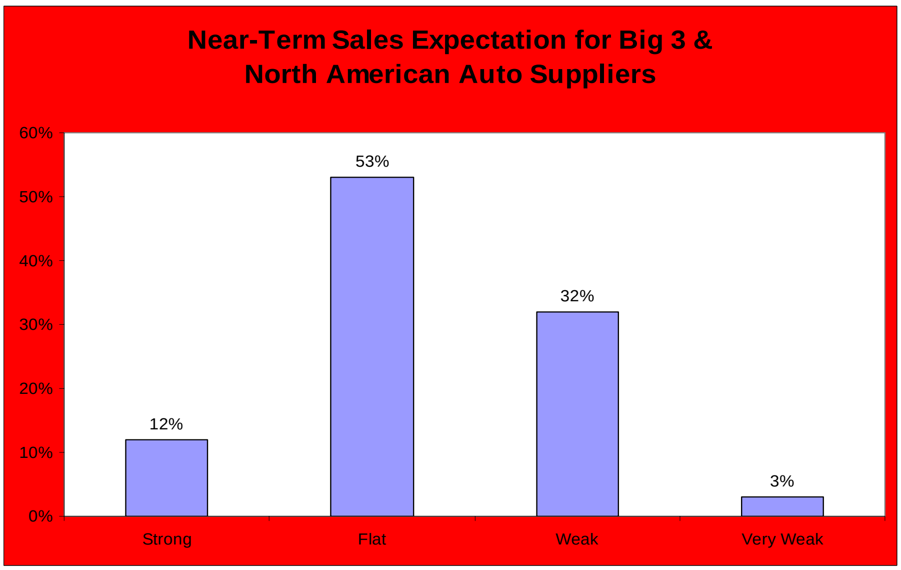
PHOENIX
"LENDING CLIMATE IN AMERICA"
QUARTERLY SURVEY

3rd Quarter 2005

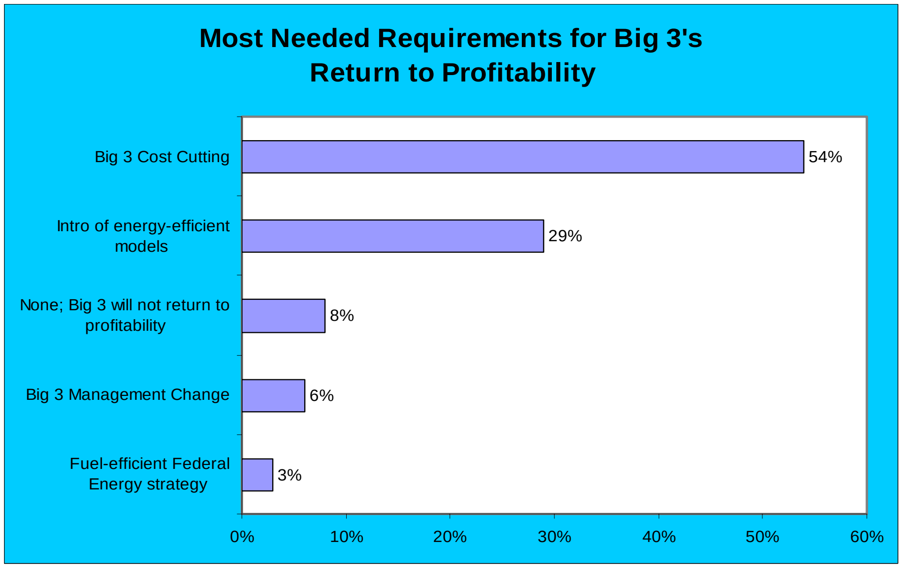
SUMMARY, TRENDS AND IMPLICATIONS

1. **Industry sales for the Big 3 and North American auto suppliers are forecasted to be "flat" by a majority of respondents over the next six months.** Approximately fifty-three percent of lenders anticipate "flat" near-term sales, while thirty-two percent of respondents believe industry sales will be "weak" over the next six months. Twelve percent of lenders forecasted "strong" near-term industry sales. The remaining three percent believe the near-term sales outlook is "very weak".



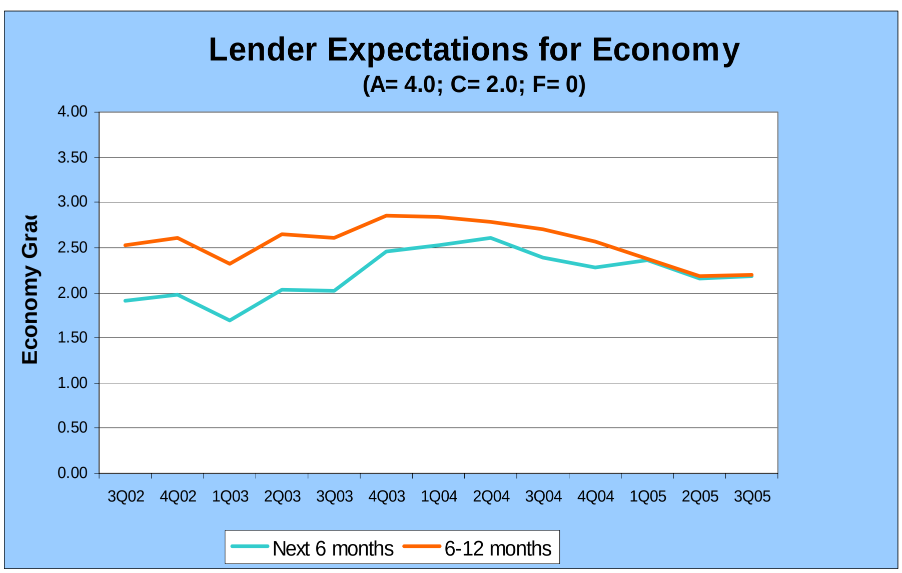
2. **Gross majority of respondents, due to the recent problems of the auto industry, would have serious concerns making a loan to automotive suppliers with exposure to the Big 3.** Assuming the polled lender's institution was considering making a loan to an automotive supplier with exposure to the Big 3, ninety-two percent of lenders would have serious concern, but would not be entirely precluded from making the loan. Six percent of respondents opined that the state of the auto industry would have very little role in their institution's decision making. Finally, two percent responded they would turn the loan request down outright because of the seriousness of the auto industry's problems.

3. **Fifty-four percent of respondents indicated that successful cost-cutting initiatives by the Big 3 were the most needed course of action in order for the largest domestic automakers to return to profitability.** The next largest group of lenders, twenty-nine percent, believe the introduction of new, more energy-efficient models that can compete with Asian automakers is most needed. Eight percent believe that the Big 3 will not return to profitability. Six percent of respondents opined that a change in management at the Big 3 is needed to return to profitability. Lastly, three percent believe a profitable American auto industry requires a federal energy strategy that mandates production of more fuel-efficient cars.



4. **Twenty-one percent of respondents indicated their customers plan to make new capital investments in the next six to twelve months.** The next largest percentage (19 percent) responded that their customers plan on making an acquisition. Sixteen percent of lenders chose the following two options: raising additional capital and introducing new products or services. Fifteen percent responded that their customers will most likely be hiring new employees. Finally, thirteen percent indicated that their customers plan to enter new markets in the next six to twelve months.

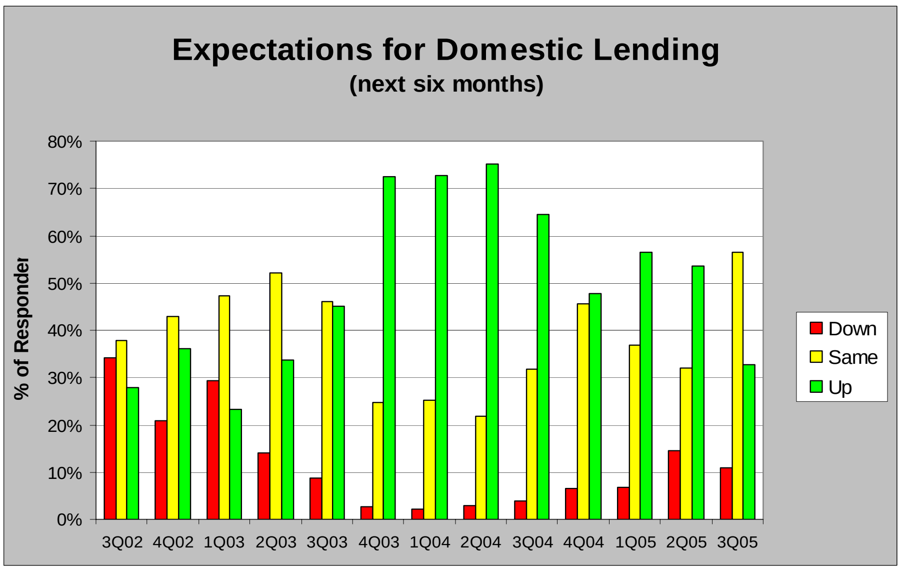
5. **Lenders expect the economy to perform at a C level during the next six months, its lowest expectation in the last eight quarters.** The respondents' expectations for longer-term improvement was consistent with the previous quarter, yet the percentage of respondents who anticipate the economy will perform at a B level or better during the first half of 2006 fell to twenty-nine percent (versus forty-one percent in the previous quarter).

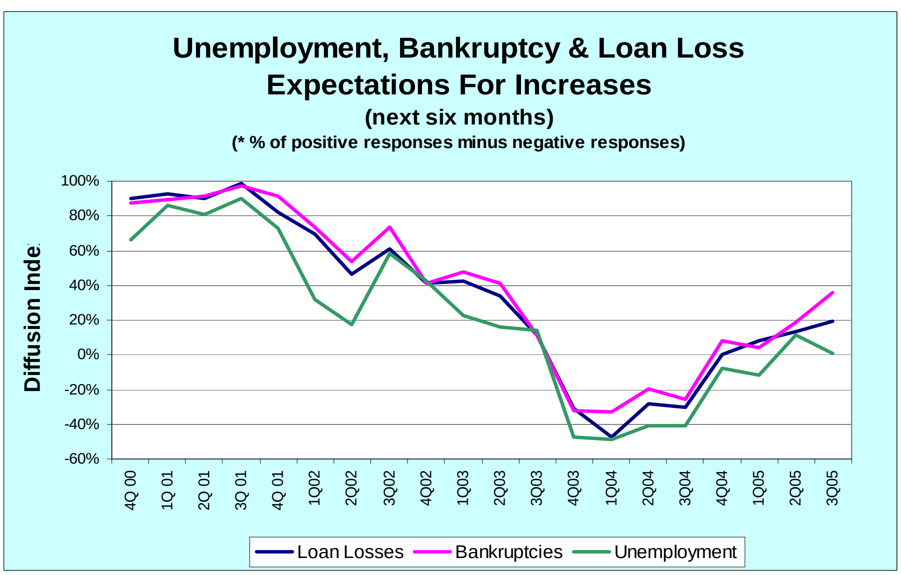


6. **Customer growth expectations over the next 6-12 months was similar to recent quarters,** as only four percent of lenders believe their customers have strong or very strong growth expectations (versus nine percent in the previous quarter). The percent of

lenders stating their customers had modest growth expectations increased marginally to 90% (versus 84 percent in the previous quarter).

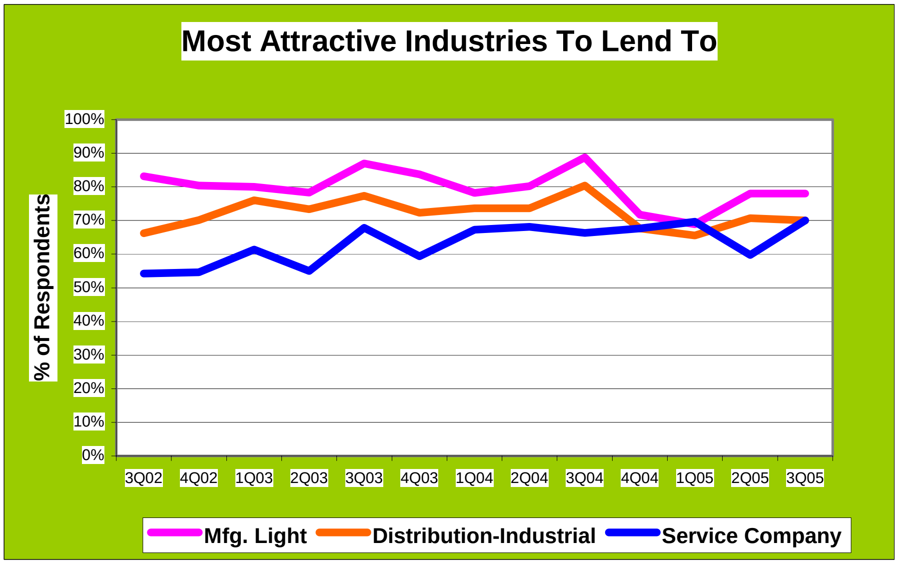
7. **Sliding expectations for increased demand for domestic loans continued their recent negative trend, falling to thirty-three percent of lenders forecasting increased demand from a high of seventy-five percent five quarters ago.** Forecasts for increased loan demand fell across all commercial lending segments this quarter, with Corporate (21 percent versus 45 percent in the previous quarter) and Middle Market (33 percent versus 59 percent in the previous quarter) experiencing the sharpest anticipated declines. Recent passage of stricter bankruptcy legislation has resulted in the group anticipating higher bankruptcies increasing to forty-six percent (up from 30 percent two quarters earlier). In the past four quarters, the loan loss diffusion index (the percentage of respondents forecasting a higher percentage less those anticipating a lower percentage) has risen from zero percent to nineteen percent - its highest forecasted level in the past nine quarters.



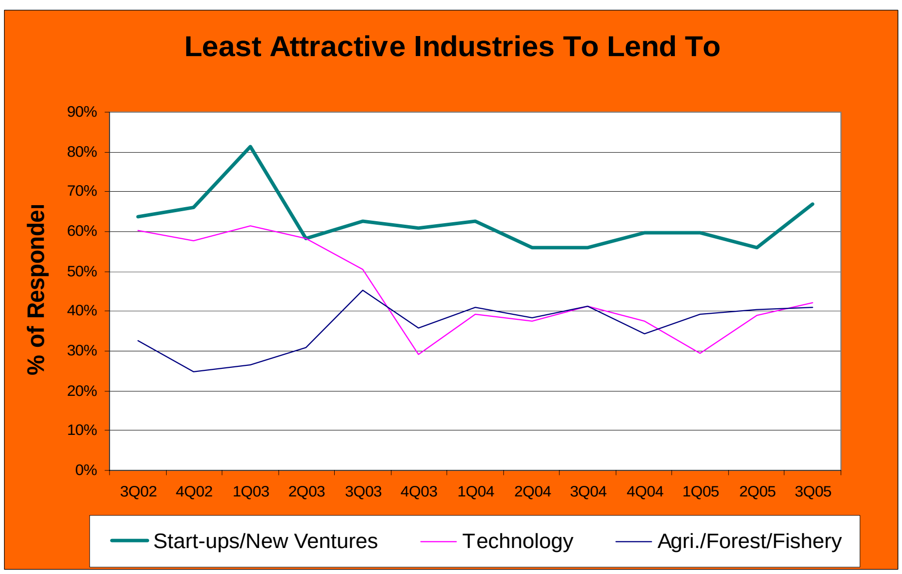


8. **Lenders continue to favor the Light Manufacturing, Industrial Distribution and Service Companies industries.** Of the remaining selections, Retail (+7%) and Health

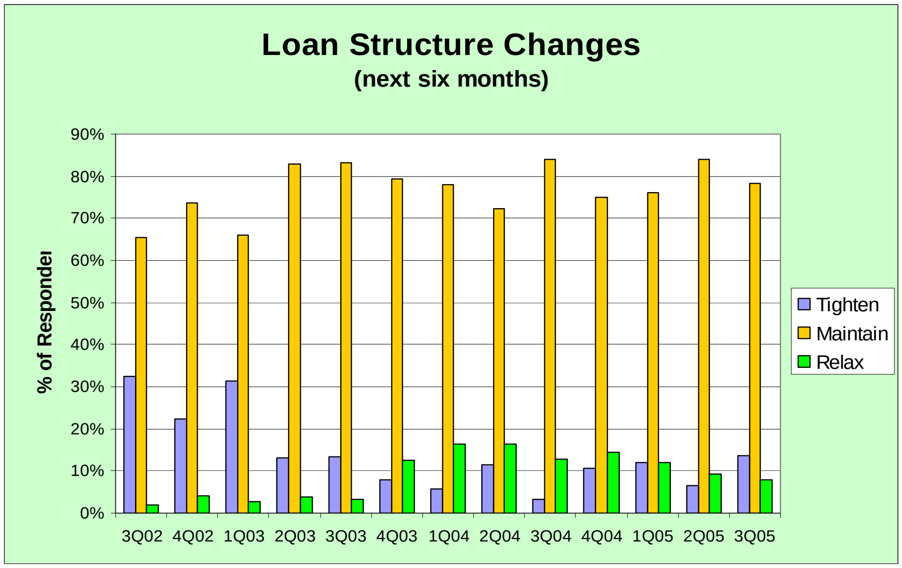
Care (+5%) were the industries having the largest percentage increase of respondents designating a "Most Attractive" status.



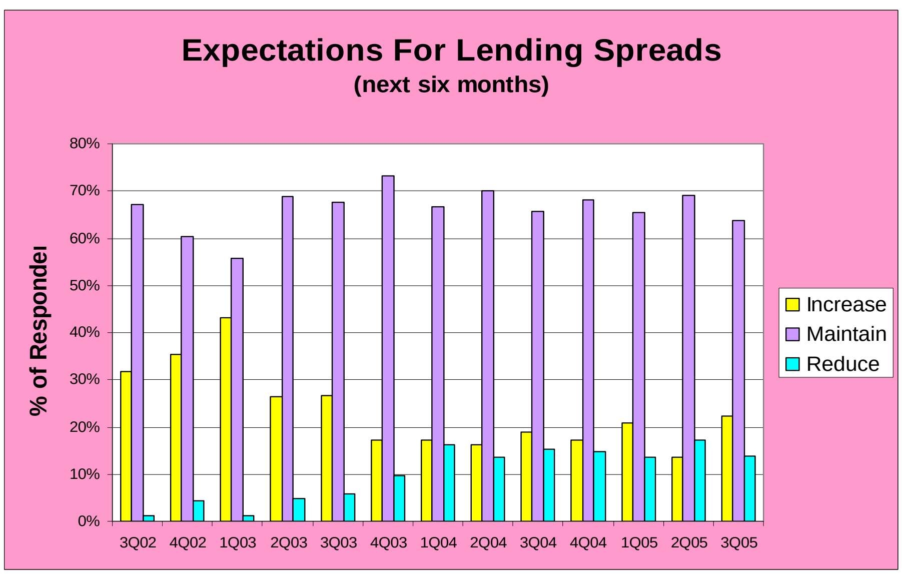
9. **Lenders chose the Start-ups, Technology, and Agriculture/Forestry/Fishery industries as their least attractive industries in which to lend.** Sixty-seven percent of lenders said Start-ups is an industry their institution found unattractive, while roughly 40 percent indicated that sentiment in regards to the Technology and Agriculture/Forestry/Fishery industries.



10. **The vast majority of lenders expect to maintain their existing loan structures.** The percentage of respondents planning to maintain their loan structures totaled 78 percent (versus 84 percent in the previous quarter). The percentage of respondents expecting to tighten their loan structure doubled to 14 percent this quarter – the highest level for this designation in the last ten quarters.



11. **Lenders anticipate maintaining the current lending spreads in this interest rate environment.** Sixty-four percent of respondents (versus 69 percent in the previous quarter) expect to maintain lending spreads at their current levels. The percentage of lenders expecting increased lending spreads reached 22 percent (versus 14 percent in the previous quarter) – its highest level in the past eight quarters.



12. **Survey respondents maintain their belief in a rising interest rate environment.** This quarter, ninety-eight percent of the lenders surveyed (versus one hundred percent in the previous quarter) believe interest rates will rise over the next six months.

Phoenix Management
"Lending Climate in America"
3rd Quarter 2005

Survey Results

1. Near-Term Expectations of Big 3 and North American Auto Suppliers Sales

Respondents were asked what is their expectation for sales of the Big 3 and North American auto suppliers over the next six months.

- Fifty-three percent indicated they anticipated sales to be "flat" over the next six months.
- Thirty-two percent responded that the industry would experience "weak" sales.
- Twelve percent opined that sales would be "strong" over the next two fiscal quarters.
- The remaining three percent indicated they believes sales would be "very weak" over the next six months.

2. Evaluation of Loan Request from Automotive Supplier with Exposure to the Big 3

Respondents were asked, assuming their institution was considering making a loan to an automotive supplier with exposure to the Big 3, which of the following statements best summarizes their institution's assessment of the loan request.

- Ninety-two percent of respondents believe the problems of the auto industry would give them serious concern about making the loan, but would not necessarily preclude them from doing so.
- Six percent of lenders indicated that the state of the auto industry would play very little role in their decision making.
- Finally, the remaining two percent of lenders stated they would turn the loan request down outright because of the seriousness of the auto industry's problems.

3. Requirements for Big 3's Return to Profitability

Respondents were asked what is most needed in order for the Big 3 automakers to return to profitability.

- Fifty-four percent of respondents indicated successful cost cutting initiatives are needed to return the automakers to profitability.
- Twenty-nine percent of the respondents chose the introduction of new, more energy-efficient models that can compete with Asian automakers.
- Eight percent of lenders believe none of the highlighted suggestions will return the Big 3 automakers to profitability.
- Six percent responded that a change in management at the Big 3 was needed.

- The remaining respondents (three percent) believe that, in order to return the domestic automakers to profitability, a new federal energy strategy is needed that mandates the production of more fuel-efficient cars.

4. Customers Plans in the Next Six to Twelve Months

Respondents were asked which of the following are their customers planning in the next six to twelve months.

- Twenty-one percent indicated their customers are planning on making new capital investments.

- Nineteen percent said their customers intend on making an acquisition.

- Sixteen percent selected the following two responses: raising additional capital and introducing new products and/or services.

- Fifteen percent said their customers intend on hiring new employees.

- Thirteen percent indicated their customers would be entering new markets in the next 6-12 months.

5. Economic Indicators

Respondents were asked whether they expected the following economic indicators to be up, down, or remain the same over the next six months.

- The percentage of respondents indicating an "Up" trend fell across all segments of the lending environment this quarter. Corporate lending (down 24 percent points) and middle market lending (down 26 percent points) demonstrated the largest declines in the quarter.

- The percentage of respondents forecasting an increase in Loan Losses and Bankruptcies increased this period for the second consecutive quarter. Lenders remain united in their anticipation of higher interest rates over the next six months.

	Last Quarter			**This Quarter**		
	Up	Down	Same	Up	Down	Same
Corporate Lending	45%	19%	36%	21%	13%	66%
Middle Market Lending	59%	10%	31%	33%	11%	55%
Small Business Lending	57%	14%	29%	44%	9%	47%
International Lending	32%	12%	56%	23%	21%	56%
	Up	Down	Same	Up	Down	Same
Loan Losses	28%	15%	57%	36%	16%	48%
Bankruptcies	40%	21%	39%	46%	10%	44%
Interest Rates	95%	1%	4%	93%	1%	6%
Unemployment	30%	19%	51%	18%	17%	65%
Bank Failures	10%	10%	80%	5%	8%	87%

6. U.S. Economy Grade – Second Half of 2005

Respondents were asked how they expected the U.S. economy to perform during the second half of 2005 on a grading scale of A through F.

- Respondents' outlook for the economy's performance maintained an approximate "C" grade for the second half of 2005.

- While marginally increasing from the previous quarter, lenders' expectations for the economy's near-term future performance is at its lowest level in the last eight quarterly surveys.

	Last Quarter	**This Quarter**
A	0%	0%
B	22%	24%
C	72%	69%
D	6%	6%
F	0%	0%
Weighted Average Grade	2.16	2.18

7. U.S. Economy Grade – First Half of 2006

Respondents were asked how they expected the U.S. economy to perform during the first half of 2006 on a grading scale of A through F.

- The percentage of lenders who believe that the U.S. economy will perform at a "B" level or better in the first half of 2006 fell to twenty-nine percent (from forty-one percent in the previous quarter). At its lowest forecasted level in the past four years, respondents see the economy's performance at approximately a C grade for the first half of 2006.

	Last Quarter	**This Quarter**
A	0%	0%
B	41%	29%
C	37%	62%
D	22%	9%
F	0%	0%
Weighted Average	2.19	2.19

8. Customers' Future Growth Expectations

Lenders assessed their customers' growth expectations for the next six months to a year.

- The percentage of lenders with customers having "Strong" or "Very Strong" growth expectations fell to 4%, down from 9% combined in the previous quarter. The percentage of respondents expecting "moderate" growth rose to 90%.

	Last Quarter	**This Quarter**
Very Strong	0%	0%
Strong	9%	4%
Moderate	84%	90%
No Growth	7%	6%

9. Most Attractive Industries

Lenders were asked which of the following industries would be **most attractive** to their institutions over the next six months. (Multiple answers were permitted.)

- Light Manufacturing, Industrial Distribution, and Service Companies continue to be viewed most positively by lenders.
- Service Companies and Retail were the industries that exhibited the most positive momentum in its designation of "Most Attractive" in which to lend.

	Last Quarter	**This Quarter**
Mfg.-Light	78%	78%
Distribution-Industrial	71%	70%
Service Companies	60%	70%
Health Care	29%	34%
Retail	23%	30%
Real Estate	26%	27%
Mfg.-Heavy	32%	26%
Transportation	24%	19%
Finance/Insurance	16%	14%
Technology	13%	14%
Construction	11%	14%
Communications	11%	12%
Utilities	7%	10%
Start-Ups/ New Ventures	9%	8%
Mining	4%	4%
Agriculture/Forestry/Fishing	4%	3%
Other	1%	2%

10. Least Attractive Industries

Lenders were asked which of the following industries would be **least attractive** to their institution over the next six months. (Multiple answers were permitted.)

- Start-ups/New Ventures maintained its position at the top the list of least attractive industries.
- Excluding Start-ups/New Ventures, Heavy Manufacturing experienced the largest increases of respondents designating it as "least attractive" industry to lend to in the recent quarter.

	Last Quarter	**This Quarter**
Start-Ups/ New Ventures	56%	67%
Technology	39%	42%
Agriculture/Forestry/Fishing	40%	41%
Construction	41%	39%
Retail	40%	37%
Mfg.-Heavy	21%	36%
Mining	38%	31%

Real Estate	24%	25%
Health Care	33%	23%
Transportation	16%	19%
Utilities	27%	17%
Finance/Insurance	15%	17%
Communications	20%	16%
Service Companies	6%	9%
Mfg.-Light	4%	4%
Distribution-Industrial	1%	2%

11. Loan Structure

Respondents were asked whether their financial institutions planned to tighten, relax, or maintain their loan structures (collateral requirements, guarantees, advance rates, loan covenants, etc.) in each of four different sized loan categories.

- Across every loan size segment, an increasing percentage of lenders anticipated tightening their current loan structures.

	Last Quarter			**This Quarter**		
	Tighten	Maintain	Relax	Tighten	Maintain	Relax
Loans> $10 million	6%	85%	9%	10%	81%	9%
$6 – 10 million	3%	88%	9%	12%	81%	7%
$1-5 million	6%	79%	15%	14%	79%	7%
Under $1 million	12%	79%	9%	19%	72%	9%
Overall Average	7%	84%	9%	14%	78%	8%

12. Interest Rate Spread

Lenders were asked whether their financial institutions planned to reduce, maintain or increase their interest rate spreads and fee structures on similar credit quality loans.

- A higher percentage of respondents indicated their anticipation of an increase of interest rate spreads across all loan sizes. That being said, most lenders plan to maintain their current interest rate spreads and fee structures on all sizes of loans following the historical trend of the last nine quarters.

	Last Quarter			**This Quarter**		
	Reduce	Maintain	Increase	Reduce	Maintain	Increase
Loans> $10 million	23%	68%	9%	22%	65%	13%
$6 – 10 million	22%	70%	8%	15%	69%	16%
$1-5 million	13%	72%	15%	7%	68%	25%
Under $1 million	11%	67%	23%	11%	53%	36%
Overall Average	17%	69%	14%	14%	64%	22%

13. The Fed and Interest Rates

Respondents were asked in what direction the Fed would move interest rates and by how much in the coming six months.

- Contrary to the most recent surveys, this quarterly survey demonstrated a weaker anticipation of a rising interest rate environment. Nineteen percent of respondents (versus thirty-two percent in the previous survey) anticipate an increase in interest rates of 75 basis points or more in the coming six months.

	Last Quarter	This Quarter
-More than 1.0	0%	0%
-1.0	0%	0%
-.75	0%	0%
-.50	0%	1%
-.25	0%	0%
0	0%	1%
+.25	27%	27%
+.50	41%	52%
+.75	22%	14%
+1.0	5%	3%
More than 1.0	5%	2%
Weighted Average	+55 basis points	+48 basis points

14. Current Competition

Respondents were asked to identify the segment of the industry from which they were experiencing the most competition.

- The responses from lenders in regards to current competition saw material decreases in the designated percentages of Commercial Finance Organizations and Money Center Banks.

	Last Quarter	This Quarter
Money Center Banks	15%	10%
Local Commercial/ Community Banks	19%	18%
Factors	1%	1%
Regional Banks	44%	50%
Commercial Finance Organizations	15%	12%
Other	6%	9%

15. Type of Institution

Respondents were asked for what type of institution they worked.

- One hundred respondents participated in this quarter's survey.

- Fifty-nine percent of respondents report working for a Commercial Bank.

- Twenty-eight percent work for a Commercial Finance Organization.
- Five percent work for a Factor (a type of financial organization that handles riskier loans by purchasing a company's accounts receivable).
- The remaining eight percent work for other types of financial organizations.

16. Average Loan Size

Respondents were asked to identify the typical size loan at their institution.

	Last Quarter	**This Quarter**
Under $1 million	11%	15%
$1-5 million	33%	26%
$ 6-10 million	29%	25%
Over $ 10 million	27%	34%
Average Loan	$6.8 Million	$7.3 Million