

### CURRENT CIRT INDEX SUMMARY

|  |           |
|--|-----------|
| Overall Economy  | UP        |
| Overall Economy Where We Do Business                             | UP        |
| Our Construction Business  | DOWN      |
| Residential Building Construction Market Where We Do Business    | DOWN      |
| Nonresidential Building Construction Market Where We Do Business | NO CHANGE |
| Our Expected Backlog   | DOWN      |
| Cost of Construction Materials                                   | LOWER     |
| Cost of Labor  | LOWER     |
| Productivity   | HIGHER    |

### CIRT SENTIMENT INDEX FOURTH QUARTER 2009 EXECUTIVE SUMMARY

Sometimes one has to take a step backward in order to get up some speed for the next leap forward. As the CIRT Sentiment Index slips from 50.1 to 48.2 this quarter, we are looking at it as that step backward in preparation for a larger step forward sometime next year. The results this quarter continue to be mixed with no sure sign of a recovery for now. It's good to see signs that the overall economy is on the mend and that construction materials and labor costs might still have some room on the lower side. Productivity still shows some room for improvement, too. So, the signs are not all negative, but a more careful look at the market sector components shows that panelists see few markets coming back strong within the next year.

The only markets that have shown relative strength in the recession, healthcare, education, transportation and public works will continue to be the stronger markets in the next year, according to panelists' projections. However, as we have been seeing throughout the industry this past year, even contractors that have not traditionally served these markets are looking for new markets and increasing the number of bidders on all projects. In the case of the three-month outlook for public works/heavy civil projects, the component index decreased from 60.8 to 41.9. This significant drop is likely due to the realization that the anticipated American Recovery and Reinvestment Act (ARRA) funds for this sector have not yet had a significant impact on new business, which confirms earlier concerns that the ARRA expenditures were not well targeted and/or focused on timely infrastructure projects. In those areas where Stimulus funds have helped spur new projects, it hasn't been enough to make up for the decreasing state revenues that would have funded those projects and others.

Median backlog has remained steady at 12 months, but that statistic, though useful for our Index score, hides the fact that 48% have backlogs less than 12 months, and 13% have backlogs that are less than six months. It appears from the results that we are preparing for a long, slow and sometimes painful recovery. While many feel it is difficult to make long-range plans in such uncertain times, it will be worth the investment for those firms to get ready to adjust to potential market changes on the other side of this recession looking out three to five years when most panelists expect markets to recover.



**CURRENT CIRT SENTIMENT READING Q4-2009**

**48.2**

PREVIOUS READING: 50.1

#### EXHIBIT 1

CIRT Sentiment Index  
Scores Since Inception: Q1, 2009 to Q4, 2009

(Scores above 50 indicate expansion, below 50 indicate contraction)

## ABOUT THE CONSTRUCTION INDUSTRY ROUND TABLE (CIRT)

The Construction Industry Round Table (CIRT) is exclusively composed of approximately 100 CEOs from the leading architectural, engineering and construction firms doing business in the United States.

CIRT is the only organization that is uniquely situated as a single voice representing the richly diverse and dynamic design/construction community. First organized in 1987 as the Construction Industry President's Forum, the Forum has since been incorporated as a not-for-profit association with the mission "to be a leading force for positive change in the design/construction industry while helping members improve the overall performance of their individual companies."

The Round Table strives to create one voice to meet the interest and needs of the design/construction community. CIRT supports its members by actively representing the industry on public policy issues, by improving the image and presence of its leading members, and by providing a forum for enhancing and developing strong management approaches through networking and peer interaction.

The Round Table's member CEOs serve as prime sources of information, news and background on the design/construction industry and its activities. If you are interested in obtaining more information about the Construction Industry Round Table, please call 202-466-6777; or contact us by email at [cirt@cirt.org](mailto:cirt@cirt.org).

## CIRT SENTIMENT INDEX

The CIRT Sentiment Index is a quarterly survey of members of the Construction Industry Round Table conducted quarterly by FMI Research, Raleigh, N.C. For press contact or questions about the CIRT Sentiment Index, contact Mark Casso at [mcasso@cirt.org](mailto:mcasso@cirt.org) and/or Phil Warner, research consultant with FMI Corporation at [pwarner@fminet.com](mailto:pwarner@fminet.com) or call 919-785-9357.

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### CONFIDENTIALITY

*All individual responses to this survey will be confidential and shared outside of FMI only in the aggregate.  
All names of individuals responding to this survey will remain confidential to FMI.*

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## CIRT Sentiment Index Fourth Quarter 2009 Highlights

- **Overall Economy:** CIRT panelists' view of the overall economy made a significant move from 45.3 last quarter to 50, signifying that the overall economy was no longer getting worse.
- **Overall Economy Where Panelists Do Business:** Since the majority of CIRT panelists work on a national level, we can expect the overall economy and the economy where they do business to be very similar as the component index moved from 43.6 to 45.5 this quarter, a slight improvement.
- **Panelists' Construction Business:** The low point in the overall economy earlier this year is now being felt by the larger contractors as our component score has moved lower from 42.6 to 39.5 this quarter.
- **Private Sector Construction Business:** While everyone is looking for some positive news about the residential sector, our panelists are still experiencing a slow-down as the component score for residential construction dipped from 43.4 to 31.4 this quarter. Moreover, non-residential construction also continues to show weakness at only a reading of 34.5 for the quarter."
- **Cost of Materials:** The cost of construction materials is up slightly; therefore, our index gauging the effect on contractors is down slightly from 63.9 to 60. This statistic is an improvement from a material supplier's point of view, but it is a sign that either supply has decreased or demand has increased slightly.
- **Cost of Labor:** The cost of labor is a bit lower than last quarter and appears to be stable from quarter to quarter at this time with the current component index at 53.6.
- **Productivity:** Productivity for the CIRT panelists is slightly higher this quarter moving from 60.4 to 63.6. This is a sign that larger contractors are still finding greater efficiencies by working harder with fewer people and now will have either to improve processes or think about hiring more people to take on more work.
- **Delays and Cancellations:** Delays and cancellations have remained stable since the first quarter of 2009, but this is not a good sign, as delays continue to affect 15% of projects, and cancellations are running at 10%, or more than three times what used to be considered "normal."

CIRT panelists' view of the overall economy made a significant move from 45.3 last quarter to 50, signifying that the overall economy was no longer getting worse.

## PROJECT CANCELLATIONS AND DELAYS CONTINUE

There is little new to report on the status of project delays and cancellations as they continue at three to four times what are considered normal levels. If this trend continues, at some point we should expect to see some new concept of “normal” for these statistics. More likely, cancellations will be written off and fall off the books, and delays will either return to the backlog or become cancellations. In any event, high rates of delays and cancellations will be one more factor in determining which projects get financing as the economy waits on the consumers and the consumers wait on the jobs in a stare down match. So far, the banks are in the best position to play the waiting game and won't blink until those owners that are seeking growth begin to find alternative financing for capital projects.

| EXHIBIT 2   | CIRT Sentiment Index, Q 4, 2009 |          |          |          |
|---|---------------------------------|----------|----------|----------|
|   | Q1, 2009                        | Q2, 2009 | Q3, 2009 | Q4, 2009 |
| Percentage of project delays due to owner financing problems.               | 15%                             | 15%      | 15%      | 15%      |
| Percentage of project cancellations due to owner financing problems.        | 5%                              | 10%      | 10%      | 10%      |
| Estimated normal rate of project delays as a percentage of annual projects. | 5%                              | 5%       | 5%       | 5%       |
| Estimated normal rate of cancellations as a percentage of annual projects.  | 1%                              | 2%       | 2%       | 2%       |

Dangerously Low

Very Low / Significant Drop

Low

Positive Growth Indicator

Very Positive Growth Indicator

**EXHIBIT 3** CIRT Sentiment Index Components Detail by Market Sector

| Business Outlook – 3 Months | Overall Quarter 3, 2009     |                                  |                         |                     | Overall Quarter 4, 2009     |                                  |                         |                     |
|-----------------------------|-----------------------------|----------------------------------|-------------------------|---------------------|-----------------------------|----------------------------------|-------------------------|---------------------|
|                             | Improving over last quarter | Remains the same as last quarter | Worse than last quarter | CIRT Index Q3, 2009 | Improving over last quarter | Remains the same as last quarter | Worse than last quarter | CIRT Index Q4, 2009 |
| Commercial                  | 3.8%                        | 38.5%                            | 57.7%                   | 23.1                | 0.0%                        | 60.0%                            | 40.0%                   | 30.0                |
| Education                   | 9.4%                        | 68.8%                            | 21.9%                   | 43.8                | 2.7%                        | 81.1%                            | 16.2%                   | 43.2                |
| Healthcare                  | 0.0%                        | 82.8%                            | 17.2%                   | 41.4                | 11.4%                       | 77.1%                            | 11.4%                   | 50.0                |
| Lodging                     | 11.1%                       | 61.1%                            | 27.8%                   | 41.7                | 12.5%                       | 56.3%                            | 31.3%                   | 40.6                |
| Manufacturing               | 8.3%                        | 12.5%                            | 79.2%                   | 14.6                | 0.0%                        | 34.4%                            | 65.6%                   | 17.2                |
| Office                      | 4.3%                        | 39.1%                            | 56.5%                   | 23.9                | 4.3%                        | 69.6%                            | 26.1%                   | 39.1                |
| Industrial/Petro Chemical   | 10.7%                       | 35.7%                            | 53.6%                   | 28.6                | 8.7%                        | 39.1%                            | 52.2%                   | 28.3                |
| Transportation Related      | 0.0%                        | 87.5%                            | 12.5%                   | 43.8                | 25.0%                       | 50.0%                            | 25.0%                   | 50.0                |
| Public Works/Heavy Civil    | 29.7%                       | 62.2%                            | 8.1%                    | 60.8                | 9.7%                        | 64.5%                            | 25.8%                   | 41.9                |
| Other                       | 25.0%                       | 62.5%                            | 12.5%                   | 56.3                | 10.7%                       | 64.3%                            | 25.0%                   | 42.9                |

**Business Outlook – 1 Year**

|                           |       |       |       |      |       |       |       |      |
|---------------------------|-------|-------|-------|------|-------|-------|-------|------|
| Commercial                | 19.2% | 46.2% | 34.6% | 42.3 | 6.9   | 65.5% | 27.6% | 39.7 |
| Education                 | 21.9% | 59.4% | 18.8% | 51.6 | 48.6% | 40.5% | 10.8% | 68.9 |
| Healthcare                | 41.4% | 41.4% | 17.2% | 62.1 | 57.1% | 31.4% | 11.4% | 72.9 |
| Lodging                   | 41.2% | 47.1% | 11.8% | 64.7 | 26.7% | 46.7% | 26.7% | 50.0 |
| Manufacturing             | 17.4% | 43.5% | 39.1% | 39.1 | 3.1%  | 56.3% | 40.6% | 31.3 |
| Office                    | 8.7%  | 60.9% | 30.4% | 39.1 | 22.7% | 54.5% | 22.7% | 50.0 |
| Industrial/Petro Chemical | 21.4% | 53.6% | 25.0% | 48.2 | 20.6% | 44.1% | 35.3% | 42.6 |
| Transportation Related    | 62.5% | 37.5% | 0.0%  | 81.3 | 50.0% | 25.0% | 25.0% | 62.5 |
| Public Works/Heavy Civil  | 61.1% | 27.8% | 11.1% | 75.0 | 34.4% | 53.1% | 12.5% | 60.9 |
| Other                     | 58.1% | 25.8% | 16.1% | 71.0 | 31.0% | 44.8% | 24.1% | 53.4 |

**Business Outlook – 3 Years**

|                           |       |       |       |      |       |       |       |      |
|---------------------------|-------|-------|-------|------|-------|-------|-------|------|
| Commercial                | 76.0% | 12.0% | 12.0% | 82.0 | 85.7% | 7.1%  | 7.1%  | 89.3 |
| Education                 | 71.0% | 16.1% | 12.9% | 79.0 | 75.7% | 18.9% | 5.4%  | 85.1 |
| Healthcare                | 69.0% | 20.7% | 10.3% | 79.3 | 76.5% | 17.6% | 5.9%  | 85.3 |
| Lodging                   | 70.6% | 17.6% | 11.8% | 79.4 | 80.0% | 13.3% | 6.7%  | 86.7 |
| Manufacturing             | 47.8% | 30.4% | 21.7% | 63.0 | 46.9% | 43.8% | 9.4%  | 68.8 |
| Office                    | 30.4% | 60.9% | 8.7%  | 60.9 | 52.4% | 38.1% | 9.5%  | 71.4 |
| Industrial/Petro Chemical | 50.0% | 42.9% | 7.1%  | 71.4 | 51.5% | 36.4% | 12.1% | 69.7 |
| Transportation Related    | 75.0% | 25.0% | 0.0%  | 87.5 | 58.3% | 25.0% | 16.7% | 70.8 |
| Public Works/Heavy Civil  | 63.9% | 19.4% | 16.7% | 73.6 | 77.4% | 16.1% | 6.5%  | 85.5 |
| Other                     | 74.2% | 16.1% | 9.7%  | 82.3 | 78.6% | 14.3% | 7.1%  | 85.7 |

**CIRT Index Scores**

> 50 indicates growth (better)  
< 50 indicates slowing (worse)

\* A note on the use of the diffusion index: Do not interpret diffusion index values in the same manner as averages, because a simple increase or decrease in a diffusion index does not necessarily imply an improving or declining result. For example, if a diffusion index moves from 31 last quarter to 35 this quarter, it does not imply the market has improved. A reading above 50 indicates improving or expansion, 50 indicates remaining the same and below 50 indicates worse or contracting. Therefore, if a reading goes from 31 to 35, then the result still implies a decline from the previous quarter because 35 is below 50, but the decline is not as great as the previous decline because 35 is above 31. As another example, if the diffusion index changes from 31 to 65, it implies improvement over the previous quarter, not because 65 is above 31, but because 65 is above 50.

Dangerously Low

Very Low / Significant Drop

Low

Positive Growth Indicator

Very Positive Growth Indicator

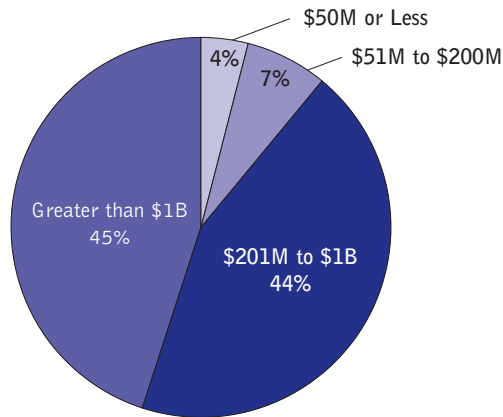
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**EXHIBIT 4** CIRT Sentiment Indexes — Comparisons of Results: Q1, 2009 to Q4, 2009

| Component Indexes   | CIRT Q1, 2009 | CIRT Q2, 2009 | CIRT Q3, 2009 | CIRT Q4, 2009 |
|---|---------------|---------------|---------------|---------------|
| Overall Economy   | 11.1          | 41.0          | 45.3          | 50.0          |
| Overall Economy Where Panelists Do Business                             | 13.3          | 40.5          | 43.6          | 45.5          |
| Panelists' Construction Business  | 29.4          | 38.5          | 42.6          | 39.5          |
| Residential Building Construction Market Where Panelists Do Business    | 8.7           | 28.1          | 43.4          | 31.4          |
| Nonresidential Building Construction Market Where Panelists Do Business | 12.9          | 33.9          | 34.5          | 34.5          |
| Cost of Construction Materials  | 86.3          | 79.2          | 63.9          | 60.0          |
| Cost of Labor   | 50.8          | 60.0          | 54.5          | 53.6          |
| Productivity  | 65.1          | 66.4          | 60.4          | 63.6          |
| Expected Change in Backlog  | 35.2          | 42.9          | 47.2          | 34.2          |
| Approximate Current Signed Backlog in Months                            | 12.0          | 12.0          | 12.0          | 12.0          |

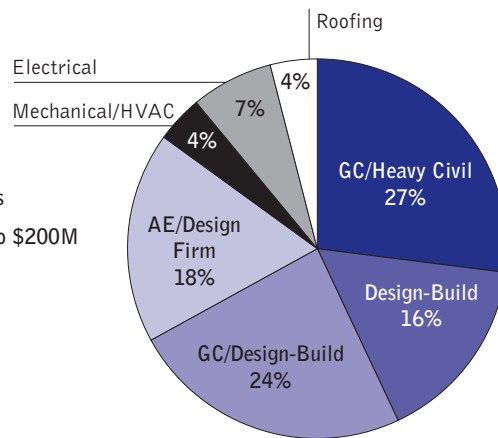
**CIRT Index Scores**

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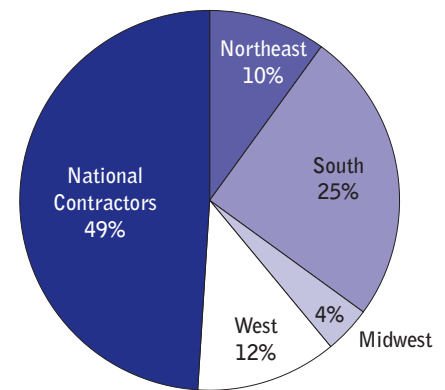
**EXHIBIT 5**

Size of the Organization in Annual Revenue



**EXHIBIT 6**

Type of Contracting Business



**EXHIBIT 7**

Primary Region in Which Panelists Work

Dangerously Low

Very Low / Significant Drop

Low

Positive Growth Indicator

Very Positive Growth Indicator

| <b>EXHIBIT 8 CIRT Sentiment Index Results: Q3, 2009 and Q4, 2009</b>    |   |                                  |                                    |                                 |   |                                  |                                      |                                 |
|---|---|----------------------------------|------------------------------------|---------------------------------|---|----------------------------------|--------------------------------------|---------------------------------|
|   | <b>CIRT Sentiment Index Quarter 3, 2009</b> |                                  |                                    |                                 | <b>CIRT Sentiment Index Quarter 4, 2009</b> |                                  |                                      |                                 |
|   | Improving over last quarter                 | Staying the same as last quarter | Worse compared to last quarter     | <b>CIRT components Q3, 2009</b> | Improving over last quarter                 | Staying the same as last quarter | Worse compared to last quarter       | <b>CIRT components Q4, 2009</b> |
| Overall Economy   | 17.0%                                       | 56.6%                            | 26.4%                              | <b>45.3</b>                     | 19.3%                                       | 61.4%                            | 19.3%                                | <b>50.0</b>                     |
| Overall Economy Where Panelists Do Business                             | 14.5%                                       | 58.2%                            | 27.3%                              | <b>43.6</b>                     | 10.7%                                       | 69.6%                            | 19.6%                                | <b>45.5</b>                     |
| Panelists' Construction Business  | 14.8%                                       | 55.6%                            | 29.6%                              | <b>42.6</b>                     | 14.0%                                       | 50.9%                            | 35.1%                                | <b>39.5</b>                     |
| Residential Building Construction Market Where Panelists Do Business    | 13.2%                                       | 60.5%                            | 26.3%                              | <b>43.4</b>                     | 5.7%  | 51.4%                            | 42.9%                                | <b>31.4</b>                     |
| Nonresidential Building Construction Market Where Panelists Do Business | 7.3%  | 54.5%                            | 38.2%                              | <b>34.5</b>                     | 7.3%  | 54.5%                            | 38.2%                                | <b>34.5</b>                     |
| <b>Backlog in Months</b>  | High  | Median                           | Low                                |                                 | High  | Median                           | Low                                  |                                 |
| Approximate Current Signed Backlog                                      | 40  | 12                               | 4                                  |                                 | 40  | 12                               | 3                                    |                                 |
|   | Grow faster than last quarter               | Stay about same as last quarter  | Shrink compared to last quarter    |                                 | Grow faster than last quarter               | Stay about same as last quarter  | Shrink compared with last quarter    |                                 |
| Expected Change in Backlog  | 22%   | 50%                              | 28%                                | <b>47.2</b>                     | 9%  | 51%                              | 40%                                  | <b>34.2</b>                     |
|   | Higher than last quarter                    | Same as last quarter             | Lower than last quarter            |                                 | Higher than last quarter                    | Same as last quarter             | Lower than last quarter              |                                 |
| Cost of Construction Materials  | 6%  | 61%                              | 33%                                | <b>63.9</b>                     | 13%   | 55%                              | 33%                                  | <b>60.0</b>                     |
| Cost of Labor   | 9%  | 73%                              | 18%                                | <b>54.5</b>                     | 15%   | 64%                              | 22%                                  | <b>53.6</b>                     |
|   | Improving over last quarter                 | Same as last quarter             | Declining compared to last quarter |                                 | Improving over last quarter                 | Same as last quarter             | Declining compared with last quarter |                                 |
| Productivity  | 23%   | 75%                              | 2%                                 | <b>60.4</b>                     | 27%   | 73%                              | 0%                                   | <b>63.6</b>                     |

**CIRT Index Scores**

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\*A note on the use of the diffusion index: Do not interpret diffusion index values in the same manner as averages, because a simple increase or decrease in a diffusion index does not necessarily imply an improving or declining result. For example, if a diffusion index moves from 31 last quarter to 35 this quarter, it does not imply the market has improved. A reading above 50 indicates improving or expansion, 50 indicates remaining the same and below 50 indicates worse or contracting. Therefore, if a reading goes from 31 to 35, then the result still implies a decline from the previous quarter because 35 is below 50, but the decline is not as great as the previous decline because 35 is above 31. As another example, if the diffusion index changes from 31 to 65, it implies improvement over the previous quarter, not because 65 is above 31, but because 65 is above 50.

**EXHIBIT 9 CIRT Sentiment Index Components – Business Outlook Summary by Market Sector**

| Sector                    | Overall Q2, 2009 |        |         | Overall Q3, 2009 |        |         | Overall Q4, 2009 |        |         |
|---------------------------|------------------|--------|---------|------------------|--------|---------|------------------|--------|---------|
|                           | 3 Months         | 1 Year | 3 Years | 3 Months         | 1 Year | 3 Years | 3 Months         | 1 Year | 3 Years |
| Commercial                | 16.7             | 47.7   | 96.7    | 23.1             | 42.3   | 82.0    | 30.0             | 39.7   | 89.3    |
| Education                 | 48.0             | 67.5   | 91.7    | 43.8             | 51.6   | 79.0    | 43.2             | 68.9   | 85.1    |
| Healthcare                | 36.7             | 68.4   | 95.5    | 41.4             | 62.1   | 79.3    | 50.0             | 72.9   | 85.3    |
| Lodging                   | 23.9             | 50.0   | 83.3    | 41.7             | 64.7   | 79.4    | 40.6             | 50.0   | 86.7    |
| Manufacturing             | 26.1             | 40.0   | 84.8    | 14.6             | 39.1   | 63.0    | 17.2             | 31.3   | 68.8    |
| Office                    | 18.2             | 52.4   | 93.2    | 23.9             | 39.1   | 60.9    | 39.1             | 50.0   | 71.4    |
| Industrial/Petro Chemical | 23.8             | 53.1   | 93.8    | 28.6             | 48.2   | 71.4    | 28.3             | 42.6   | 69.7    |
| Transportation Related    | 30.0             | 75.0   | 100.0   | 43.8             | 81.3   | 87.5    | 50.0             | 62.5   | 70.8    |
| Public Works/Heavy Civil  | 54.8             | 84.2   | 84.2    | 60.8             | 75.0   | 73.6    | 41.9             | 60.9   | 85.5    |
| Other                     | 53.7             | 73.7   | 87.0    | 56.3             | 71.0   | 82.3    | 42.9             | 53.4   | 85.7    |

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## ABOUT FMI

Founded in 1953 by Dr. Emol A. Fails, FMI provides management consulting and investment banking for the worldwide construction industry.

FMI delivers innovative, customized solutions to builders; trade contractors; construction materials producers; manufacturers and suppliers of building materials and construction equipment; facility owners, managers and developers; engineers, architects; surety companies and industry trade associations.

FMI's management consulting practice provides strategy development, leadership and organizational development, marketing and related research, business development and project delivery improvement. FMI's investment banking practice provides merger and acquisition advisory services, capital placement and financial advisory services.

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for the CONSTRUCTION INDUSTRY

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