Impact of Financial Market Turmoil

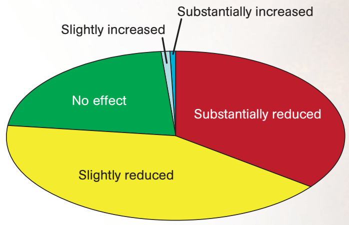
A special survey was created in November 2008 to collect information on the potential impacts of recent turmoil in the financial markets on capital spending and production capacity. A random sample of ISM members with a senior-level job title and a valid e-mail address was pulled from the ISM customer file. Examples of senior-level job titles include senior buyers, supervisors, managers, vice presidents, directors and above. An e-mail message that included a link to the online survey form was successfully sent to 2,123 potential respondents, inviting them to respond to the survey. Responses were collected for several weeks in late November and early December 2008, which resulted in 304 completed responses — a response rate of 14.3 percent.

This report presents the results of this survey. Unless otherwise indicated, the percentages reported in this report are based on the total number of responses to each question, not on the total number of respondents to the entire survey.

1. How has the financial market turmoil affected your firm's plans for capital spending in 2009?

Substantially reduced planned capital spending	35.3%
Slightly reduced planned capital spending	41.9%
No effect on planned capital spending	21.5%
Slightly increased planned capital spending	1.0%
Substantially increased planned capital spending	0.3%

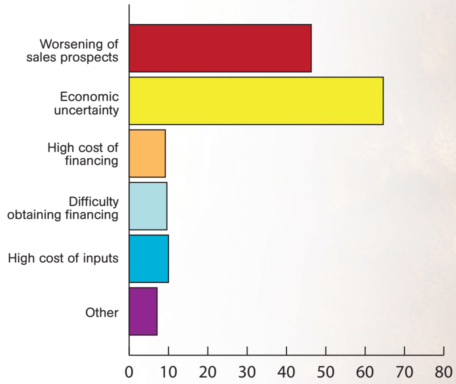
The diffusion index is 12 percent. A reading above 50 percent indicates increased capital spending.



2. If you have reduced your capital spending plans, what have been the most important factors in the decision?

Of all respondents, 79% selected at least one of these options. Of these, the percent who selected each option is listed below.

Worsening of sales prospects	46.3%
Economic uncertainty	64.6%
High cost of financing	9.2%
Difficulty obtaining financing	9.6%
High cost of inputs	10.0%
Other	7.1%

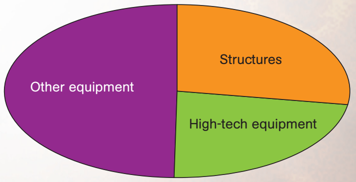


Open-ended responses given for *Other* include: Allowing flexibility for future strategic growth; Billions in asset cuts; Bond market is too unstable; Bond rating; Cost of building products and raw materials; Cuts in state revenue; Decrease in incoming tax dollars — our funding base; Delay due to uncertainty; Financial crisis caused sale of company at discount; Have increased capital spending to keep up with demand (not financial turmoil); Have not reduced, but financing is a major concern; Lack of budget due to profits; Lack of revenues and budget; Marketplace and understanding what customers want; Oil & gas industry — price of oil now lower than expected; Right sizing organization; and Stability of the dollar.

3. If you have lowered your capital spending plans, what types of capital expenditures are you planning to cut?

Of all respondents, 78% selected at least one of these options. Of these, the percent who selected each option is listed below.

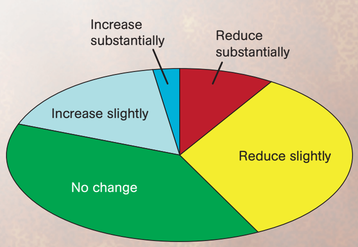
Structures	27.5%
High-tech equipment	22.9%
Other equipment	49.6%



4. What are your firm's plans in regard to changes in production capacity for 2009?

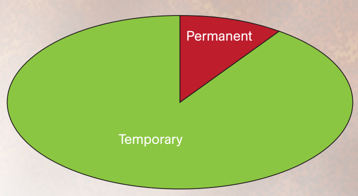
Reduce substantially	9.0%
Reduce slightly	33.7%
No change	38.3%
Increase slightly	16.7%
Increase substantially	2.3%

The diffusion index is 38.2 percent. A reading above 50 percent indicates increased production capacity.



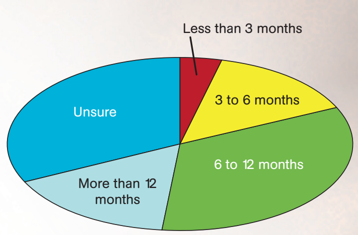
5. **If your firm expects to reduce production capacity in 2009, is the reduction expected to be:**

Permanent	9.9%
Temporary	90.1%



6. **If temporary, how long is your firm expecting to be at this lower level of production capacity?**

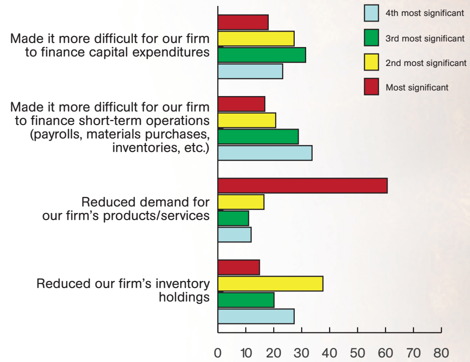
Less than 3 months	4.0%
3 to 6 months	14.1%
6 to 12 months	33.6%
More than 12 months	16.1%
Unsure	32.2%



7. **In what ways has the financial market turmoil affected your firm's operations?**

Respondents were asked to rank these four items in order of significance to their operations. The percentage selecting each ranking is reported below.

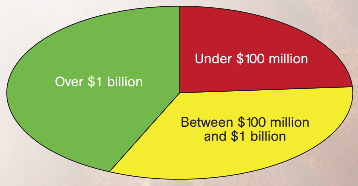
	Most significant	2nd most significant	3rd most significant	4th most significant
Made it more difficult for our firm to finance capital expenditures	18.0%	27.3%	31.4%	23.2%
Made it more difficult for our firm to finance short-term operations (payrolls, materials purchases, inventories, etc.)	16.8%	20.7%	28.8%	33.7%
Reduced demand for our firm's products/services	60.6%	16.5%	11.0%	11.9%
Reduced our firm's inventory holdings	14.9%	37.6%	20.1%	27.3%



An open-ended response for *Other* was offered. The 8 percent of all respondents who provided an entry include: Accounts receivable backlog/days outstanding has increased; Cash to acquire additional medical companies; Caused uncertainty, encouraging companies to delay buying; Government agency N/A; GSA customers might not receive funding and that could impact our sales; In the 1st Q-09 we will know more; It has not as of today; Lack of revenue, profits means reduced budget for capital expenditures; Losses due to asset devaluation or cuts; My company is in financial services so this and many other questions do not apply; N/A — finite government project; No effect (2); No effect as of now except to reduce travel and unnecessary expenditures; No real effect on our firm's operations; Not a significant impact; Our operations have not been affected; Product cost; Reduced funding from state government; Reduced or stopped technical upgrades; Reduced value of our produced product (crude oil price); Re-planning a relocation of our building — pushing out three years; Revenue growth based on residential housing market in NV — most significant!; We are merging with another company, so consolidation of resources will occur; We're somewhat of an inferior good, so we are not (yet) suffering from this downturn.

8. **What is your firm's projected revenue for 2008?**

Under $100 million	24.0%
Between $100 million and $1 billion	32.9%
Over $1 billion	43.2%



9. What is your firm's primary line of business?

Of all respondents, 57 percent selected a manufacturing industry and 43 percent selected a non-manufacturing industry. A breakdown in each category is reported below.

	Percent of Manufacturing		Percent of Non-Manufacturing
Apparel, Leather & Allied Products	1.2%	Accommodation & Food Services	2.3%
Chemical Products	7.6%	Agriculture, Forestry, Fishing & Hunting	1.5%
Computer & Electronic Products	5.9%	Arts, Entertainment & Recreation	1.5%
Electrical Equipment, Appliances & Components	8.2%	Construction	4.6%
Fabricated Metal Products	10.6%	Educational Services	7.7%
Food, Beverage & Tobacco Products	5.3%	Finance & Insurance	9.2%
Furniture & Related Products	1.2%	Health Care & Social Assistance	10.0%
Machinery	9.4%	Information	0.0%
Miscellaneous Manufacturing	27.1%	Management of Companies & Support Services	2.3%
Nonmetallic Mineral Products	0.6%	Mining	2.3%
Paper Products	2.9%	Professional, Scientific & Technical Services	7.7%
Petroleum & Coal Products	4.1%	Public Administration	3.8%
Plastics & Rubber Products	4.1%	Real Estate, Rental & Leasing	0.8%
Primary Metals	1.8%	Retail Trade	3.1%
Printing & Related Support Activities	1.2%	Transportation & Warehousing	3.8%
Textile Mills	0.0%	Utilities	17.7%
Transportation Equipment	7.6%	Wholesale Trade	5.4%
Wood Products	1.2%	Other Services	16.3%