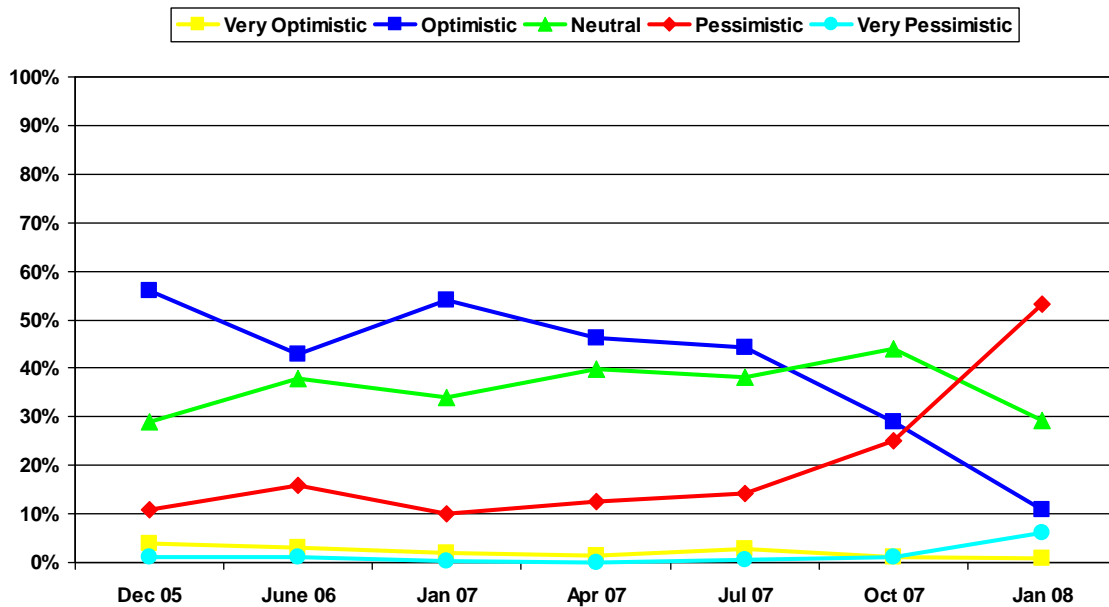


AICPA/UNC Kenan-Flagler Business and Industry IQ 2008 Economic Outlook Survey Of CPA Financial Decision-Makers

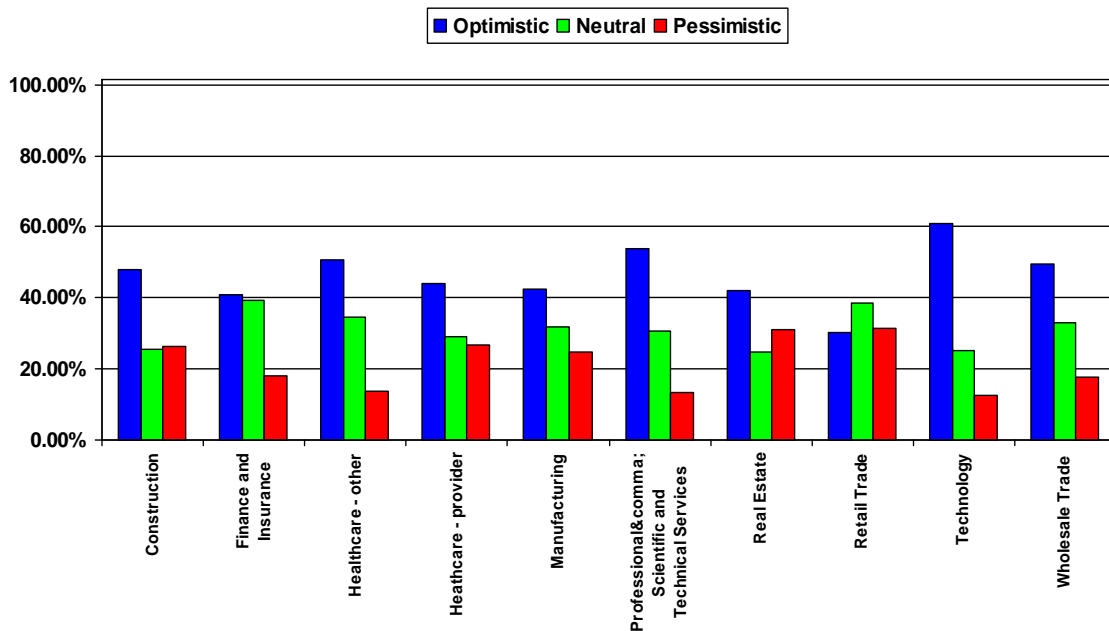
Optimism concerning the outlook for the US economy plunged again this quarter and for the first time in the survey's history pessimists now outnumber optimists. This quarter 59% of respondents said they were Pessimistic or Very Pessimistic about the outlook for the US economy for the next 12 months. Not quite 12% said they were optimistic. The corresponding percentages in 4Q 2007 were 26% pessimistic and 30% optimistic. Optimism did vary across industries with pessimism most predominant in the Finance & Insurance, Retail Trade and Manufacturing industries. Respondents from the Technology industry were most optimistic



When asked to comment on why their confidence in the US economy had changed the majority of respondents mentioned the housing and mortgage credit market. Another large group felt that the current negativity reflected a self-fulfilling prophecy of negativity begetting negativity. Still another sizable group was concerned about the stock market. For those whose confidence had increased the largest driver was the recent actions taken by the Fed

Respondents' optimism about their own organizations continued to be much greater than their optimism about the US economy. When asked about their own organization 46% of respondents answered that they were optimistic or very optimistic while only

21% expressed pessimism. While this still represents a decline from the 4Q 2007 survey in which 59% of respondents expressed optimism, the decline is not nearly as sharp as the decline for the US economy. In addition optimists still outnumber pessimists by over a 2 to 1 margin. This continued optimism is backed up by expectations for business expansion with 54% of respondents expecting their business to expand at least a little in the next 12 months. Other indicators of business growth continued to be positive with most organizations expecting to see increases in revenue, profits and number of employees. While even these expectations are down slightly the number of respondents expecting increases still exceed the number expecting decreases by a large margin.

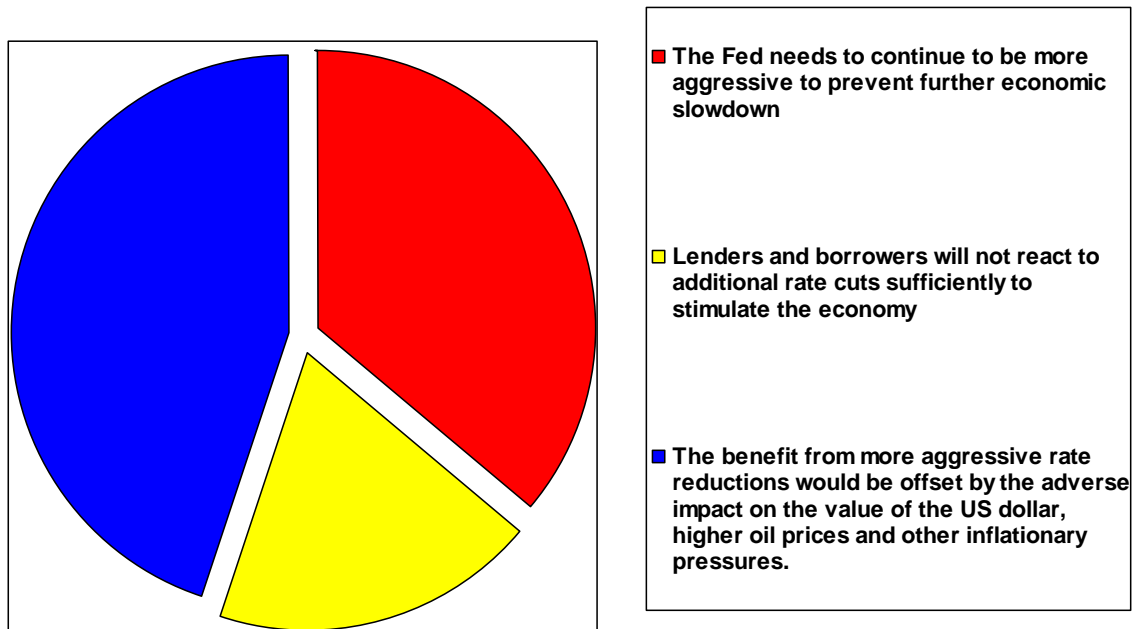


As might be expected there were notable differences in optimism between various industries. The Technology industry was most optimistic followed closely by the Professional Services Industry while Retail Trade and Real Estate industries were most pessimistic. Hiring expectations followed the same pattern as Technology and Professional Services respondents were more likely to expect to hire and Real Estate and Retail Trade respondents were the least likely.

When asked to select the top three challenges facing US policy-makers more the top choices of respondents were economic growth (37%), energy prices (34%) and value of the US dollar (33%). (Percentages total over %100 as each respondent was allowed to select three choices.) Other responses selected by over 20% include healthcare costs, government spending, the federal deficit and consumer debt.

Respondents showed a similar spread of concerns when asked about challenges facing their own organizations. The top concern was customer demand with 44% of respondents selecting it as one of their top three challenges. Availability of skilled

personnel (37%) and employee health care costs (36%) rounded out the top three. The only other challenge selected by more than 20% of respondents was materials, supplies and equipment costs which was chosen by 23% of respondents. When viewed from an industry perspective there was some clear differences in challenges. Healthcare providers and Technology industry respondents were more likely to select availability of skilled personnel as a challenge than others while regulatory requirements were of concern to respondents in the Finance & Insurance and Healthcare (both providers and non-providers), Access to capital was selected by a majority (56%) of Real Estate respondents but was not a major concern to any other industry's respondents. Not surprisingly materials, supplies and equipment costs were of most concern to respondents from the Construction, Manufacturing and Wholesale Trade industries.



This quarter's survey contained several questions concerning the election issues, the Fed rate reductions, fiscal stimulus packages and potential government responses to the current problems in the mortgage markets. When asked what economic issues respondents would most like to see debated by candidates respondents selected government spending, followed by economic growth and healthcare costs. Respondents were somewhat divided in how they felt about the recent Fed rate cuts with 45% feeling that the benefits would be offset by adverse consequences such as the devaluation of the dollar and inflation; 19% feeling that they would not have the desired impact and 35% feeling that the Fed needed to continue to be aggressive. On fiscal stimulus 57% feel a package is necessary to forestall a recession with 41% preferring a package to contain individual tax cuts and rebates, 31% favoring business tax cuts, 22% choosing tax cuts to stimulate investment and 7% favoring increases in unemployment and food stamp benefits. Respondents took a rather hard line on mortgage relief with

67% not favoring additional mortgage relief for borrowers. Fifty-nine percent did favor additional regulation of the mortgage industry.

Survey Background

The survey was conducted of AICPA Business & Industry members between January 18, 2008 and February 10, 2008 and had 1553 qualified respondents. Half the respondents (52%) were CFOs, 21% were Controllers and 16% were CEOs or COOs. Sixty-five percent of respondents came from privately owned entities, 16% from public companies, 11% from government, education and not-for-profits and 6% from foreign owned companies. Eleven percent came from organizations with annual revenues of 1 billion or more, 23% from organizations with \$100 million to under \$1 billion in annual revenues, 45% from organizations with \$10 million to \$100 million and 21% from organizations with under \$10 million in revenues.