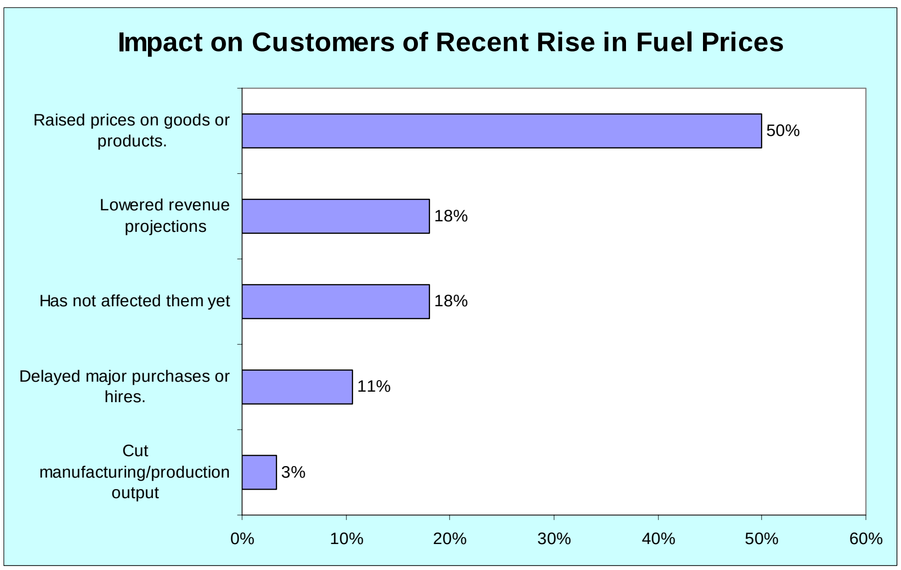
PHOENIX
"LENDING CLIMATE IN AMERICA"
QUARTERLY SURVEY

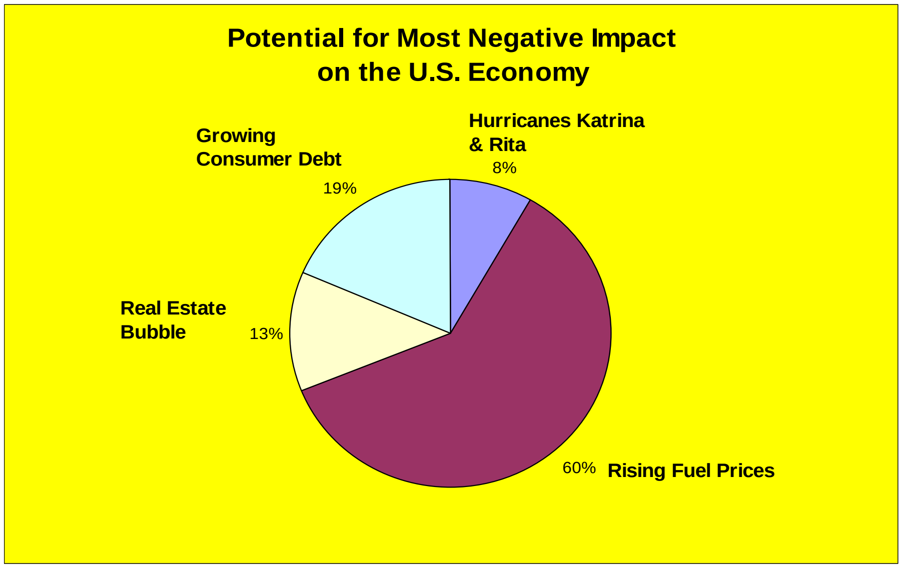
4th Quarter 2005

SUMMARY, TRENDS AND IMPLICATIONS

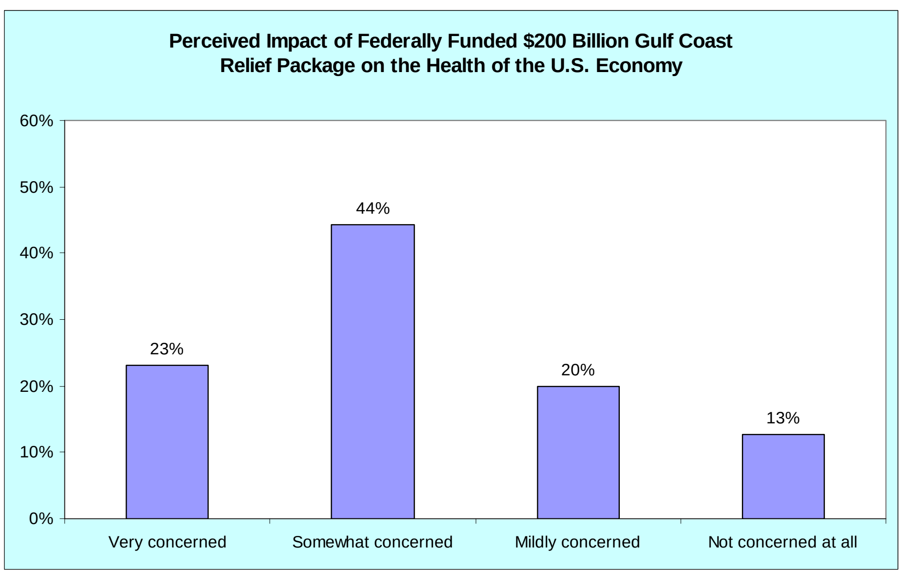
1. **Half of lenders nationwide say their customers have been forced to raise prices on goods or services in response to the recent jump in fuel prices.** When asked how the recent rise in fuel prices has affected their customers, 50 percent said they have raised their prices on goods or services. Eighteen percent, each, said their customers have lowered their revenue projections or have not yet been affected. Eleven percent of lenders said their customers have delayed major purchases or hires. The remaining three percent indicated their customers have cut manufacturing or production output in response to higher fuel prices.



2. **Sixty percent of lenders said rising fuel prices had the single largest potential to derail the economy.** Growing consumer debt was chosen by the next-largest contingent (19 percent) as having the largest potential to harm the economy. Thirteen percent of lenders believe the real estate bubble could cause the most damage to America's economy. Finally, eight percent of respondents opined that the lingering effects of Hurricanes Katrina and Rita could produce the greatest negative impact on the U.S. economy.

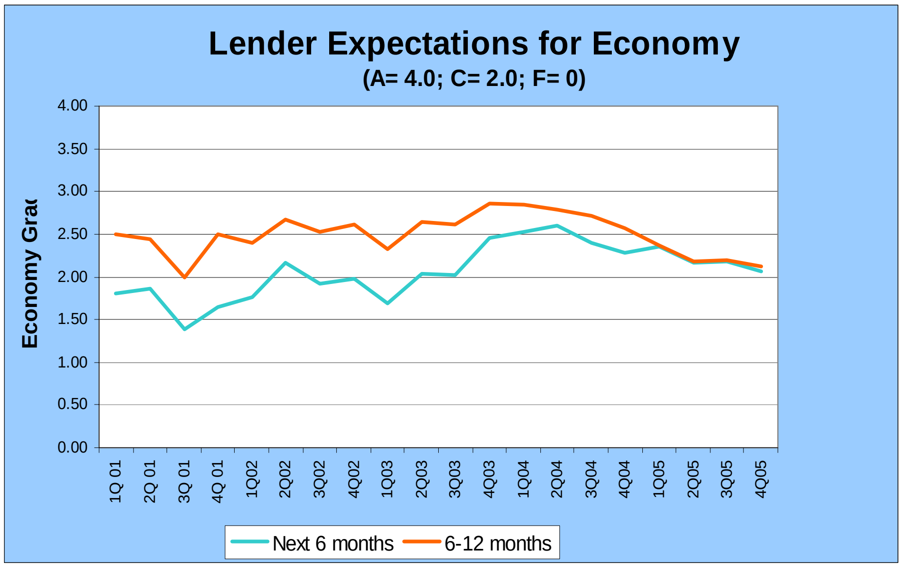


3. **Nearly 70 percent of lenders said they were somewhat or very concerned about the impact on the economy of the federally-funded $200 billion Gulf Coast rebuilding effort.** Forty-four percent of respondents indicated that they are "somewhat concerned" about the impact of a federally funded $200 billion Gulf Coast rebuilding effort on the overall health of the economy. The next largest group of lenders, 23 percent, stated they are "very concerned" about the reconstruction project's impact. Twenty percent of respondents are "mildly concerned," while the remaining 13 percent are "not concerned at all" about the potential impact.



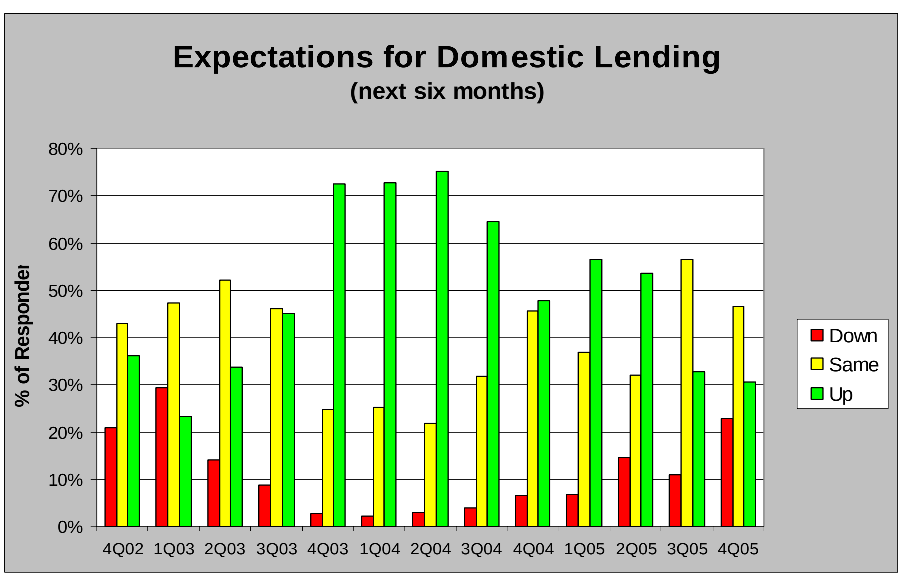
4. **Twenty-two percent of lenders say their customers plan to make an acquisition in the next six to 12 months.** The next largest percentage (21 percent) said their customers plan to make new capital investments. Sixteen percent responded that their customers would most likely be raising additional capital. Fourteen percent of lenders, each, said their customers planned to hire new employees, enter new markets, and introduce new products or services.

5. **Lenders expect the economy to perform at a C level during the next six months, its lowest expectation in the last nine quarters.** The respondents' expectations for longer-term improvement fell to its lowest level in the past four years as the percentage of lenders who expect the economy to perform at a D level or worse during the second half of 2006 increased to 18 percent (versus nine percent in the previous quarter).

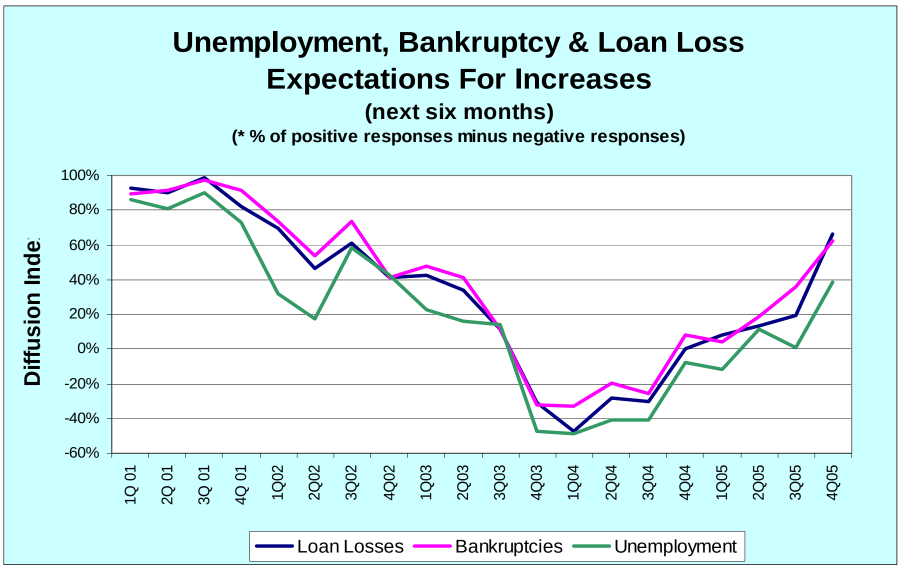


6. **Lenders' predictions of customer growth expectations over the next 6 - 12 months was more variable than recent quarters,** with 12 percent of lenders believing their customers have strong or very strong growth expectations (versus four percent the previous quarter). At the same time, the percentage of lenders stating their customers had no growth expectations increased as well to ten percent (versus six percent in the previous quarter).

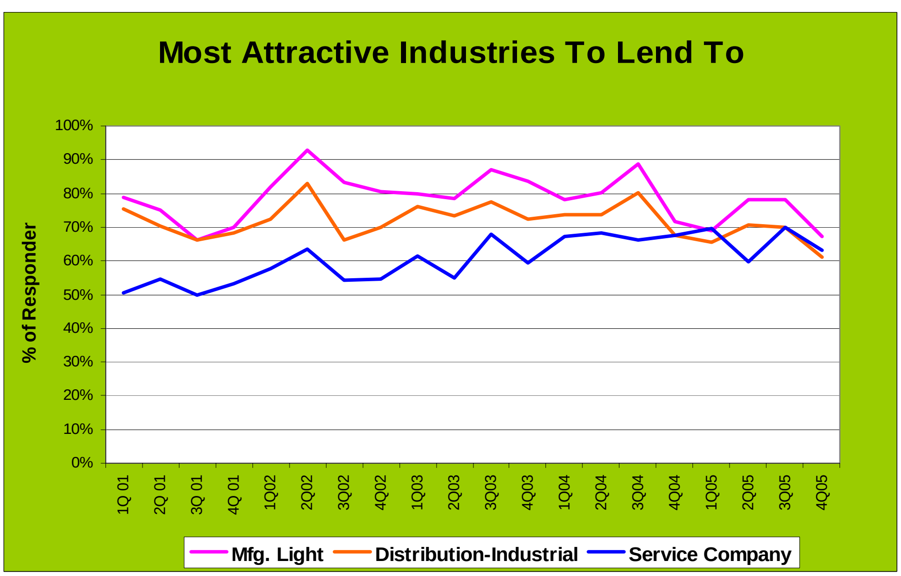
7. **Lenders' expectations for domestic loan demand dropped.** Expectations for increased demand for domestic loans continued their recent negative slide, falling to 31 percent of lenders forecasting increased demand from a high of 75 percent six quarters ago. Forecasts for increased loan demand fell in most commercial lending segments this quarter, with the Commercial-Small Business segment (37 percent versus 44 percent in the previous quarter) experiencing the sharpest anticipated declines.



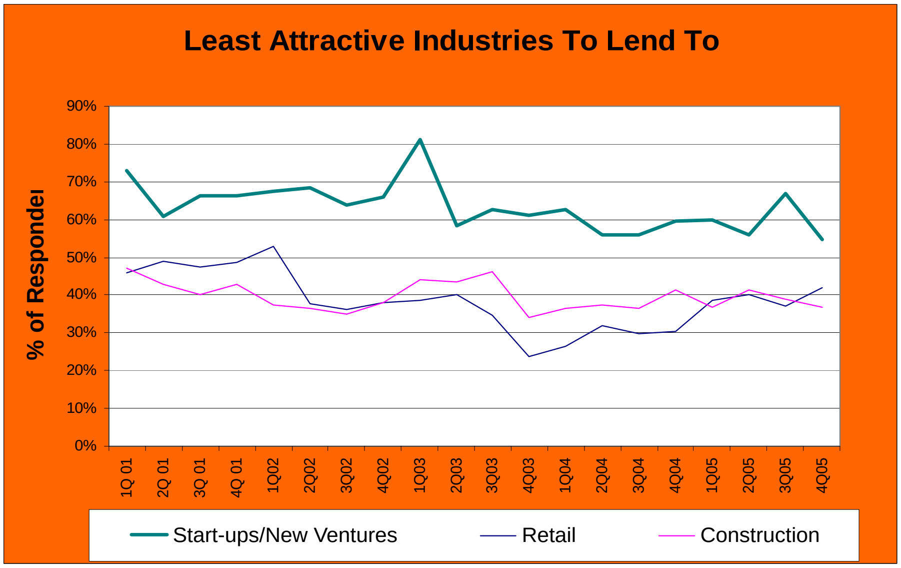
8. **Expectations for a rise in loan losses, bankruptcies and unemployment jumped sharply this quarter.** This quarter's survey exhibited significant increases in the percentage of lenders forecasting higher loan losses, bankruptcies, and unemployment. Over the past four quarters, the loan loss diffusion index (the percentage of respondents forecasting a higher percentage less those anticipating a lower percentage) has risen from zero percent to 66 percent – its highest forecasted level in the past three years. Passage of stricter bankruptcy legislation has resulted in more lenders (71 percent) anticipating higher bankruptcies than did a year ago (33 percent). Finally, the percentage of lenders anticipating a rise in unemployment increased to 50 percent – up from 18 percent in the previous quarter.



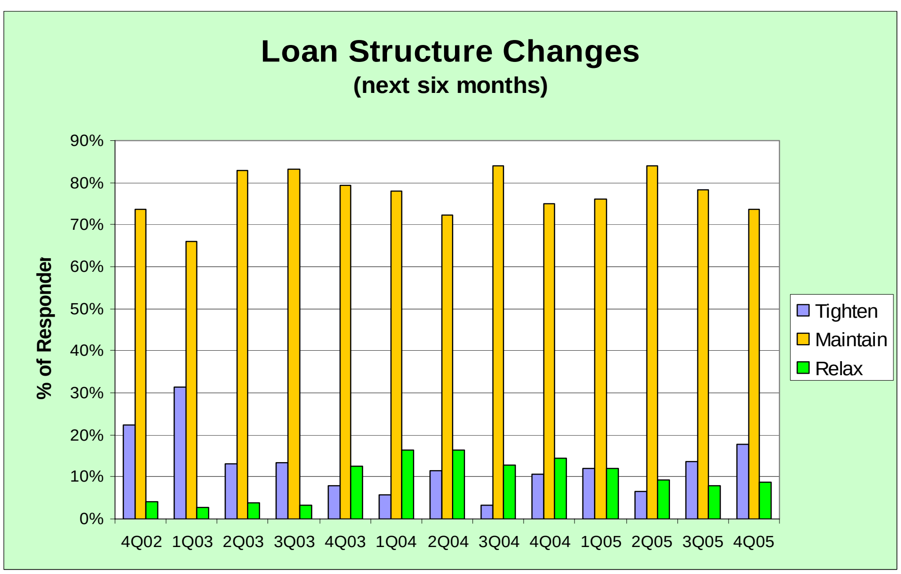
9. **Lenders continue to favor the Light Manufacturing, Industrial Distribution and Service Companies industries.** Of the remaining selections, Finance and Insurance (up seven points) was the industry having the largest percentage increase of respondents designating a "Most Attractive" status.



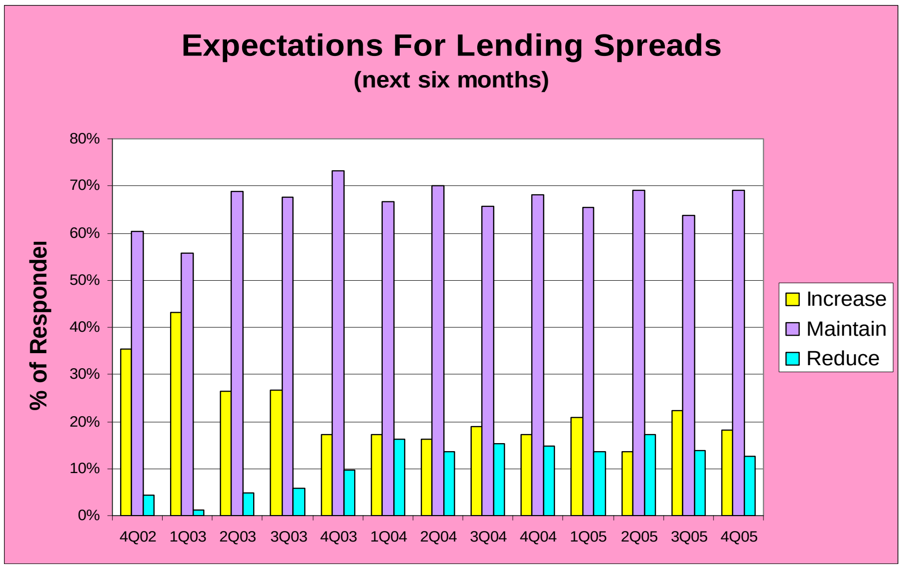
10. **Lenders chose the Start-ups, Retail, and Construction industries as their least attractive industries in which to lend.** Fifty-five percent of lenders said Start-ups is an industry their institution found unattractive, while roughly 40 percent indicated that sentiment in regards to the Retail and Construction industries.



11. **The vast majority of lenders expect to maintain their existing loan structures.** The percentage of respondents planning to maintain their loan structures totaled 74 percent (versus 78 percent in the previous quarter). The percentage of respondents expecting to tighten their loan structure increased to 18 percent this quarter – the highest level for this designation since the first quarter of 2003.



12. **Lenders expect to maintain their current lending spreads in this interest rate environment.** Sixty-nine percent of respondents (versus 64 percent in the previous quarter) expect to maintain lending spreads at their current levels. The percentage of lenders expecting increased lending spreads fell to 18 percent (versus 22 percent in the previous quarter) – reversing the recent trend of greater percentages of lenders anticipating increased lending spreads.



13. **Survey respondents maintain their belief in a rising interest rate environment.** This quarter, 86 percent of the lenders surveyed (versus 71 percent in the previous quarter) believe interest rates will rise by at least 50 basis points over the next six months.

Phoenix Management
"Lending Climate in America"
4th Quarter 2005

Survey Results

1. Effect on Customers of the Recent Rise in Fuel Prices

Respondents were asked how the recent rise in fuel prices has affected their customers.

- Fifty percent indicated their customers have raised prices on goods or products.
- Eighteen percent, each, gave the following two responses: the rise in fuel prices has forced their customers to lower their revenue projections; and the rise in fuel prices has not affected them/has not affected them *yet*.
- Eleven percent opined that customers have delayed major purchases or hires.
- The remaining three percent indicated that customers have cut manufacturing or production output.

2. Potential for the Most Negative Impact on the U.S. Economy

Respondents were asked, in their opinion, which current economic issue has the potential to have the most negative impact on the U.S. economy.

- Sixty percent of respondents believe that rising fuel prices have the potential to have the most negative impact on the economy.
- Nineteen percent of lenders indicated that the largest negative economic impact would result from growing consumer debt.
- Thirteen percent of lenders indicated that the housing bubble has the potential for the most significant negative economic impact.
- Finally, the remaining eight percent of respondents stated that Hurricanes Katrina and Rita have the potential for the greatest negative impact on the U.S. economy.

3. Economic Impact of Federally Funded $200 Billion Gulf Coast Rebuilding Effort

Respondents were asked how concerned they are about the impact of a federally funded $200 billion Gulf Coast rebuilding effort on the overall health of the economy.

- Forty-four percent of respondents indicated they were "somewhat concerned" regarding the impact of the Gulf Coast rebuilding effort.
- Twenty-three percent of lenders said they were "very concerned" about the stimulus package's impact on the overall health of the economy.

- Twenty percent of lenders stated they were “mildly concerned.”

- The remaining respondents (13 percent) indicated they were “not concerned at all” regarding the impact of the Gulf Coast rebuilding effort on the overall health of the economy.

4. Customers’ Plans in the Next Six to Twelve Months

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

- Twenty-two percent indicated their customers plan to make an acquisition.

- Twenty-one percent said their customers intend to make new capital investments.

- Sixteen percent opined their customers intend to raise additional capital.

- Fourteen percent, each, indicated the following three responses: hiring new employees, entering new markets, and introducing new products or services.

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 most segments of the lending environment this quarter. Small business lending (down 7 percentage points) demonstrated the largest decline in the quarter.

- The percentage of respondents forecasting an increase in Loan Losses, Bankruptcies, and Unemployment significantly increased this period. 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	21%	13%	66%	19%	26%	55%
Middle Market Lending	33%	11%	55%	35%	19%	46%
Small Business Lending	44%	9%	47%	37%	24%	39%
International Lending	23%	21%	56%	21%	19%	60%
	Up	Down	Same	Up	Down	Same
Loan Losses	36%	16%	48%	72%	5%	23%
Bankruptcies	46%	10%	44%	71%	8%	21%
Interest Rates	93%	1%	6%	95%	0%	5%
Unemployment	18%	17%	65%	50%	12%	38%
Bank Failures	5%	8%	87%	16%	5%	79%

6. 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.

- Respondents' outlook for the economy's performance maintained an approximate "C" grade for the first half of 2006.

- Lenders' expectations for the economy's near-term future performance are at their lowest level since the Summer 2003 quarterly survey.

	Last Quarter	This Quarter
A	0%	1%
B	24%	20%
C	69%	64%
D	6%	14%
F	0%	1%
Weighted Average Grade	2.18	2.06

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

Respondents were asked how they expected the U.S. economy to perform during the second 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 was consistent with the previous quarterly survey. At its lowest forecasted level in the past four and a half years, respondents see the economy's performance at approximately a C grade for the second half of 2006.

	Last Quarter	This Quarter
A	0%	1%
B	29%	29%
C	62%	52%
D	9%	17%
F	0%	1%
Weighted Average	2.19	2.12

8. Customers' Future Growth Expectations

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

- Lenders' expectations for their customers' future growth is more varied as compared to recent surveys. The percentage of lenders with customers having "Strong" or "Very Strong" growth expectations rose to 12 percent, up from four percent combined in the previous quarter. The percentage of respondents expecting "moderate" growth fell to 78 percent (versus 90 percent in the previous quarter), with the balance of respondents -- 10 percent -- having customers with no growth expected in the next six months to a year.

	Last Quarter	This Quarter
Very Strong	0%	1%
Strong	4%	11%
Moderate	90%	78%
No Growth	6%	10%

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, Service Companies, and Industrial Distribution continue to be viewed most positively by lenders.

- While Finance/Insurance was the industry that exhibited the most positive momentum in its designation of "Most Attractive" in which to lend, Retail and Light Manufacturing demonstrated significant negative momentum in terms of being deemed an attractive industry in which to lend.

	Last Quarter	This Quarter
Mfg.-Light	78%	67%
Service Companies	70%	63%
Distribution-Industrial	70%	61%
Health Care	34%	36%
Mfg.-Heavy	26%	28%
Real Estate	27%	27%
Finance/Insurance	14%	21%
Transportation	19%	20%
Retail	30%	17%
Technology	14%	14%
Utilities	10%	13%
Construction	14%	13%
Communications	12%	12%
Mining	4%	7%
Start-Ups/ New Ventures	8%	5%
Agriculture/Forestry/Fishing	3%	3%
Other	2%	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.

- In concert with the responses in regards to the Most Attractive Industry designation, Retail and Light 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	67%	55%
Retail	37%	42%
Construction	39%	37%
Mfg.-Heavy	36%	34%
Agriculture/Forestry/Fishing	41%	31%
Mining	31%	25%
Real Estate	25%	25%
Health Care	23%	24%
Technology	42%	23%
Utilities	17%	21%
Transportation	19%	20%
Communications	16%	20%
Mfg.-Light	4%	8%
Finance/Insurance	17%	7%
Service Companies	9%	4%
Distribution-Industrial	2%	3%

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. In the last five quarterly surveys, the overall average of financial institutions planning to tighten their loan structures has increased from three percent to the current 18 percent of respondents.

	Last Quarter			This Quarter		
	Tighten	Maintain	Relax	Tighten	Maintain	Relax
Loans> $10 million	10%	81%	9%	15%	76%	9%
$6 – 10 million	12%	81%	7%	17%	74%	9%
$1-5 million	14%	79%	7%	15%	77%	8%
Under $1 million	19%	72%	9%	24%	67%	9%
Overall Average	14%	78%	8%	18%	74%	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.

- 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	22%	65%	13%	20%	70%	10%
$6 – 10 million	15%	69%	16%	13%	71%	16%
$1-5 million	7%	68%	25%	10%	73%	17%
Under $1 million	11%	53%	36%	7%	62%	31%
Overall Average	14%	64%	22%	13%	69%	18%

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.

- In accordance with the Fed's current interest rate outlook, this quarterly survey demonstrated a greater anticipation of a rising interest rate environment. Eighty-six percent of respondents (versus 71 percent in the previous survey) anticipate an increase in interest rates of 50 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	1%	1%
-.25	0%	0%
0	1%	1%
+.25	27%	12%
+.50	52%	65%
+.75	14%	8%
+1.0	3%	13%
More than 1.0	2%	0%
Weighted Average	+48 basis points	+54 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 increases in the designated percentages of Commercial Finance Organizations and Factors.

	Last Quarter	This Quarter
Money Center Banks	10%	10%
Local Commercial/ Community Banks	18%	14%
Factors	1%	5%
Regional Banks	50%	44%
Commercial Finance Organizations	12%	18%
Other	9%	9%

15. Type of Institution

Respondents were asked for what type of institution they worked.

- Ninety-five respondents participated in this quarter’s survey.
- Fifty-six percent of respondents report working for a Commercial Bank.
- Twenty-eight percent work for a Commercial Finance Organization.
- Seven percent work for a Factor (a type of financial organization that handles riskier loans by purchasing a company’s accounts receivable).
- The remaining nine 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	15%	18%
$1-5 million	26%	23%
$ 6-10 million	25%	25%
Over $ 10 million	34%	34%
Average Loan	$7.3 Million	$7.2 Million