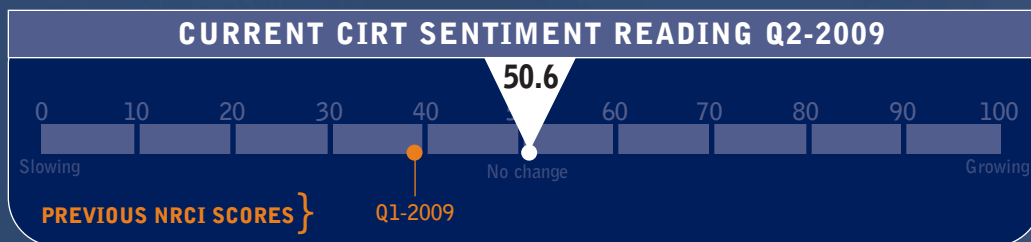


CIRT SENTIMENT INDEX REPORT

SECOND QUARTER 2009

CURRENT CIRT INDEX SUMMARY



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.

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 and/or Phil Warner, research consultant with FMI Corporation at pwarnier@fminet.com or call 919-785-9357.

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.*



SUMMARY OF SECOND QUARTER 2009 CIRT SENTIMENT INDEX

As we record the sentiments of our second reading of the CIRT membership, it appears construction firms have absorbed the shock of the sharp market downturn and are now in the hunt for the recovery. As the CIRT Sentiment Index emerges from the gloom of winter with an initial reading of 39.1 into positive territory at 50.6 for the second quarter, we urge readers to look beyond the overall score and realize, if we have found the bottom, we have not moved very far above it yet. While the median backlog remains at 12 months, project cancellations are still high. In addition, when we asked this quarter about the effects of the stimulus bill for large construction firms, the reaction was mixed with only a small percentage beginning to see real improvements in their backlogs due to more public work at this point. Nonetheless, we are ready to find an end to this recession and will recognize even a neutral reading of 50.6 as a positive sign of recovery.

RESULTS OF SECOND QUARTER 2009 CIRT SENTIMENT INDEX

- **Overall Economy:** Panelists' opinions on the overall economy have improved considerably since the first quarter reading from a component index score of 11.1 to a score of 41.0 in the second quarter. However, only 13.1% feel the overall economy is improving at this time even though much better than 0% for the first quarter.
- **Overall Economy Where Panelists Do Business:** Closer to home, panelists sense the economies where they work are improving along with the overall economy, yet 30.2% still think the local economies are getting worse than last quarter.
- **Panelists' Construction Business:** Panelists' felt their businesses showed some small signs of improving along with the general economy as the component index moved up 9.1 points to a still bearish 38.8.
- **The Residential Construction Market:** The outlook for residential construction still looks bleak this quarter, but there are signs it is forming a bottom as the component index has moved from a bleak 8.7 to a slightly less bleak 28.1.
- **Nonresidential Construction Market:** Expected change in the nonresidential market is somewhat better than for residential as the component index has risen to 33.9 from a very low 12.9 last quarter.
- **Cost of Materials:** Material costs remain low although slightly higher than last quarter.
- **Cost of Labor:** The cost of labor appears to be stabilizing as 73% report costs are the same as last quarter.
- **Delays and Cancellations:** Project delays due to owner financing difficulties remain unchanged at 15% this quarter; however, reports of cancellations doubled to represent 10% of current project backlog.
- **Effect of Stimulus Bill on Business:** Only 38% of panelists have begun to see the effects of the Stimulus Bill (American Recovery and Reinvestment Act of 2009) on their business at this time. 24% feel the stimulus will not help to change their backlogs in the next year, but for others, expectations are mixed, especially for those not involved in heavy civil work or federal projects.

PROJECT DELAYS AND CANCELLATIONS

Project delays and cancellations continue to plague the construction industry and forestall a rapid economic recovery. Although the rate of project delays remains unchanged at an average 15% of total backlog, cancellations have doubled since last quarter to 10% or five times what panelists consider a normal rate of cancellations. The irony is, as owners look for ways to save money on their capital projects, and banks seek to return to profitability, cancellations, and delays become a particularly inefficient drag on the construction economy.

Meantime, A/E firms and contractors need to adjust their workforces accordingly and be more diligent to understand how projects are funded before starting work or breaking ground. For those looking for a rapid recovery in the next year or two, consider the possibility of all of those projects coming back to life just as all other markets decide it is time to build again.

EXHIBIT 1		
Is your company experiencing project delays or cancellations due to owners' lack of financing or availability of credit?		
Response	Quarter 1, 2009	Quarter 2, 2009
Yes	89%	81%
No	3%	16%
Don't Know	8%	3%

EXHIBIT 2		
CIRT Sentiment Index,		
Response	Q1, 2009	Q2009
Percentage of project delays due to owner financing problems.	15%	15%
Percentage of project cancellations due to owner financing problems.	5%	10%
Estimated normal rate of project delays as a percentage of annual projects.	5%	5%
Estimated normal rate of cancellations as a percentage of annual projects.	1%	2%

STIMULUS BILL NOT THAT STIMULATING, YET

Since the election last November and even before with the approval of TARP funds to help shore up a shaky financial system, everyone has been wondering how all that federal funding would affect and improve their business. When the Obama administration took office, it was clear that improving America's aging infrastructure would be a priority, and, when the American Recovery and Reinvestment Act of 2009 (ARRA) passed in February, the \$787 billion seemed like enough to make a serious start on the road to recovery. However, as everyone scrambled to see where the money was going, it became clear only about \$94 billion was going to actual building construction.

Although the funds from the stimulus bill (ARRA) are beginning to reach the construction industry via the much talked about shovel-ready projects, it is becoming clear government spending will not replace the loss of private investment in capital projects for the balance of 2009. CIRT panelists' firms that do not traditionally work in the state and federal markets, see their backlogs continue to slow. Those who normally depend on government projects are realizing that, in many cases, stimulus funds are just barely replacing the loss of state-funded projects, and many of the projects receiving those funds are too small for large contractors to even bid.

Although it is clear government funding will not be a quick fix on the road to recovery, it is starting to have some affect as 38% of panelists are seeing some activity already, and only 24% do not expect stimulus bill projects to add to their backlogs in the next year. Ultimately, FMI forecasts stimulus bill funds will replace about 3% of construction that would have otherwise been lost by the end of this year, and many projects will not be counted as construction put in place until 2010.

EXHIBIT 3

Have you begun to see the effects of the stimulus bill (Recovery Act)?

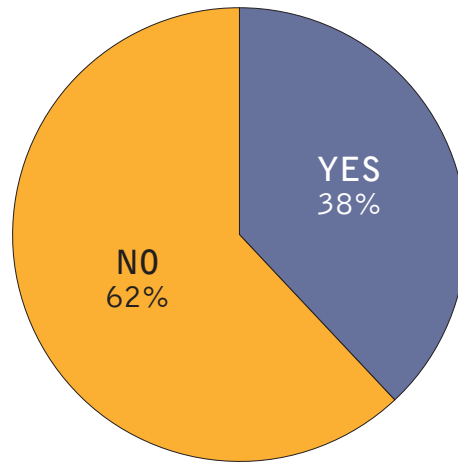
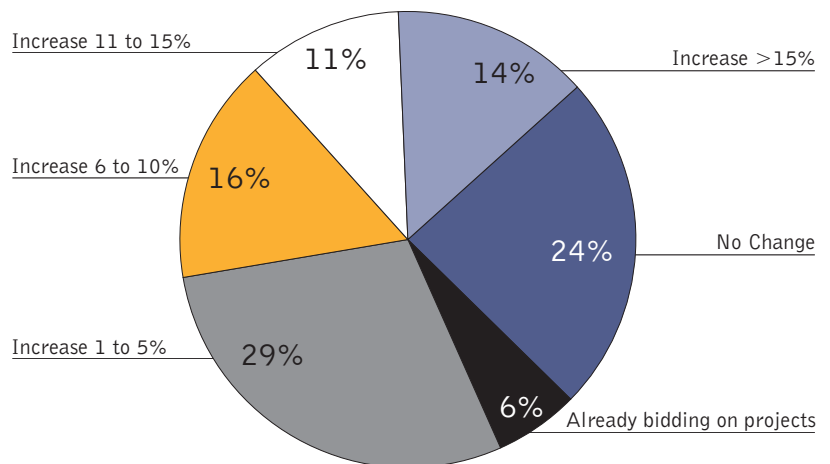


EXHIBIT 4

How much will stimulus bill projects add to your backlog in the next year?



COMMENTS ON EFFECTS OF THE STIMULUS BILL FROM CIRT PANELISTS:

Positive effects from stimulus bill

- The impact on our engineering firm in the near term is to complete a number of ongoing projects as soon as possible so that they are “shovel ready.” This has resulted in an acceleration of activity.
- More of a sustenance plan than stimulus. It is a positive event for the short term, but state budget deficits may overwhelm short-term effects.
- Much of the positive impact thus far is actually the fact that many states have been able to balance their budget and keep the work flowing. We have not seen many new federal projects yet, but are just now seeing signs that work might start flowing in the near future.
- Our primary backlog for construction is derived from public road transportation funding. Therefore, the above question does not paint the whole picture. The stimulus bill projects will more than likely preserve current backlog levels. Without the stimulus bill projects, we would anticipate a 20% to 30% decline in current backlog levels in the near and medium-term future.
- Positive short-term effect, more in 2010 than 2009 but overall represents bad policy, not helpful to long-term health of the industry
- Should fund some federal and other public-type work in our business segments.
- The focus on creating energy-efficient buildings, specifically with the federal buildings, will be very helpful for us to increase our backlog. We have also found several government projects we were tracking that were not funded, are now, opening up some new opportunities that will be moving into the contractor selection phase.
- There will be a few high-dollar projects in our state that will consume most of the transportation stimulus money.
- Vast majority of impact is on civil business. New work opportunities were scarce in January and February. Lots of work has come out in March and April.
- We hope some of the stimulus money finds its way into education projects as local and state sales taxes and property taxes have dropped greatly, affecting the K-12 and higher education systems. We will be attempting to restart our DOT initiative that we shut down in the late '90s.

Stimulus bill will is having little or no effect at this time.

- Hard to cut through the talk to get to projects that we can focus on.
- Impossible to discern at this time.
- In the water area, the stimulus goes through the state revolving funds, which are slow, and the amounts available to cities are only in the \$5 million to \$10 million range. Not enough to have a significant impact.
- Negligible currently. Expect work to increase Q3 as a result of stimulus
- No impact. The focus is more on quick resurfacing projects instead of large-scale bridge projects.
- Secondary or tertiary benefit.
- Shovel-ready versus administration-ready projects are two different things in Connecticut.
- Significant amounts of stimulus money are being used to offset budget needs in many of the states where we operate. As a result we are seeing limited impact from the stimulus program.
- Still limited impact. Helping keep some projects alive.

-
- Stimulus portion has been reduced from \$700 billion to around \$100 billion, with a large portion heading to fund “shovel-ready” projects, which does not necessarily help the design side.
 - Stimulus will likely have indirect effect by providing funding for projects that would have otherwise led to delays and deferrals of projects we will pursue.
 - Very slow to begin and very slow to unfold.
 - We haven't seen it yet in most markets.
 - We only perform work in the private enterprise area. Will take a long time if ever for effects of government investment to impact our client base.

Stimulus bill will have a negative or negligible effect.

- Due to the lack of credit and the state budget deficits, we are seeing a decrease in total transportation-related projects. This is not a stimulus but a de-stimulus!
- We are also concerned with the requirements that the stimulus funds will have on these projects. (Financial disclosures and the false claim act as well as union ties.)
- Most of the stimulus projects are too small for our company. Due to heavy competition, we are seeing an inordinate number of bidders on projects.

Other comments from panelists for the first quarter 2009:

- We have a great concern that so-called stimulus funding will reduce Congressional "interest" in the urgency of a new and expanded surface transportation bill to supersede SAFETEA-LU.
- In general, work will continue to be available, but at lower margins.
- More important than the economic stimulus by far will be the Federal Transportation Reauthorization later this year. If we can achieve a bill at close to \$500 billion and mobilize new funding sources, then we may see public works construction leading the recovery. Big question out there still is the risk of rampant inflation due to heavy federal spending and massive increases in the monetary base.
- We generally see a continued softening in commercial construction and a flattening of the extremely depressed residential market. In the roadway sector, we anticipate the stimulus bill will provide a backstop in the next 15 months for a slightly declining market due to shrinking state budgets. The federal program is also now in an underfunded situation with the Federal Highway Trust Fund now depleted. Therefore, toward the middle of 2010, we see another potential dip in this sector before a new highway bill and general economic recovery in 2011 begins to help shape budgets and spending.

EXHIBIT 5
CIRT Sentiment Index
Results: Q1-2009 to Q2-2009

	CIRT Sentiment Index Quarter 1, 2009				CIRT Sentiment Index Quarter 2, 2009			
	Improving over last quarter	Staying the same as last quarter	Worse compared to last quarter	CIRT components Q1, 2009	Improving over last quarter	Staying the same as last quarter	Worse compared with last quarter	CIRT components Q2, 2009
Overall Economy	0.0%	22.2%	77.8%	11.1	13.1%	55.7%	31.1%	41.0
Overall Economy Where Panelists Do Business	0.0%	26.6%	73.4%	13.3	11.1%	58.7%	30.2%	40.5
Panelists' Construction Business	6.3%	46.0%	47.6%	29.4	11.5%	54.1%	34.4%	38.5
Residential Building Construction Market Where Panelists Do Business	0.0%	17.4%	82.6%	8.7	0.0%	56.3%	43.8%	28.1
Nonresidential Building Construction Market Where Panelists Do Business	0.0%	25.8%	74.2%	12.9	11.3%	45.2%	43.5%	33.9
Backlog in Months	High	Median	Low		High	Median	Low	
Approximate Current Signed Backlog	48.0	12.0	3.0		36.0	12.0	2.0	
	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	11%	48%	41%	35.2	21%	44%	35%	42.9
	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	0%	27%	73%	86.4	3%	35%	62%	79.2
Cost of Labor	11%	76%	13%	50.8	3%	73%	23%	60.0
	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	33%	63%	3%	65.1	34%	64%	2%	66.4

EXHIBIT 6
**CIRT Sentiment Index Components—
Business Outlook Summary by Market Sector**

Sector	Overall Q1, 2009			Overall Q2, 2009		
	3 Months	1 Year	3 Years	3 Months	1 Year	3 Years
Commercial	4.4	30.9	88.6	16.7	47.7	96.7
Education	32.5	62.5	85.5	48.0	67.5	91.7
Healthcare	40.8	61.8	83.3	36.7	68.4	95.5
Lodging	4.5	13.6	66.7	23.9	50.0	83.3
Manufacturing	17.1	38.2	77.9	26.1	40.0	84.8
Office	13.2	24.2	65.2	18.2	52.4	93.2
Industrial/Petro Chemical	32.8	44.8	77.6	23.8	53.1	93.8
Transportation Related	48.8	84.1	89.7	30.0	75.0	100.0
Public Works/Heavy Civil	47.8	80.9	86.7	54.8	84.2	84.2
Other	38.9	50.0	66.7	53.7	73.7	87.0

EXHIBIT 7
**CIRT Sentiment Index Components
Detailed Results by Market Sector**

	Overall Quarter 1, 2009				Overall Quarter 2, 2009			
	Improving over last quarter	Remains the same as last quarter	Worse than last quarter	CIRT Index Q1, 2009	Improving over last quarter	Remains the same as last quarter	Worse than last quarter	CIRT Index Q2, 2009
Business Outlook – 3 Months								
Commercial	0.0%	8.8%	91.2%	4.4	0.0%	33.3%	66.7%	16.7
Education	5.0%	55.0%	40.0%	32.5	8.0%	80.0%	12.0%	48.0
Healthcare	13.2%	55.3%	31.6%	40.8	6.7%	60.0%	33.3%	36.7
Lodging	0.0%	9.1%	90.9%	4.5	0.0%	47.8%	52.2%	23.9
Manufacturing	2.9%	28.6%	68.6%	17.1	4.3%	43.5%	52.2%	26.1
Office	0.0%	26.5%	73.5%	13.2	4.5%	27.3%	68.2%	18.2
Industrial/Petro Chemical	0.0%	65.5%	34.5%	32.8	0.0%	47.6%	52.4%	23.8
Transportation Related	27.5%	42.5%	30.0%	48.8	20.0%	20.0%	60.0%	30.0
Public Works/Heavy Civil	28.3%	39.1%	32.6%	47.8	14.3%	81.0%	4.8%	54.8
Other	11.1%	55.6%	33.3%	38.9	18.5%	70.4%	11.1%	53.7

Business Outlook – 1 Year

Commercial	14.7%	32.4%	52.9%	30.9	9.1%	77.3%	13.6%	47.7
Education	42.5%	40.0%	17.5%	62.5	45.0%	45.0%	10.0%	67.5
Healthcare	36.8%	50.0%	13.2%	61.8	42.1%	52.6%	5.3%	68.4
Lodging	0.0%	27.3%	72.7%	13.6	18.2%	63.6%	18.2%	50.0
Manufacturing	11.8%	52.9%	35.3%	38.2	0.0%	80.0%	20.0%	40.0
Office	6.1%	36.4%	57.6%	24.2	19.0%	66.7%	14.3%	52.4
Industrial/Petro Chemical	20.7%	48.3%	31.0%	44.8	25.0%	56.3%	18.8%	53.1
Transportation Related	73.2%	22.0%	4.9%	84.1	50.0%	50.0%	0.0%	75.0
Public Works/Heavy Civil	68.1%	25.5%	6.4%	80.9	68.4%	31.6%	0.0%	84.2
Other	22.2%	55.6%	22.2%	50.0	57.9%	31.6%	10.5%	73.7

Business Outlook – 3 Years

Commercial	82.9%	11.4%	5.7%	88.6	93.3%	6.7%	0.0%	96.7
Education	71.1%	28.9%	0.0%	85.5	87.5%	8.3%	4.2%	91.7
Healthcare	69.4%	27.8%	2.8%	83.3	90.9%	9.1%	0.0%	95.5
Lodging	48.5%	36.4%	15.2%	66.7	71.4%	23.8%	4.8%	83.3
Manufacturing	61.8%	32.4%	5.9%	77.9	73.9%	21.7%	4.3%	84.8
Office	36.4%	57.6%	6.1%	65.2	86.4%	13.6%	0.0%	93.2
Industrial/Petro Chemical	62.1%	31.0%	6.9%	77.6	87.5%	12.5%	0.0%	93.8
Transportation Related	82.1%	15.4%	2.6%	89.7	100.0%	0.0%	0.0%	100.0
Public Works/Heavy Civil	75.6%	22.2%	2.2%	86.7	73.7%	21.1%	5.3%	84.2
Other	44.4%	44.4%	11.1%	66.7	77.8%	18.5%	3.7%	87.0

NRCI 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.

EXHIBIT 8

Size of Organization in Annual Revenue

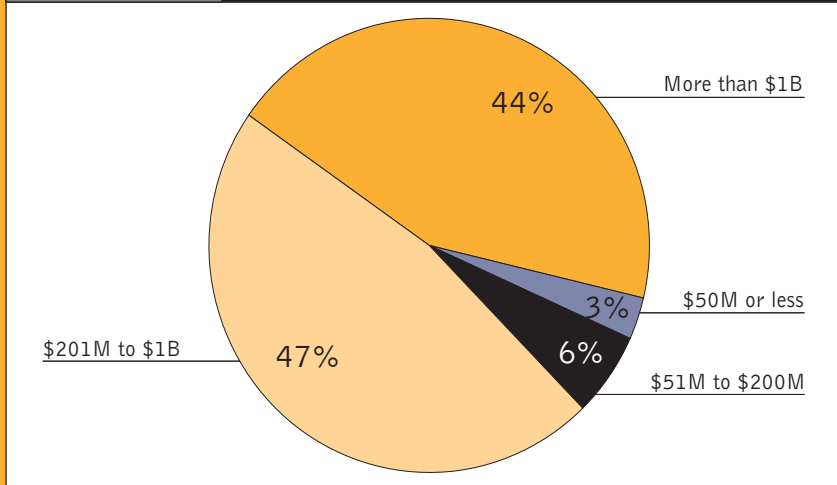


EXHIBIT 9

Type of Contracting Business

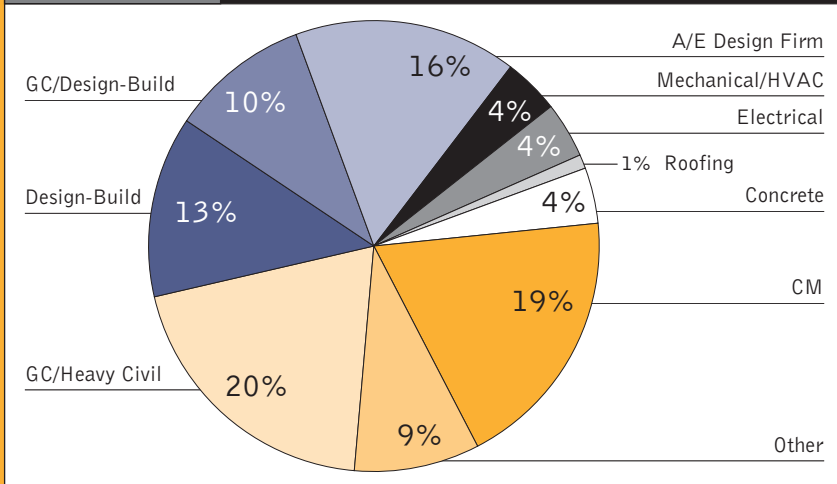
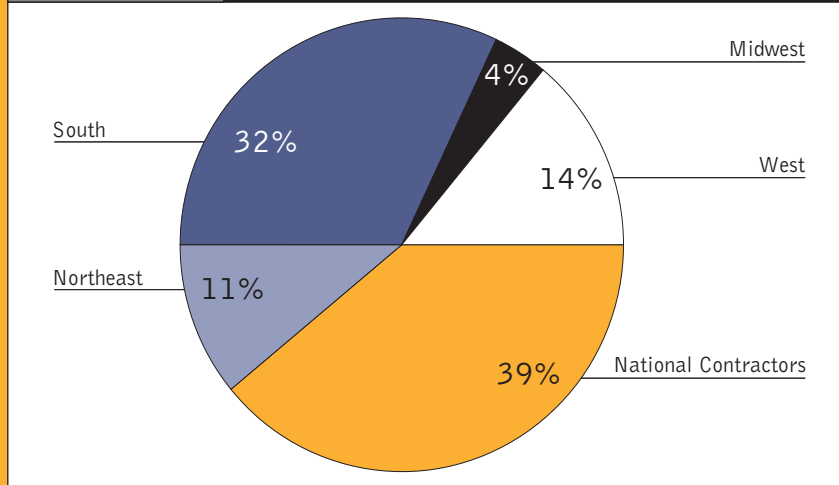


EXHIBIT 10 Primary Region in Which Panelists Work



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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