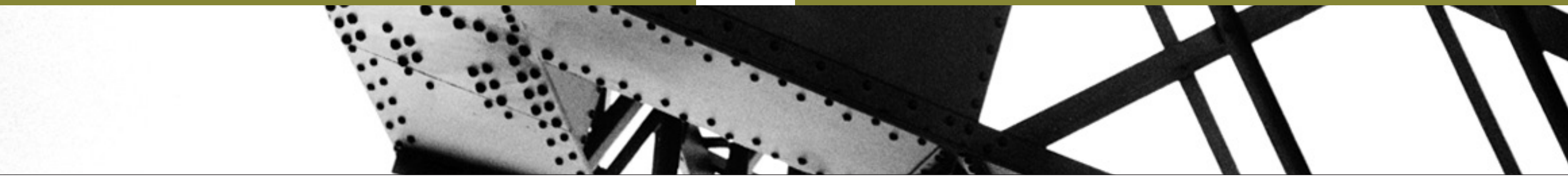
FMI

Second Quarter 2011

Nonresidential Construction Index Report



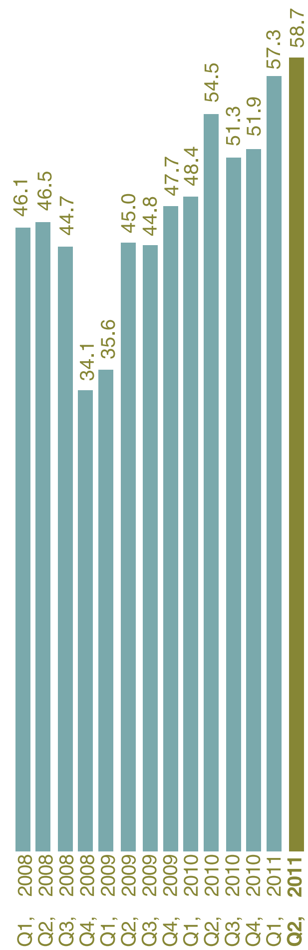
CURRENT NRCI SUMMARY

Overall Economy	UP
Overall Economy Where We Do Business	UP
Our Construction Business	UP
Nonresidential Building Construction Market Where We Do Business	UP
Our Expected Backlog	DOWN
Cost of Construction Materials	HIGHER
Cost of Labor	HIGHER
Productivity	UP

NRCI SECOND QUARTER 2011 EXECUTIVE SUMMARY

Even as Black Swan Events seem to be occurring everywhere around the globe, the NRCI continues its slow advance into growth territory for the nonresidential construction sector. In spite of adjustments made to accommodate the rising cost of materials, the NRCI moved up 1.4 points to 58.7 for the second quarter. That's the fifth quarter in a row that the Index has remained at least slightly in positive territory. The slow, uneven recovery reflects the mixed signals from the national economy, where consumer spending begins to improve just as gas prices skyrocket, and automotive sales start to bounce back as an unparalleled disaster in Japan takes billions of dollars in parts and automotive manufacturing offline. In our current issues questions this quarter, we asked panelists a few brief questions about how these Black Swan Events might affect their business. One of the most likely effects of recent disasters and geopolitical turmoil is the rise in commodity prices, but how and how soon this will show up as a shift in construction activity is hard to say, most panelists expect we will know more in the latter half of the year.

Rudyard Kipling offered some sound advice to young men that might serve well for business leaders trying to navigate their companies to success in the new normal; "If you can keep your head when all about you are losing theirs and blaming it on you. . ." Similarly, if in the midst of global turmoil, good companies can avoid losing their head and still be true to their character and culture, then we might just find our way back to prosperity. One thing is certain. It is becoming more important for companies to manage and build strategies that accommodate uncertainties. Among those uncertainties is the growing national debt and what, if anything, will be done about it. The majority of panelists agree that if the budget demands severe cuts in infrastructure



CURRENT NRCI READING Q2-2011

58.7

PREVIOUS READING: 57.3

EXHIBIT 1

FMI Nonresidential Construction Index (NRCI)
Scores Since: Q1, 2008 to Q2, 2011

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

HOW TO BECOME AN NRCI PANELIST

If you are an executive for a construction firm in nonresidential building markets and would like to become a panelist for the *FMI Nonresidential Construction Index*, please send your information or questions about this survey to Phil Warner at pwarner@fminet.com. The survey is sent to panelists quarterly and should take approximately 10 minutes to complete. Panelists will receive the full quarterly report free of charge.

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.

ABOUT THIS REPORT

The data in this report is presented as a sampling of construction industry executives voluntarily serving as panelists for this survey. The responses are based on their experience and opinions, and the analysis is based on FMI's interpretation of the aggregate results. All trends are based on a limited series of data that may or may not represent the larger population. We must caution that major decisions should not be made without additional investigation and research of specific geographic and construction market segments.

FMI | Management Consulting • Investment Banking for the Engineering and Construction Industry to reduce the debt, then so be it. Those companies focused on infrastructure will lose a lot of business, but the debt must be reduced, because the proverbial can has grown too large to keep kicking it down the road.

Despite global uncertainties, NRCI panelists have not forgotten the benefits of cultivating loyal customers as they report a median of 70% of their current business is from loyal or repeat customers. Nonetheless, that measure of loyalty is under threat as some good customers went out of business in the recession; others are being wooed by low-bid competition or have tabled their building programs indefinitely. Although most contractors expect loyal customers to return, 41.1% indicated they have more work with new customers now than before the recession, thus cultivating the possibility of new old customers.

NRCI Second Quarter 2011 Highlights

Overall Economy: The overall economy component of the NRCI continues to improve at a steady rate, as the component scored 74.7 again this quarter.

Overall Economy Where Panelists Do Business: With a component score of 72.9, panelists are beginning to see more economic improvement closer to their home markets.

Panelists' Construction Business: The "trickle-down" effect is beginning to show up in panelists' construction business, as they now see their own businesses beginning to improve even though slower than the overall economy. The index component is now 63.4 compared with 57.1 last quarter. While backlogs are up to a median of nine months from eight months for the previous two quarters, panelists' expectations of backlogs in the next quarter are down slightly to a component score of 58.2.

Nonresidential Building Construction Market Where Panelists Do Business: At 60.6, for the second quarter in a row, panelists think the business in their markets in general is in growth mode. Nonetheless, this component is not yet in bullish territory, so we can expect competition for available work is still fierce.

Cost of Materials: If there is one thing almost all panelists agree on, it is that the costs of materials continue to rise as the component index is now 6.6. This component works against the overall NRCI score, and there is no sign this number will improve anytime soon. (Note: Rising costs of labor and materials are a drag on total NRCI score.)

Cost of Labor: Labor costs continue to creep up as business improves, with the labor component dropping from 42.9 last quarter to 38.5 this quarter.

Productivity: After a slight dip in the first quarter, productivity continues to improve, with the component index up to 56.6. Gains in productivity should help to offset rising labor costs, but the momentum could be difficult to maintain once backlogs increase appreciably.

Natural Disasters and Geopolitical Unrest: We asked panelists how recent natural disasters and global political events might affect their business. (Note: This survey was conducted before the devastating tornadoes in the South and extensive flooding in the Midwest.) Sixty-one percent of panelists expected the multiple disasters in Japan and New Zealand and the political upheaval in the Middle East and Northern Africa would affect their business, and most expected those changes to begin to hit their markets in the second half of the year. How these events will affect the U.S. construction market is still unclear, but some panelists noted their concerns for rising commodity prices and difficulty getting parts for machinery made in Japan.

Federal Budget Cuts: Infrastructure spending is among the items that could be severely cut back or eliminated in proposed federal budget cuts. Even though those cuts could hurt contractors short term, 86.5% of panelists agreed that putting the economy on a sustainable path was more important than maintaining current spending levels for infrastructure.

Customer Loyalty: The market continues to be highly competitive, so we asked panelists several questions about maintaining customer loyalty in this environment. 39.7% said they continue to have a high level of work from a loyal customer base, but a similar number, 41.1%, said they have more work for new customers now than before the recession.

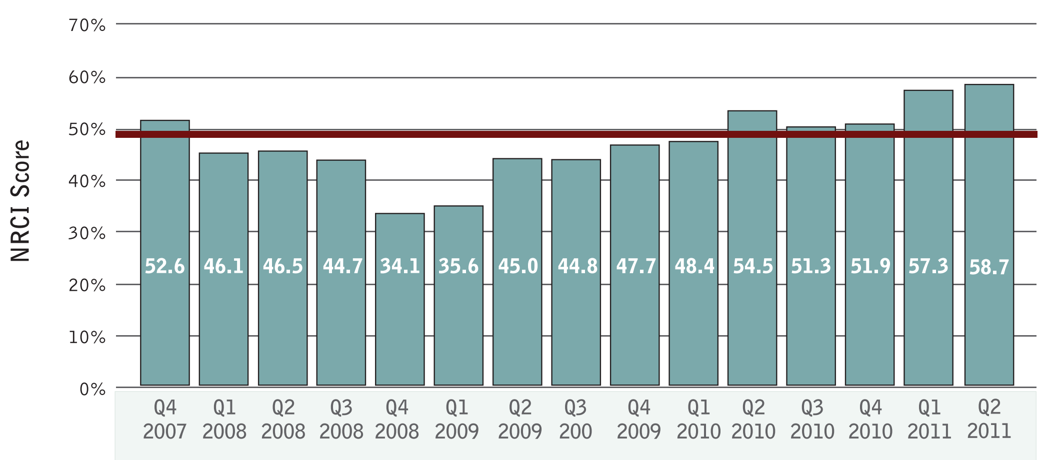
EXHIBIT 2

FMI Nonresidential Construction Index (NRCI) Scores Since Inception of NRCI: Q4, 2007 to Q2, 2011 (Scores higher than 50 indicate expansion, below 50 indicate contraction.)

RESULTS OF THE FRIST QUARTER FMI NONRESIDENTIAL CONSTRUCTION INDEX (NRCI)

SECOND QUATER 2011 **58.7**

PREVIOUS READING: 57.3 *



* Amended number to accommodate a change in material costs component.

Global Events and Construction Markets

The ripple effect of large disasters and political upheaval are once again evidence of how much we work in a global economy. The news of massive natural disasters like the earthquake in Japan travels around the world in real time, and scientists are even able to predict some of these disasters. Unfortunately, even early warning was not early enough to evacuate the Japanese coast before the tsunami, but Hawaii and California were warned hours in advance of the oncoming waves. The ripple effects for the domestic and global economy are even less predictable, but 61% of panelists for the NRCI expect they will affect our economy and most expect those effects to start showing up in the second half of the year. While 18.7% expect most of the economic effects will be felt only by foreign markets, 55.4% think the U.S. economy will share in the aftermath of these events. Still there is a good deal of uncertainty as to how global events will affect the economy. Some panelists commented that we will see commodity prices rise more than they are rising now. Others foresee ongoing disruption in manufacturing parts from Japan.

We didn't probe very deeply with these questions at this time, so this is just a cursory look into what may become a larger issue. The news cycle is brief, but even as these events move out of the headlines, the real work is just beginning. What will change for the nuclear power industry? How long will it take for Japanese manufacturing to return to normal production levels? How long will it take people to rebuild their lives and infrastructure? Stay tuned, as they say, but more than that, consider how these events will affect your business, both as threats and opportunities in the coming year.

EXHIBIT 3 Given the recent geopolitical (Middle East turmoil) and natural disasters (Japan/ New Zealand), do you expect our domestic markets to be affected (financially, new starts, economic growth, etc.)?

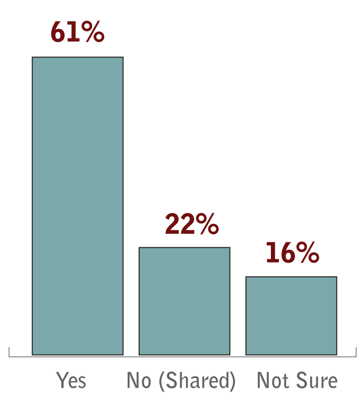


EXHIBIT 4 Over what time horizon will these events affect domestic markets?

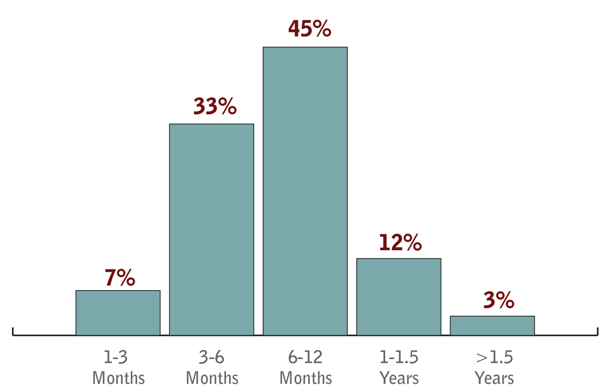


EXHIBIT 5

Do you only see such impacts on foreign markets (i.e., outside the U.S.)?

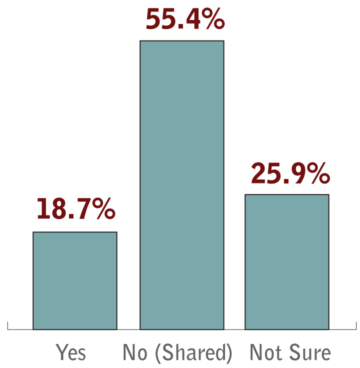
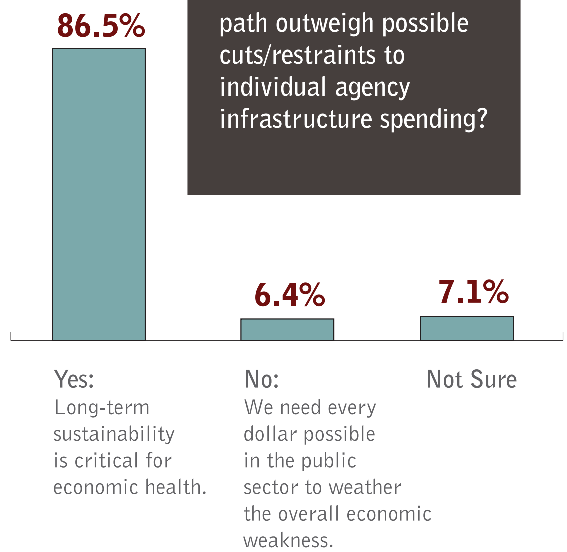


EXHIBIT 6

In your view, does the overall goal to put the federal government on a sustainable financial path outweigh possible cuts/restraints to individual agency infrastructure spending?



Federal Budget Debate and Infrastructure Funding

Infrastructure is the backbone of our economy. Few would disagree with this truism, but what happens when the importance of infrastructure to a healthy economy comes up against another truism? "When your outflow exceed your income, the outcome will be your downfall." Modern economic theory has sought to overturn that old wisdom with the idea that sometimes deficit spending is beneficial like when we need to bail out entities that are "too big to fail." With deficits reaching into the trillions, it is clear we have exceeded our income, so what can we do about it? On one hand, there is the budget submitted by President Obama which cuts infrastructure spending but also promotes and supports selected transportation funding like roads and high-speed rail. On the other, Budget Committee Chairman Ryan's plan proposes to slash infrastructure spending to put America on "The Road to Prosperity." The solution will likely be a compromise, but 86.5% of NRCI panelists recognize the need to promote a sustainable budget, and that outweighs the necessary cuts in infrastructure spending and subsequent loss of government projects for contractors.

Customer Loyalty and the Recession

Customer loyalty is something all contractors work for and depend upon in good times; but what happens to customer loyalty in a long recession? We asked panelists to share some of their experience and opinions about maintaining loyal customer relationships as we come out of the recession. The good news is that loyal/repeat customers are still the backbone of business as panelists indicated that, as a median for the group, 70% of current business is with loyal customers, and 50% of current backlog is in part due to referrals from past customers. For 39.7%, that ratio of loyal customers hasn't changed during the recession – even if business is down overall. However, 41.1% have more work with new customers now than before the recession, but 19% have more work from loyal customers now.

EXHIBIT 7 Has the recession economy changed the ratio of repeat or loyal customers to new customers in your backlog?

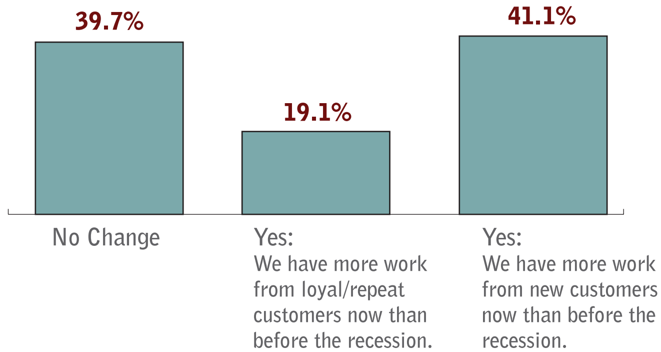


EXHIBIT 8 If you have fewer loyal customers now than before the recession, what do you think are the primary reasons for that loss?

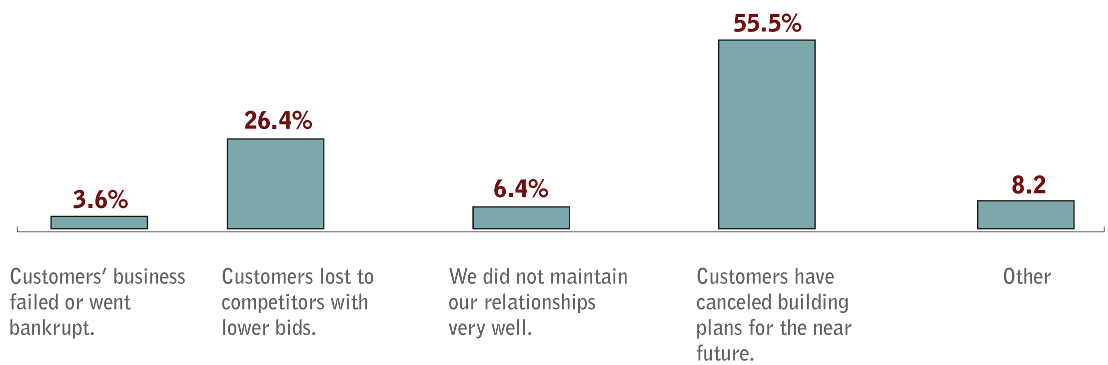
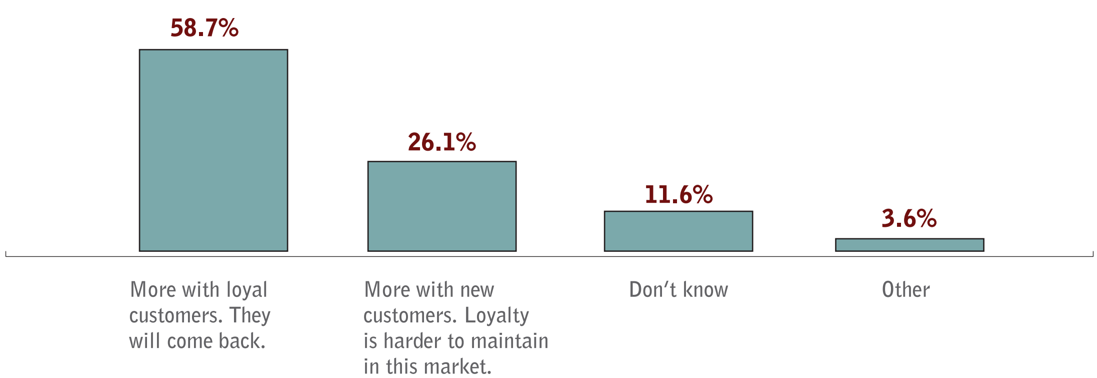


EXHIBIT 9 When business improves, do you expect to again have more business with loyal customers, or with new customers?



The results of these questions point out what most contractors should know, but don't always measure: it is more effective to develop good customer relationships than always trying to build new ones. At the same time, it is just as important to keep working to find that 30% of business from new customers. Panelists responded that 55.5% of their good customers have canceled or postponed their building projects since the recession. Some, 3.6%, customers just went out of business, and, a problem we have heard about throughout the recession, 26.4% of panelists report losing even good customers to low-bid competitors. Loyalty sometimes has its limits. Nonetheless, when business improves, 58.7% expect loyal customers to come back; but 26.1% expect they may lose loyal customers to competitors and have more work with new customers whom they hope will become new loyal customers.

Things Loyal Customers Say — The Best and the Worst

We can learn a lot from loyal customers, that is, if we ask and listen to what they have to say about us. Whatever you hear, good or bad, from customers, especially those considered loyal customers, is valuable, so you don't have to say, as one panelist did, "I wish I knew" what loyal customers say about us.

We asked panelists to give us some examples of the best and/or worst things loyal customers say about their companies. One of the responses we received repeatedly is that loyal customers have said, "Sorry you weren't the low bidder." In part, this type of comment is symptomatic of the recession, but that's the kind of compliment we'd rather not hear. Along the same line, we had several remarks that loyal customers often note they are great contractors but not the lowest priced. That's not too bad to hear as long as customers realize that the value they are receiving makes up for the lesser-quality work of some competitors.

Trust, honesty, fairness and doing what the contractor says it will do are solidly represented characteristics heard from loyal customers. Not "nickel and diming" the customer was also noted several times as a good characteristic for having more loyal customers. The traditional characteristics are still among the most important, that is, having customers that know your company as always being on time, on budget and delivering good quality. However, we think there is often something beyond that that makes real loyal customers, the customers that will do everything they can to work with you even if your work is priced higher than the competition's. We also heard comments like company "X" is a problem solver; has great project managers; is very professional and courteous; and approaches the work with high energy and always with the customers' interests in mind. Building true customer loyalty goes beyond just being good.

Most of the worst comments mentioned – and there weren't nearly as many "worst" comments as "best – consisted of not doing some of the good things noted above, but the comments about being more expensive than the competition and nickel and diming on change orders were noted most often. Sometimes it is a matter of having one bad job with a few people being unresponsive to customer needs, but that can be all it takes to turn a loyal customer into a non-customer. The following is a representative selection of comments received:

What are some of the best (or worst) things your loyal customers say about your company?

- We rely on ________ Company for construction solutions but also for helping us to understand the intersecting point between our business case and our facility needs. This is quite unusual.
- We don't nickel and dime them.
- We hit our target schedules.
- If something goes wrong, we fix it.
- [You] add a lot of value by coming up with better ways to do things. Work is done right the first time. If it isn't, I can count on you all to make it right.
- My favorite from a GC lately, "The quality of your work is outstanding..... There just aren't many owners willing to pay for that kind of quality."
- Best: Quality company with excellent service and field productivity and leadership. Responsive. Worst: Definitely not the cheapest option in town. Nickel and dime on extras.
- Best: Uncompromised service, fair treatment of all, personal attention to client needs and their personnel, saves time and money with focused management of their project from pre-con to finish.
- Best: Have always performed as promised. They add value to my development team. Their jobsite supervision is excellent. I understand how they estimate and arrive at a final number. Worst: They cost or charge more than other contractors charge.
- Best: Excellent service and quality. Worst: Not willing to share in the risk of rising material costs. Cannot offer DBE participation.
- _____ is a dependable contractor who completes its work without claims and litigation. Our safety programs are award-winning at the national level.
- Customers generally are very pleased with the quality of our work and our ability to pull off the nearly impossible. On the other hand, as a union contractor, they feel our labor costs are too high for work that they can get done by a smaller nonsignatory contractor.
- For the most difficult and demanding projects, they count on us to get the project done.
- From our surveys, everyone had good comments about our firm.
- Good quality and an active member of the team. We are an extension of their organization.
- Good times or bad, we provide a consistent product at competitive levels.
- Innovative, solution-oriented
- Much of our work is in occupied buildings. We regularly get feedback about how professional and courteous our tradespeople are.
- Need to close out better (paper work)
- _______ always gets the jobs done, and their problems don't become ours even in tough times.
- Our loyal customers give us high marks for completing our projects on time and with minimal cost growth. Unfortunately, the pressures of this competitive market have forced our owners to revert to a low-price mentality, which is not serving them well.
- Our people make the difference. We work hard to solve problems. We make their lives easy. They could trust that we would get the job done. We did what we committed to do.
- Reliable. Good Value. Loyal. Competent.

- Safety, excellence, reliability, gets the tough jobs done, count on us—do not have to worry about our portion of the work when they have us on the job.
- The energy and passion we bring is why they want to continue to work with us.
- They received exactly what they wanted. Didn't think building a new facility could be this easy. The people at __________ really know what they are doing.
- They can't believe how hard we work and how flexible we are to meet and exceed their expectations. They believe that we are taking actions that are always in their best interests.
- They like the consistency, the people, the systems, the organized approach and the accuracy of the preliminary estimates and schedules.
- They would rather continue working with our firm than use a loan process that would save them finance costs but would require them to competitively bid the project.
- Trustworthy, efficient, excellent communication, quality, fast, well-managed.
- We are too expensive. They always say they want quality, but the truth of the matter is they are willing to take the risk of the low-ball, dirtbag, unqualified bidder to get a low price. In fairness to them (the general contractors), they, too, have had to cut their margins to the bone, so they seem willing to take risks to try to bolster their margins back to levels where they can stay in business; but it is a risk. It's remarkable to listen to them complain about the work being done after they got what they paid for. In the end, the quality rarely costs much more, but it is understandable that they think they are getting a bargain at the outset.
- We are very heavy-handed with change orders.
- We deliver and follow through on our commitments. We become their partners.
- We execute our work at a high level. We provide more superior pre-construction services than our competitors. Sometimes we are criticized for being conservative.
- We give great service in all areas--precon through warranty. Some, however, have gone to the cheap price.
- We have conducted two comprehensive customer surveys in the past few years, and our customers say we excel in quality, integrity and overall value.
- We have excellent PMs who do what they say they will do. We actively search for solutions to problems. We are there to help them when they need it. Negotiate and communicate fairly and openly during contentious issues. And then: Some craftsmen are not what we have come to expect from you. One project manager communicated poorly.
- We know the industry (senior housing and urban) better than our competition.
- We know what we are doing and do it... and at a competitive price. Those who by statute must bid all work wish they could find a way around the law to allow us to work with them directly.
- We take care of their needs.
- We trust you. We look out for their best interest better than they do.
- We're dependable. We can get the job done and will go the "extra mile" to please our customers.
- You guys are great. Write whatever you want. I'll sign it.
- You have the best precon services that we have seen. Your construction people know more about the project than our designers do. You don't market yourselves as well as you could.
- Your level of service sets the bar for others who work at the university. Your firm provides true construction management services, not the GC mentality we get from others.

Dangerously Low | Very Low / Significant Drop | Low | Positive Growth Indicator | Very Positive Growth Indicator

EXHIBIT 10 FMI Nonresidential Construction Index Detailed Results by Market Sector

	Overall Quarter 1, 2011				Overall Quarter 2, 2011			
Business Outlook - Three Months	Improving over last quarter	Remains the same as last quarter	Worse compared with last quarter	NRCI Q1 2011*	Improving over last quarter	Remains the same as last quarter	Worse compared with last quarter	NRCI Q2 2011*
Commercial	13.0%	71.0%	16.0%	48.5	12.8%	76.1%	11.1%	50.9
Education	9.7%	71.0%	19.3%	45.2	11.5%	72.1%	16.4%	47.5
Health care	22.8%	72.4%	4.8%	59.0	30.8%	64.2%	5.0%	62.9
Lodging	7.0%	60.9%	32.2%	37.4	14.1%	70.7%	15.2%	49.5
Manufacturing	23.3%	66.7%	10.0%	56.7	28.4%	59.8%	11.8%	58.3
Office	9.8%	62.2%	28.0%	40.9	7.4%	70.5%	22.1%	42.6
Other	26.3%	60.5%	13.2%	56.6	26.2%	69.0%	4.8%	60.7
Business Outlook - One Year								
Commercial	42.3%	49.2%	8.5%	66.9	31.6%	62.4%	6.0%	62.8
Education	31.3%	55.6%	13.2%	59.0	20.7%	62.0%	17.4%	51.7
Health care	49.3%	46.5%	4.2%	72.6	56.3%	37.8%	5.9%	75.2
Lodging	24.6%	57.0%	18.4%	53.1	30.8%	58.2%	11.0%	59.9
Manufacturing	42.0%	48.7%	9.2%	66.4	43.6%	50.5%	5.9%	68.8
Office	18.2%	66.4%	15.4%	51.4	19.8%	64.5%	15.7%	52.1
Other	52.6%	42.1%	5.3%	73.7	43.9%	53.7%	2.4%	70.7
Business Outlook - Three Years								
Commercial	80.5%	15.6%	3.9%	88.3	72.6%	21.4%	6.0%	83.3
Education	61.3%	29.6%	9.2%	76.1	48.8%	38.0%	13.2%	67.8
Health care	68.3%	23.9%	7.7%	80.3	66.4%	27.7%	5.9%	80.3
Lodging	57.1%	34.8%	8.0%	74.6	52.2%	38.9%	8.9%	71.7
Manufacturing	55.7%	35.7%	8.7%	73.5	59.4%	36.6%	4.0%	77.7
Office	58.9%	32.6%	8.5%	75.2	57.0%	35.5%	7.4%	74.8
Other	57.9%	34.2%	7.9%	75.0	61.0%	36.6%	2.4%	79.3

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.

Dangerously Low | Very Low / Significant Drop | Low | Positive Growth Indicator | Very Positive Growth Indicator

EXHIBIT 11 NRCI Component Indexes — Comparisons of Results: Q3, 2010 to Q2, 2011

	NRCI Q3, 2010	NRCI Q4, 2010	NRCI Q1, 2011	NRCI Q2, 2011
The overall economy	53.7	54.0	74.7	74.7
The overall economy where panelists do business	52.3	50.0	67.5	72.9
Panelists' construction businesses	53.7	53.4	57.1	63.4
Nonresidential building construction market where panelists do business	43.6	43.5	54.0	60.6
Cost of construction materials	43.3	39.6	15.5	6.6
Cost of labor	43.2	44.2	42.9	38.5
Productivity	56.3	56.4	53.5	56.6
Expected change in backlog	42.7	50.0	58.7	58.2
	Median	Median	Median	Median
Approximate current signed backlog in months	9.0	8.0	8.0	9.0

Note: NRCI scores and component scores are based on a diffusion index where scores above 50 represent improving or expanding, a score of 50 represents remaining the same, and a score below 50 represents worse than last quarter or contraction.

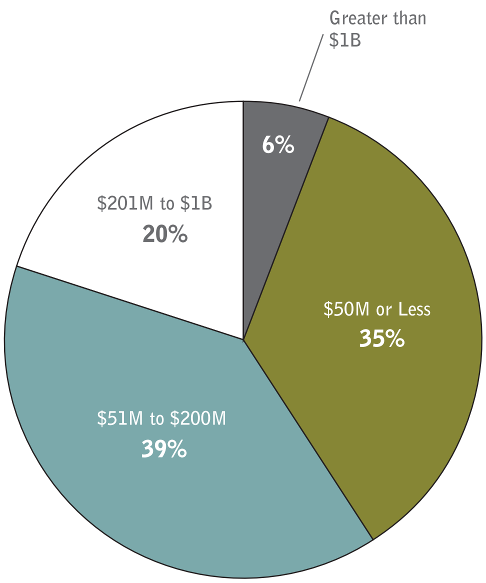


EXHIBIT 12
Size of the Organization in Annual Revenue

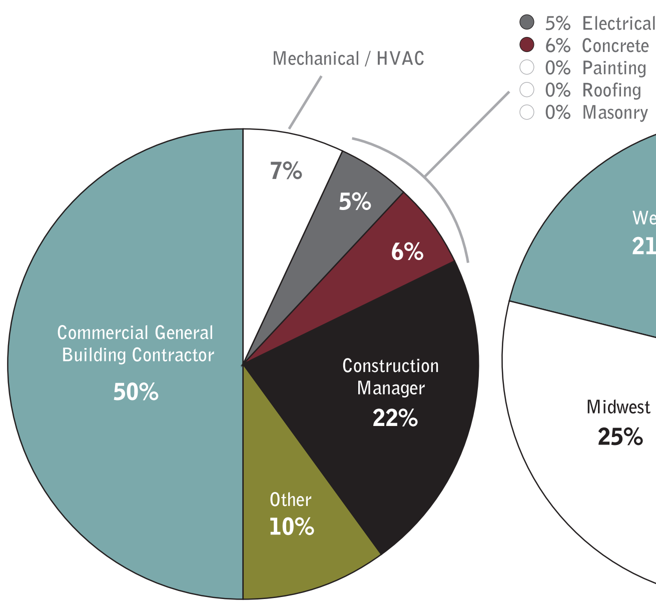


EXHIBIT 13
Type of Contracting Business

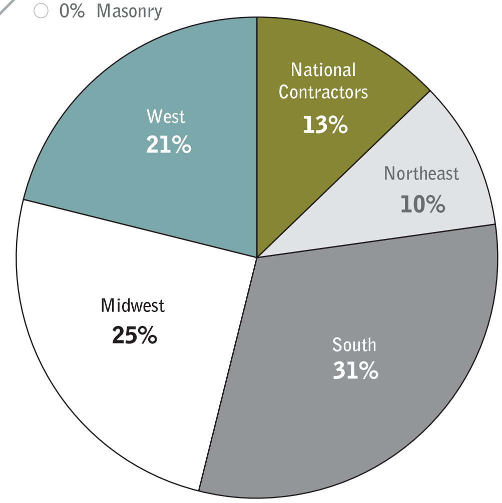


EXHIBIT 14
Primary Region in Which Panelists Work

Dangerously Low | Very Low / Significant Drop | Low | Positive Growth Indicator | Very Positive Growth Indicator

EXHIBIT 15 FMI Nonresidential Construction Index (NRCI) Component Results Q4, 2010 and Q1, 2011

	NRCI Component Results, Quarter 1, 2011				NRCI Component Results, Quarter 2, 2011			
	Improving over last quarter	Staying the same as last quarter	Worse compared with last quarter	NRCI Q1 2011	Improving over last quarter	Staying the same as last quarter	Worse compared with last quarter	NRCI Q2 2011
Overall Economy	54.6%	40.2%	5.2%	74.7	52.8%	43.8%	3.5%	74.7
Overall Economy Where Panelists Do Business	42.0%	51.1%	6.9%	67.5	50.7%	44.5%	4.8%	72.9
Panelists' Construction Business	32.4%	49.4%	18.2%	57.1	41.4%	44.1%	14.5%	63.4
Nonresidential Building Construction Market Where Panelists Do Business	23.1%	61.8%	15.0%	54.0	35.6%	50.0%	14.4%	60.6
Backlog in Months	High	Median	Low		High	Median	Low	
Approximate Current Signed Backlog	48.0%	8.0%	1.0%		36.0%	9.0%	2.0%	
	Grow faster than last quarter	Stay about same as last quarter	Shrink compared with last quarter		Grow faster than last quarter	Stay about same as last quarter	Shrink compared with last quarter	
Expected Change in Backlog	33.5%	50.3%	16.2%	58.7	32.9%	50.7%	16.4%	58.2
	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	69.0%	31.0%	0.0%	15.5	86.8%	13.2%	0.0%	6.6
Cost of Labor	16.0%	82.2%	1.8%	42.9	23.6%	75.7%	0.7%	38.5
	Improving over last quarter	Same as last quarter	Declining compared with last quarter		Improving over last quarter	Same as last quarter	Declining compared with last quarter	
Productivity	12.8%	81.4%	5.8%	53.5	15.2%	82.8%	2.1%	56.6

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.

ABOUT FMI

FMI is the largest provider of management consulting, investment banking and research to the engineering and construction industry. We work in all segments of the industry providing clients with value-added business solutions, including:

- Strategy Development
- Market Research and Business Development
- Leadership and Talent Development
- Project and Process Improvement
- Mergers, Acquisitions and Financial Consulting

Founded by Dr. Emol A. Fails in 1953, FMI has professionals in offices across the U.S. FMI delivers innovative, customized solutions to contractors; construction materials producers; manufacturers and suppliers of building materials and equipment; owners and developers; engineers and architects; utilities; and construction industry trade associations. FMI is an advisor you can count on to build and maintain a successful business, from your leadership to your site managers.

Raleigh — Headquarters
5171 Glenwood Avenue
Suite 200
Raleigh, NC 27612
P.O. Box 31108
Raleigh, NC 27622
T 919.787.8400
F 919.785.9320

Denver
210 University Boulevard
Suite 800
Denver, CO 80206
T 303.377.4740
F 303.398.7291

Phoenix
5080 N. 40th Street
Suite 245
Phoenix, AZ 85018
T 602.381.8108
F 602.381.8228

Tampa
308 South Boulevard
Tampa, FL 33606
T 813.636.1364
F 813.636.9601

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