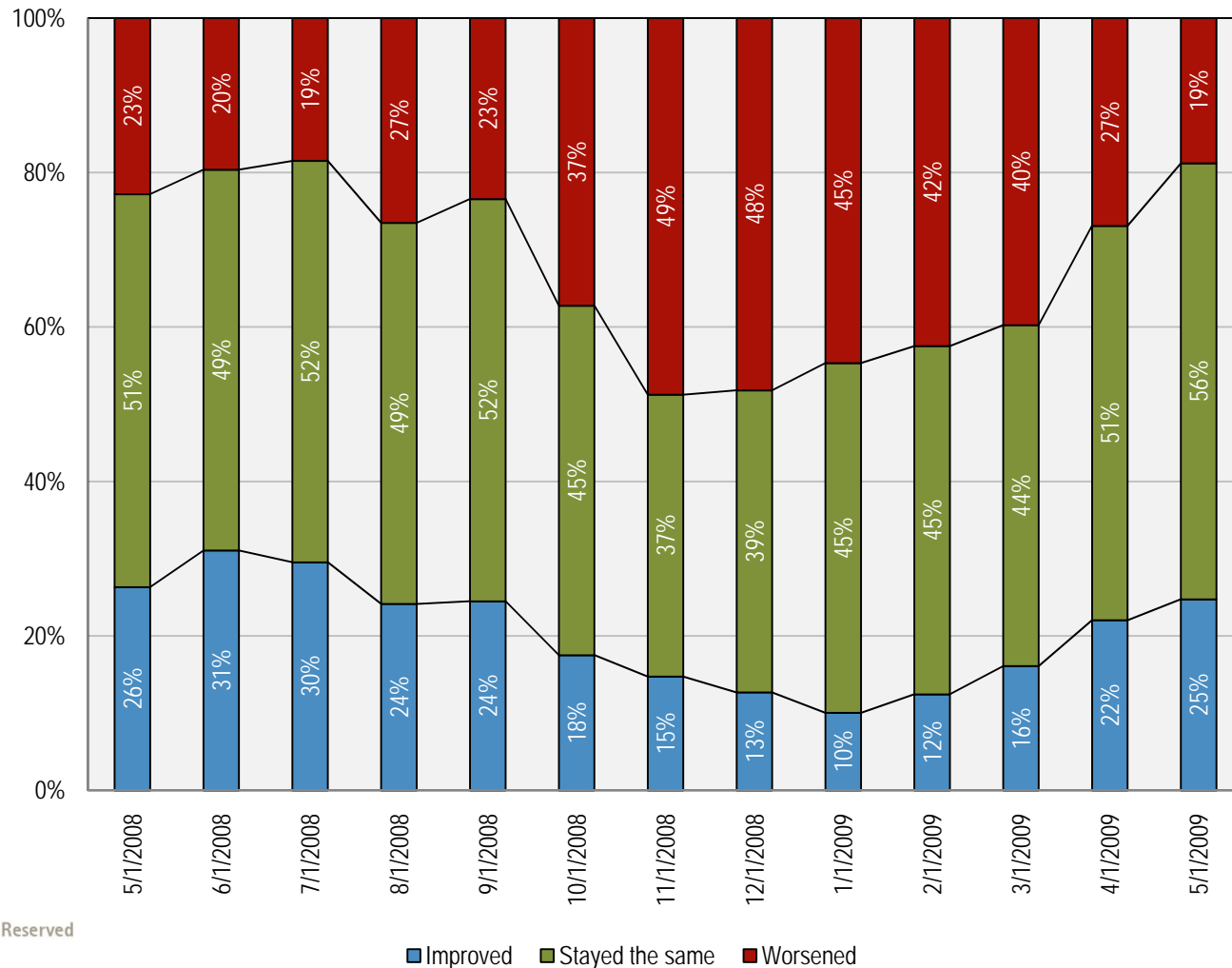
Business Conditions - Trends

In the past 30 days, business conditions:

- > *Improved for 25% of our respondents, up from 22% last month.*
- > *Worsened for 19% of our respondents a significant improvement compared to 27% last month. This is the fifth month in a row this measurement has improved.*
- > *Stayed about the same for 56% compared to 51% last month.*

The responses this month track with the positive responses of last month. They are now at the level reported a year ago. The other important trend is the source of improvement. The change is mostly the result of a decrease in conditions getting worse, suggesting an end to the deterioration which typically precedes the beginning of true improvement.

Business Conditions the Past 30 Days



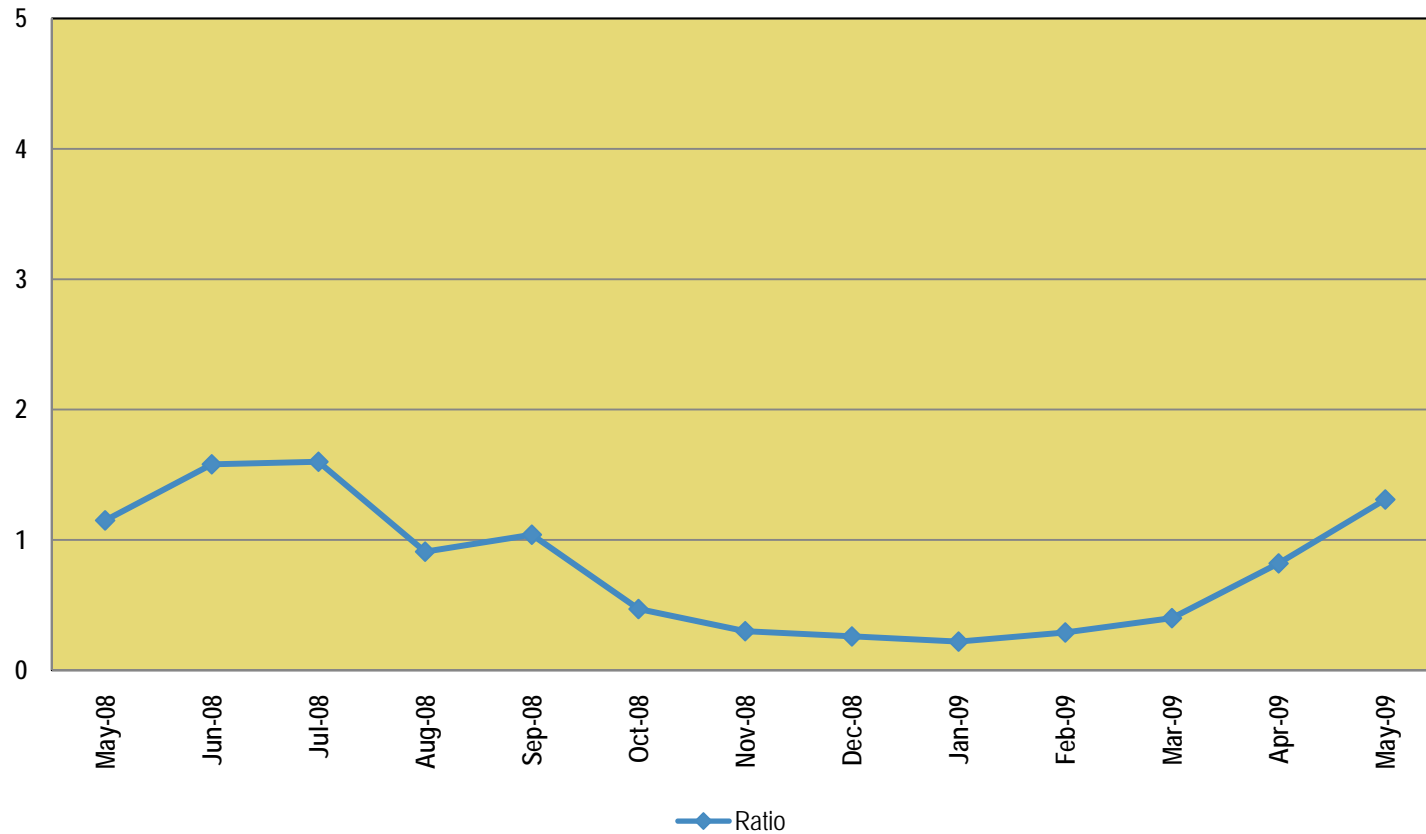
Business Conditions - Trends

The ratio of “Improved-to-Worsened” in the last 30 days increased to 1.31 vs. .82. This is the first time the ratio has been above 1 since September of last year when the economy took a precipitous dive.

This ratio is returning to the level of early last summer. At that time, although it had not been officially declared, our economy had been in Recession for over half a year, so, while the direction is positive, it does not yet suggest that the effects of the Recession are over.

Business Conditions - Trends

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



Business Conditions - Trends

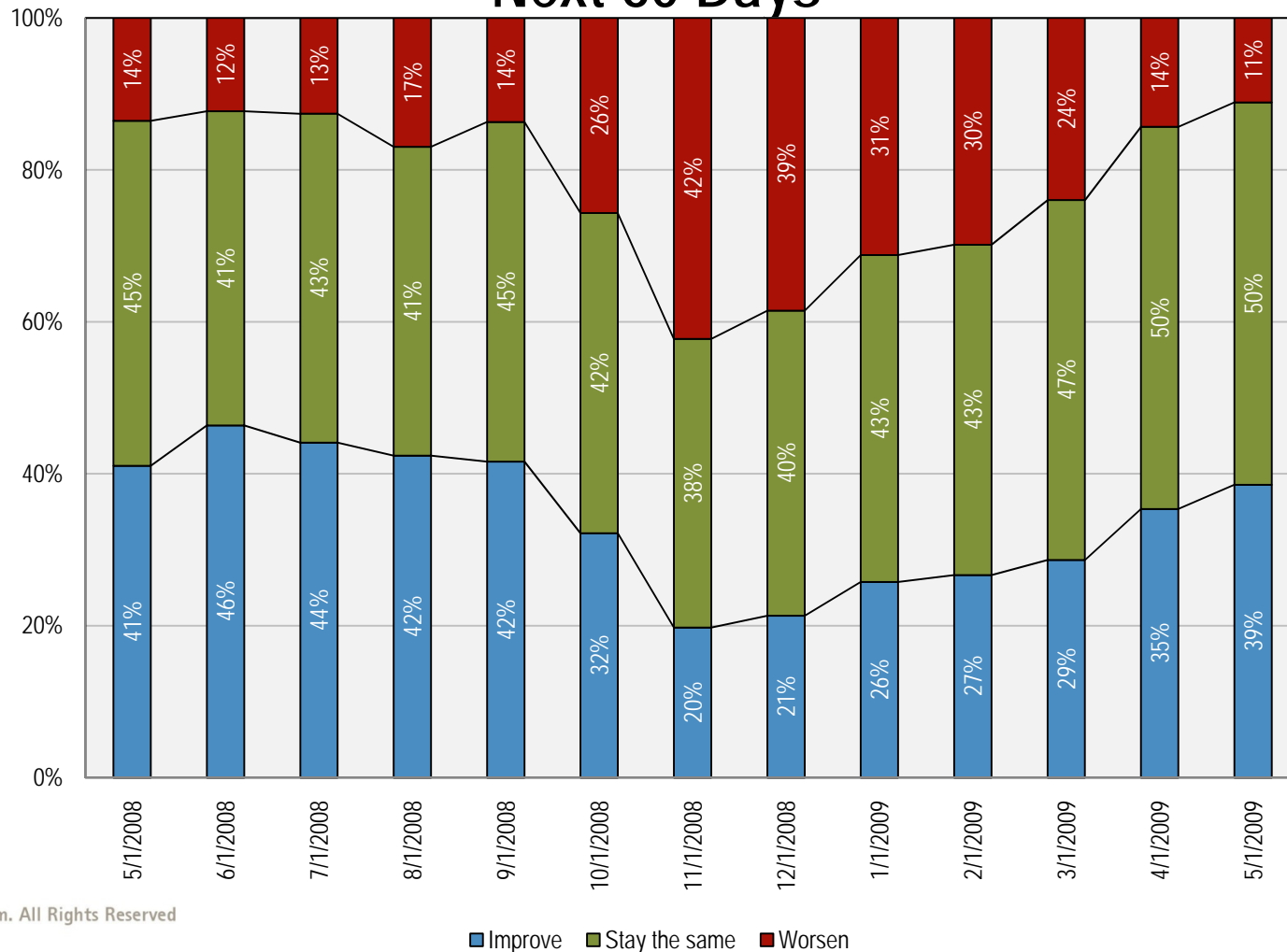
In the next 60 days, business conditions are expected:

- > *To improve for 39%* vs. 35% reported last month.
- > *To get worse for 11%* of our respondents compared to the 14% reported last month.
- > *To remain about the same at 50%* compared to the 51% reported last month.

{ The results of the 60-day outlook are similar to the results for the last 30 days, and are now at a level not seen since last spring. }

Business Conditions - Trends

Next 60 Days



Business Conditions - Trends

In the next 60 days:

The ratio of “Will Improve” to “Will Worsen” increased to 3.27 versus the 2.47 reported a month ago.

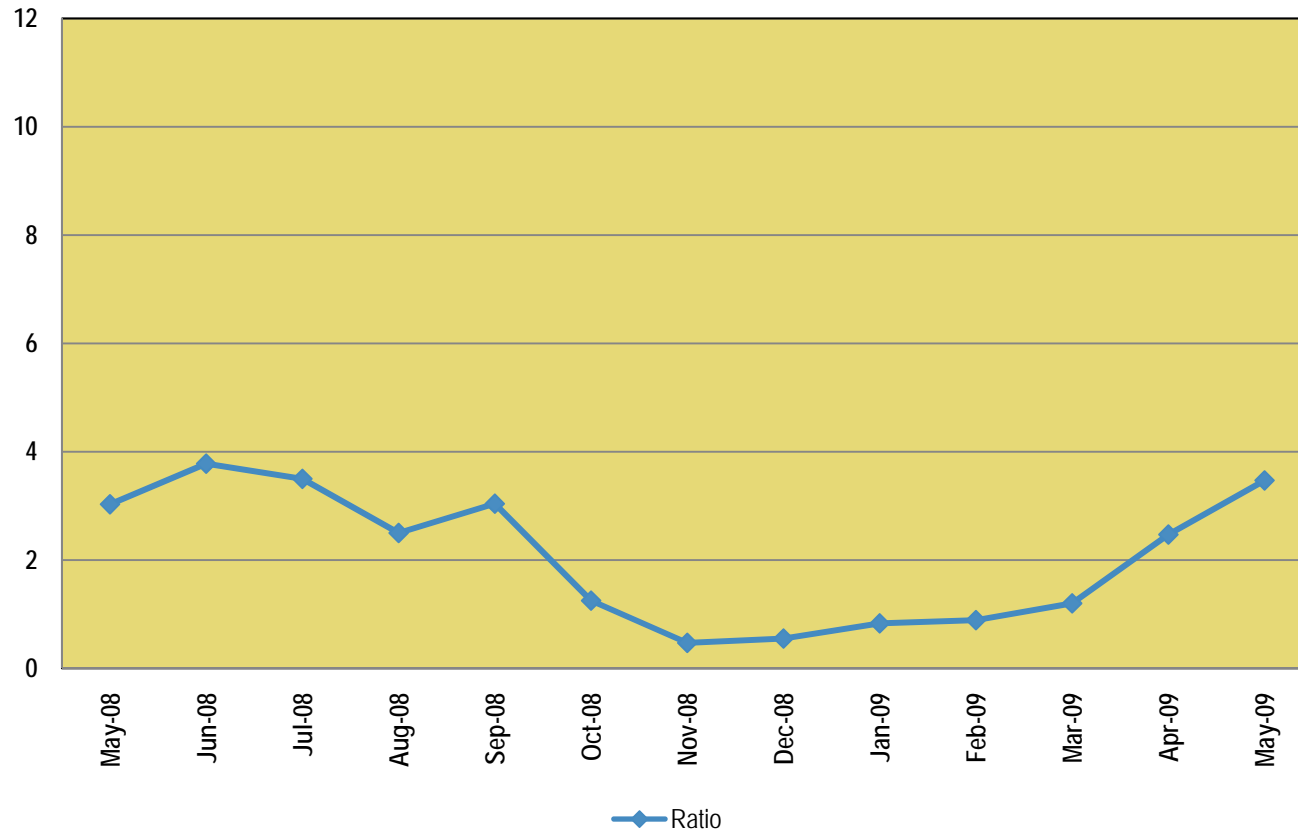
This is a very sensitive measurement that can shift dramatically. Therefore the 3-month moving average index of business conditions makes it easier to see the overall trend.

This is the sixth month in a row this ratio has increased. The ratio is at its highest level since July 2008. For perspective, when our economy is in a period of vigorous recovery and expansion, this ratio will go well into double digits.

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:

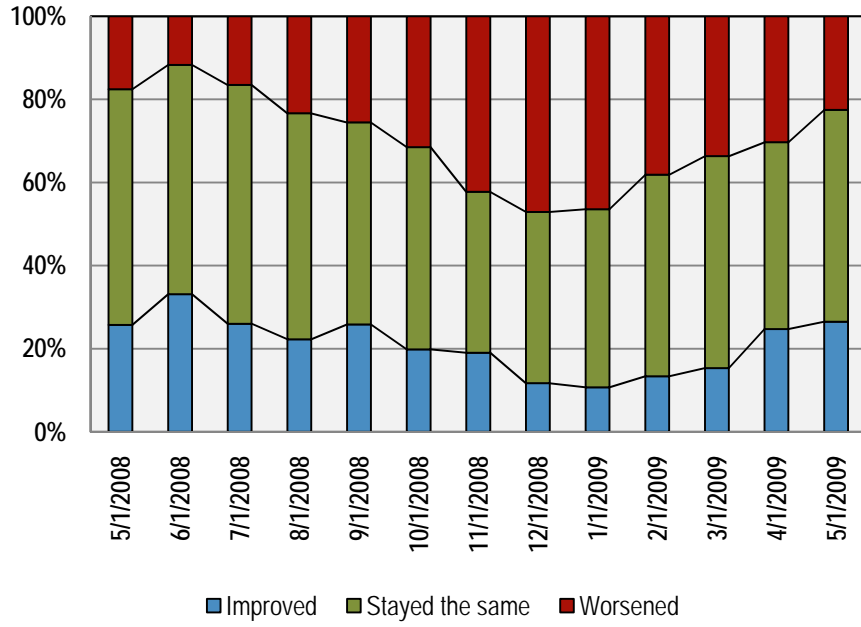
The percentage of respondents who reported an improvement in backlogs increased slightly to **26%** vs. 25% from last month. The percentage reporting lower backlogs decreased more significantly to **23%** compared to 30% for last month. This is the fourth month in a row this indicator has improved.

In the next 60 days:

The percentage of respondents who indicated expectations of higher backlogs remained at **38%**. The “Will Worsen” percentage decreased to **11%** from 15%.

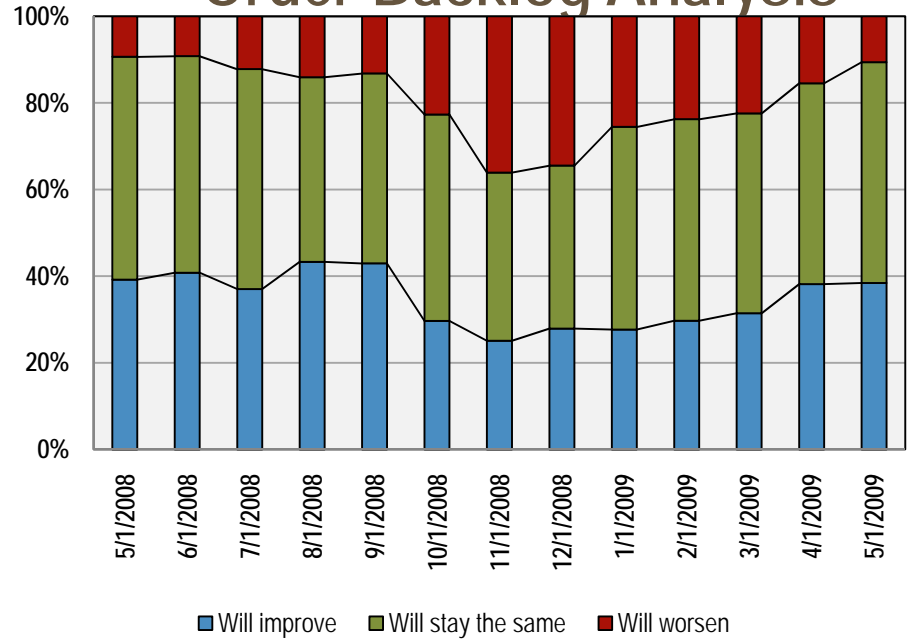
Order backlogs are the most tangible indicator of near-term business activity. The four-month rising trend suggests that inventory liquidations are ending and new orders are expanding.

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:

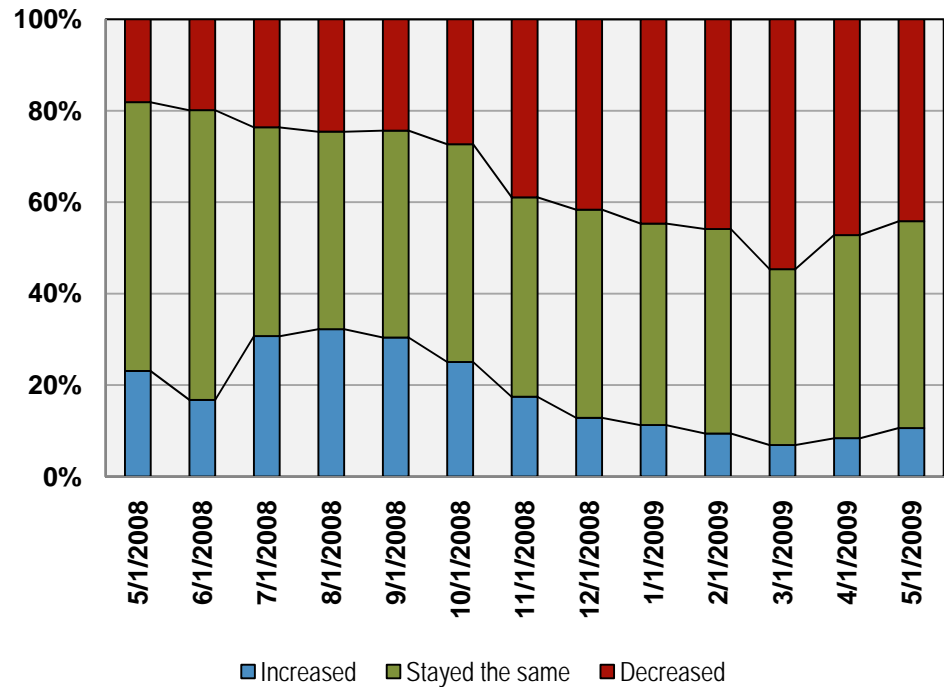
The percentage of respondents committing more on capital equipment increased to **11%** vs. 8% last month. The percentage that committed less on capital decreased to **44%** vs. 47% for last month.

In the next 60 days:

The percentage of respondents who said they plan to commit more for capital assets in the next 60 days increased to **20%** vs. 18%. The percentage who expected to commit less decreased significantly to **26%** vs. 34%.

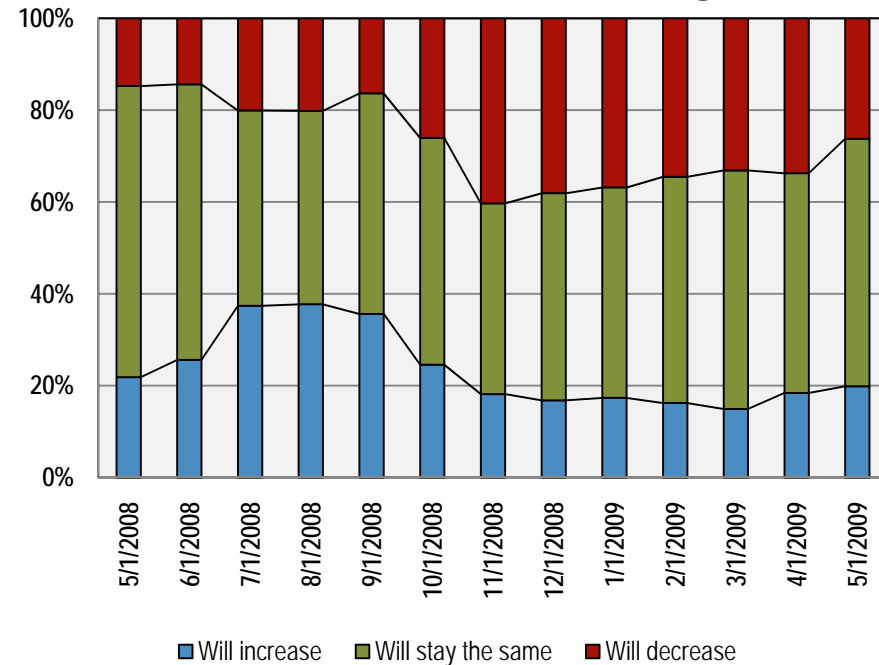
Although the current results are below the average results for the last 13 months, they are trending upward. Companies are beginning to remove the clamps on capital spending, suggesting rising confidence about the future and some easing of concerns about corporate financial liquidity.

Business Conditions – Trends



Past 30 Days

Capital Expenditure Commitments Analysis



Next 60 Days

Business Conditions – Current Results

Employment

In the past 30 days:

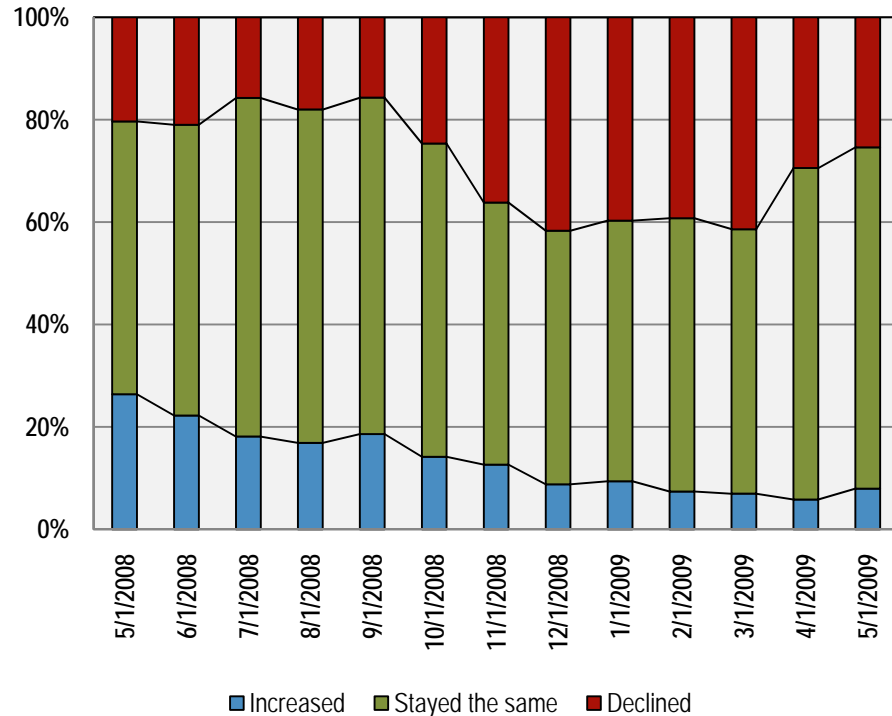
The percentage of respondents hiring more workers increased to **8%** compared to 6% last month. The percentage that indicated they did less hiring decreased to **25%** from 29% for last month.

In the next 60 days:

The percentage indicating they plan to increase hiring rose to **15%** from 13% last month. The percentage who expect to reduce hiring was **18%** compared to 24% last month.

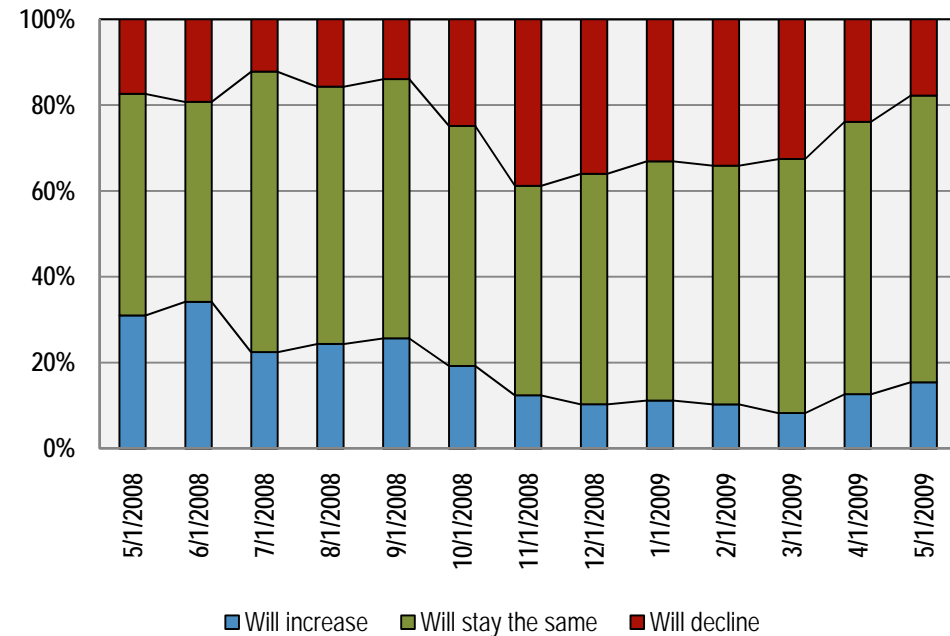
Economists have expressed different opinions regarding whether unemployment will continue to rise and peak above 10%. Our respondents indicate the employment picture is improving. We expect the unemployment levels will be on the optimistic side of the forecasts

Business Conditions – Trends



Past 30 Days

Employment Analysis



Next 60 Days

Business Conditions – Current Results

Capital Availability and Pricing

The past 30 days:

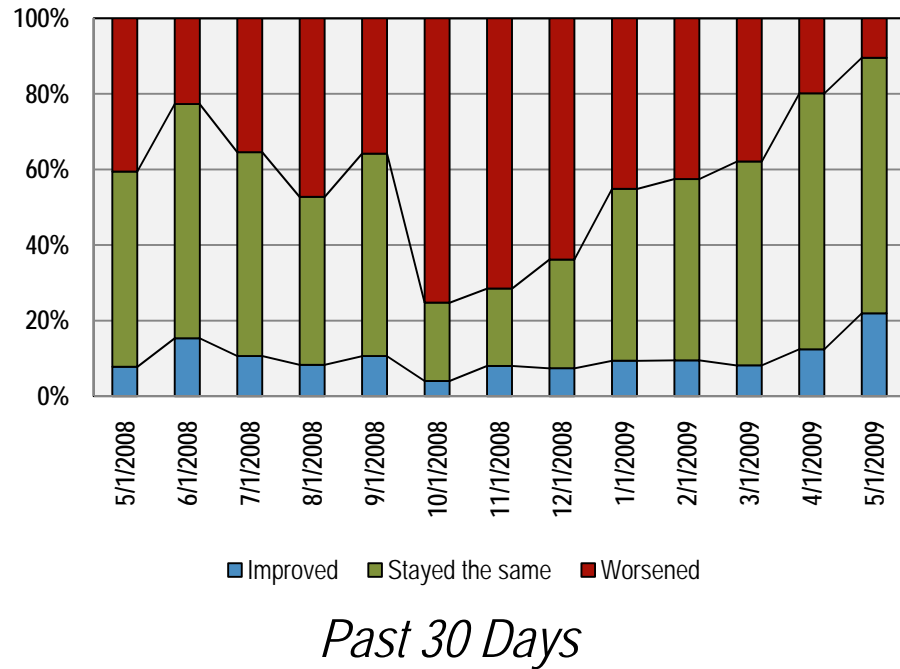
The percentage of respondents indicating an improvement increased significantly to **22%** from 12% last month. The percentage who indicated conditions worsened decreased significantly to **10%** compared to 20% reported last month. These are the best responses recorded since July 2007 and June 2007, respectively.

In the next 60 days:

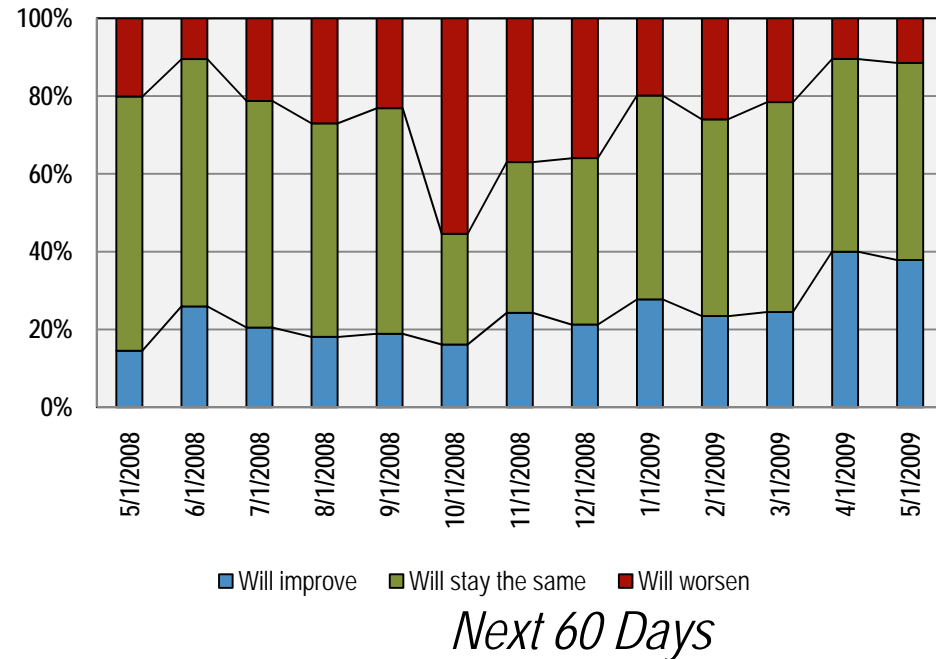
The percentage of the respondents who expect improvement in financing conditions in the next 60 days decreased to **38%** vs. 40%. The percentage saying conditions will get worse remained flat at **10%**.

Our respondents saw a major improvement in financing conditions in the past 30 days. The responses regarding financing conditions for the last 30 days are now at the highest/best level reported in the last 18 months. Although there was no change regarding the 60-day outlook, the responses remain at a very positive level.

Business Conditions – Trends



Capital Availability / Pricing Analysis



Survey Participation Demographics – Industry

Manufacturing/Processing	25%
Service	22%
Technology	17%
Healthcare	9%
Financial	8%
Construction	3%
Real Estate	3%
Bio-Tech/Life Sciences	3%
Wholesale	3%
Agriculture	2%
Other	5%

Survey Participation Demographics - Markets/Regions

Primary Geographic Markets

<i>Local</i>	11%
<i>Regional</i>	23%
<i>National</i>	36%
<i>International</i>	30%

Geographic Regions Represented (Total of 287 Responses)

<i>Northeast</i>	13%
<i>Southeast</i>	27%
<i>Midwest</i>	14%
<i>Southwest</i>	17%
<i>Pacific</i>	29%

Survey Participation Demographic Summary

The following are on relative scales from our respondents:

Regions:

Strongest – Mixed

Weakest – Midwest

Industries*:

Strongest – Service & Financial

Weakest – Healthcare

* With statistically significant participation

Markets Served:

Strongest – National

Weakest – Mixed

Company Size:

Strongest – Mixed

Weakest – Mixed

“Mixed” means the statistics were inconclusive or indistinguishable among the difference categories. This typically happens in periods of change.

Survey of Business Conditions

**Compiled and Analyzed by
Sam Norwood – Senior Partner
Glen Passin – Partner**

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