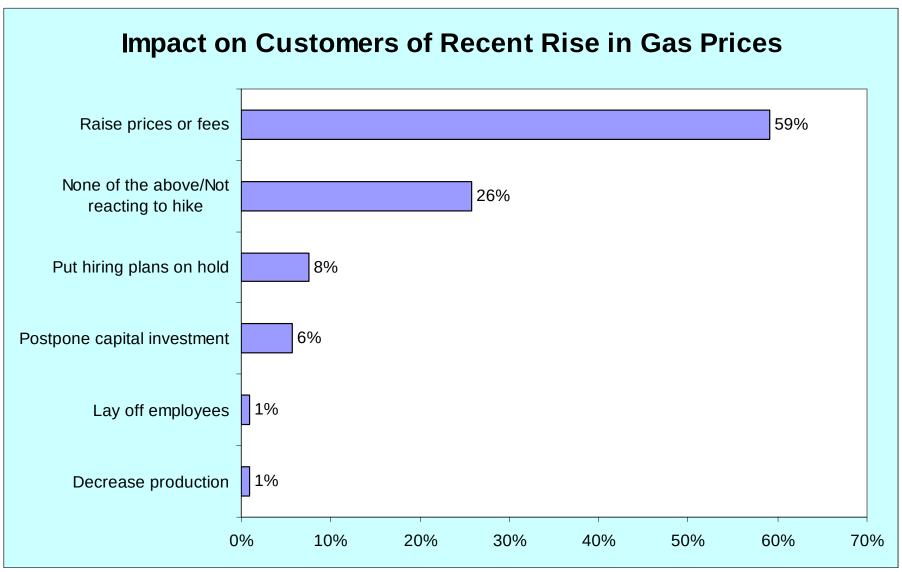
PHOENIX
"LENDING CLIMATE IN AMERICA"
QUARTERLY SURVEY

2nd Quarter 2006

SUMMARY, TRENDS AND IMPLICATIONS

1. **Ninety-eight percent of lenders nationwide said their customers are "somewhat" or "very" concerned about the recent rise in gasoline prices – and nearly 60 percent of lenders report that customers have or will raise prices to offset higher energy costs.** Of lenders reporting customer anxiety, 34 percent classified their customers as "very" concerned and 64 percent said they were "somewhat" concerned. As a result of the increased gasoline prices, 59 percent of lenders indicated their customers have raised or will raise prices or fees to mitigate the increased costs. Twenty-six percent said their customers are not reacting in any tangible way to the higher gas prices. Eight percent of lenders report their customers have put hiring plans on hold as a response. Approximately six percent indicated customers have postponed capital investment due to higher fuel costs. Finally, one percent of lenders gave the following two responses: customers have terminated employees and decreased production as a result of higher gasoline prices.



2. **The three biggest impediments facing lending institutions in their efforts to book and maintain loans are relaxed credit quality standards among competitors, the entrance of new capital providers, and pricing by competitors, lenders say.** When asked to identify the single largest impediment in their efforts to book and maintain loans, lenders were almost evenly divided in naming: relaxed credit quality standards by competitors (32 percent), new capital providers (31 percent), and reduced pricing by lenders (28 percent). A general lack of borrower activity was named by eight percent of lenders. A modest one percent of respondents opined that improved working capital by borrowers was the largest impediment to booking and maintaining loans.

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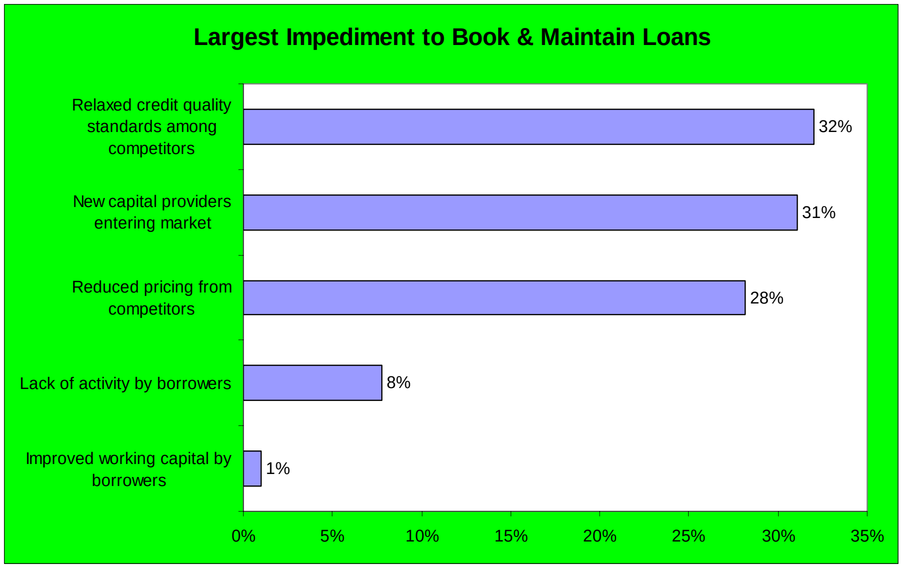
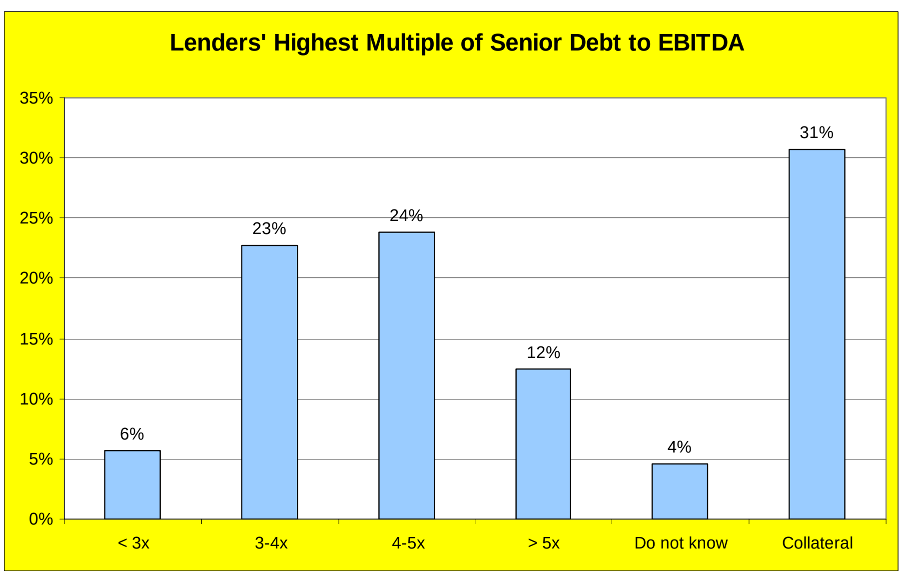
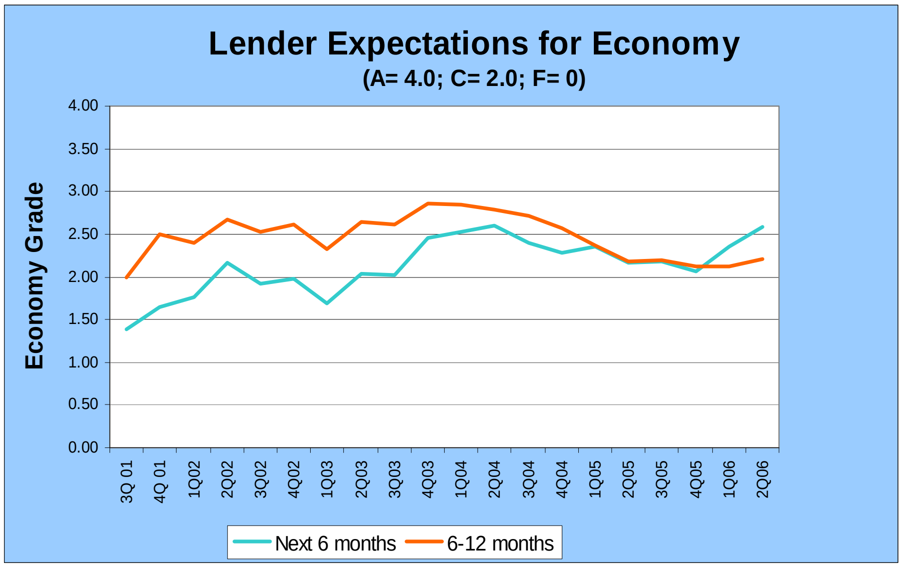


3. **Sixty-eight percent of lenders characterize hedge funds as a "very serious" or "moderate" threat to the marketplace as an alternative source of financing.** The next largest group – 22 percent – state that hedge funds are a "neutral" threat to the marketplace. Eight percent of lenders do not know the impact of hedge funds on the marketplace, and the remaining two percent believe that hedge funds pose a "positive" threat to the marketplace.

4. **Thirty-six percent of lenders' financial institutions would consider a loan request with a Senior Debt to EBITDA multiple greater than 4x**, the largest group of respondents with the exception of the 31 percent who are collateral lenders. The next largest contingent – 23 percent – would consider a loan request with a multiple in the range of 3-4x. Six percent of lenders believe they would only consider a loan request with a multiple less than 3x. Lastly, four percent of respondents do not know what range of Senior Debt to EBITDA multiple they would require to consider a loan request.

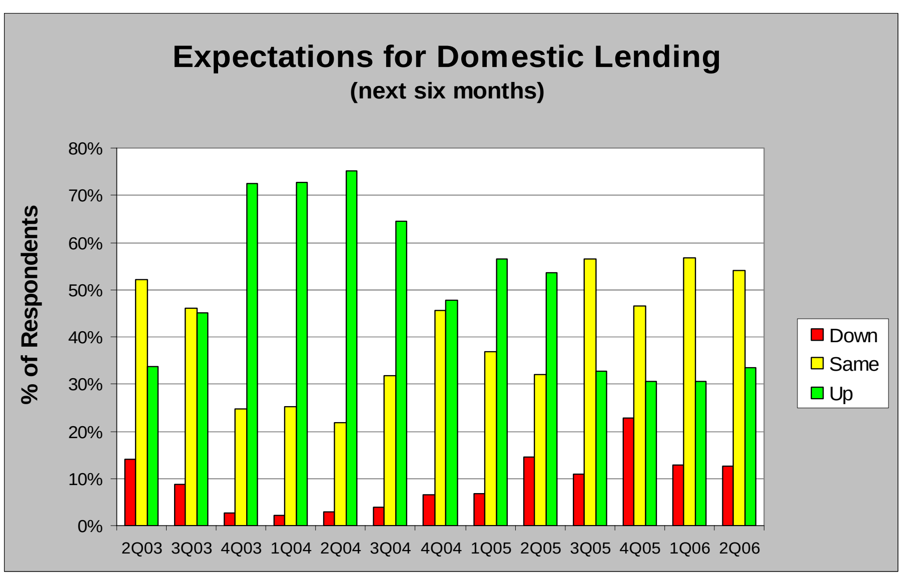


5. **Lenders continue to be more pessimistic about the long-term expectation for the economy than they are about its short-term outlook.** Lenders expect the economy to perform at a low "B" level during the next six months – a continuation of its recent upward trend. The respondents' expectations for longer-term improvement maintained its lowest level – a low "C" – in the past four years.

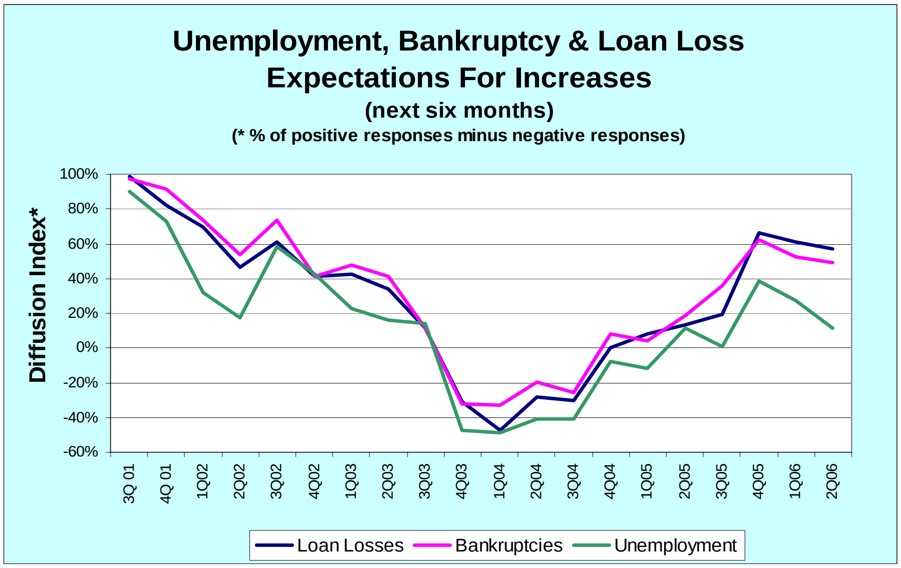


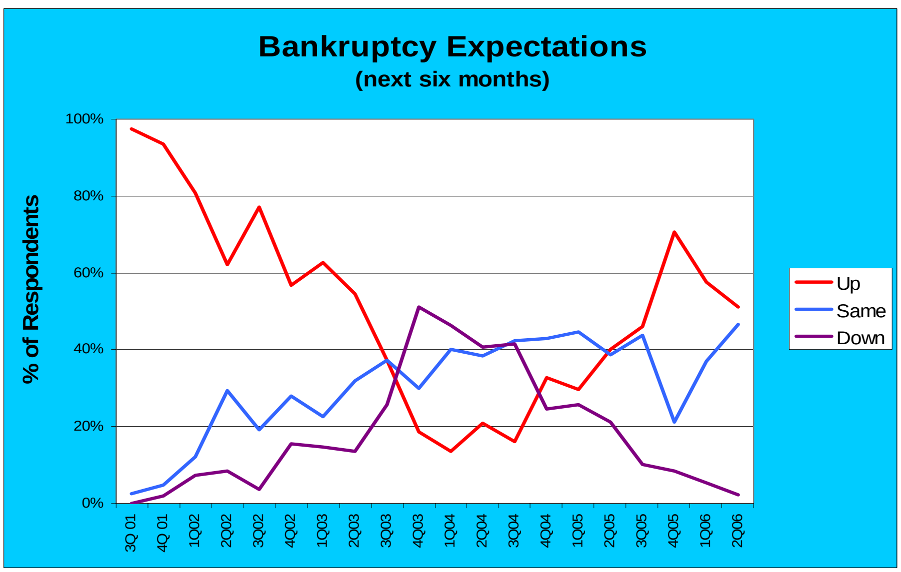
6. **Customer growth expectations over the next 6 - 12 months were higher for the third consecutive quarter,** with 21 percent of lenders believing their customers have strong or very strong growth expectations (versus 16 percent the previous quarter). The percentage of lenders stating their customers had no growth expectations remained at three percent.

7. **Lenders maintain relatively low expectations for loan demand, with a majority predicting little change in the next six months.** In most categories, lenders do not anticipate a change in loan demand. The one exception is the Small Business sector, where forecasts for increased loan demand rose to 46 percent this quarter (versus 35 percent in the previous quarter).



8. **Continuing last quarter's reversal of historical trends, forecasts for credit quality metrics continued recent positive trending.** The loan loss diffusion index (the percentage of respondents forecasting a higher percentage less those anticipating a lower percentage) fell to 57 percent from 61 percent in the previous quarter. Lenders anticipating higher bankruptcies dropped to 51 percent (down from 58 percent one quarter earlier). Finally, the percentage of respondents anticipating higher unemployment fell to 26 percent – down from 36 percent the previous quarter.





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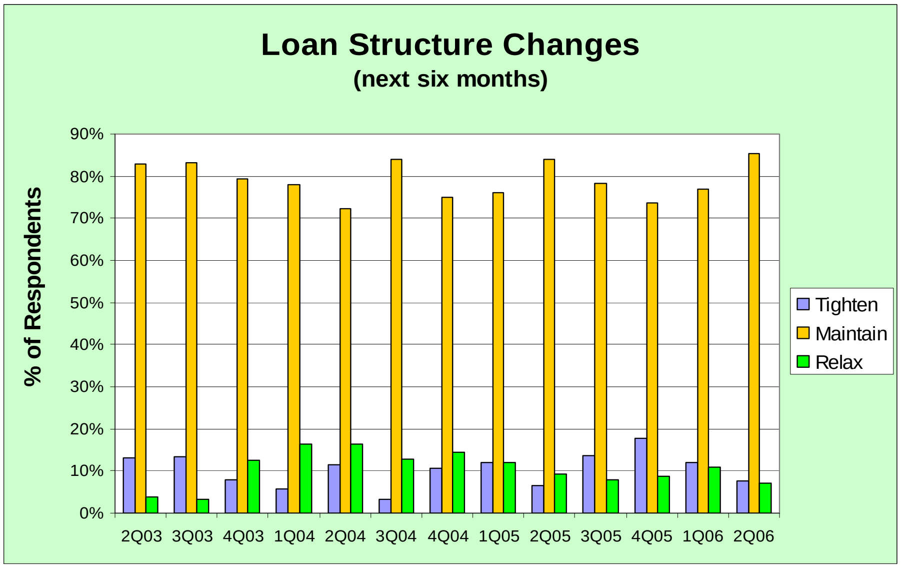
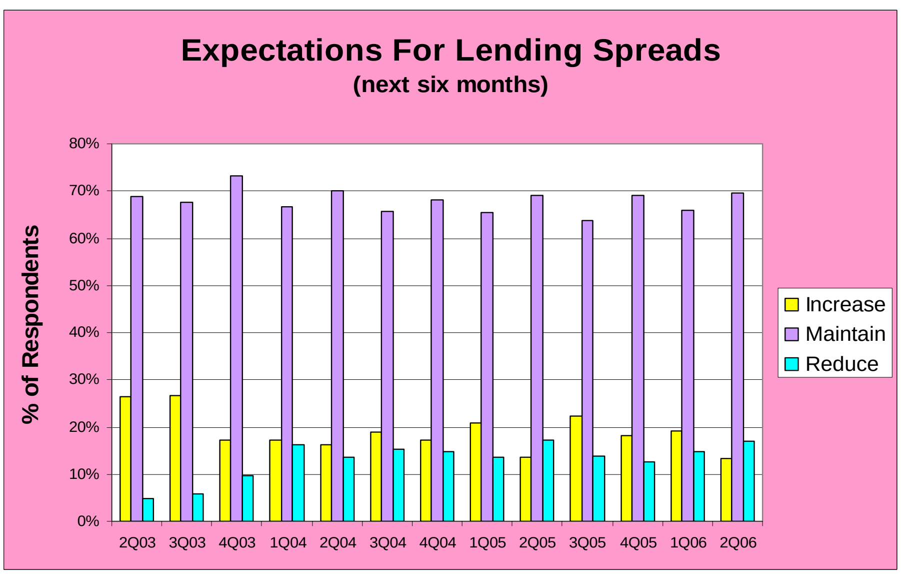
9. **The vast majority of lenders expect to maintain their existing loan structures.** The percentage of respondents planning to maintain their loan structure increased to 85 percent (versus 77 percent in the previous quarter). The percentage of respondents expecting to tighten their loan structure decreased to eight percent this quarter – from 12 percent in the previous quarter.



10. **Lenders anticipate maintaining the current lending spreads in this interest rate environment.** Seventy percent of respondents (versus 66 percent in the previous quarter) expect to maintain lending spreads at their current levels.



11. **While respondents maintain their steadfast belief in a rising interest rate environment, the anticipated magnitude of the rate increase has significantly decreased.** This quarter, 49 percent of the lenders surveyed (versus 86 percent just two quarters prior) believe interest rates will rise by at least 50 basis points over the next six months.

Phoenix Management
"Lending Climate in America"
2nd Quarter 2006

Survey Results

1. Customer Concern About Recent Rise in Gasoline Prices

Respondents were asked how concerned their customers are about the recent rise in gasoline prices.

- Sixty-four percent indicated their customers are "somewhat concerned."
- Thirty-four percent believe their customers are "very concerned."
- The remaining two percent indicated their customers are neutral regarding the recent rise in gasoline prices.

2. Customer Steps Taken as Result of Higher Gas Prices

Respondents were asked what steps their customers have taken or plan to take as a result of the recent and anticipated rise in gasoline prices.

- Fifty-nine percent of respondents indicated their customers have or will raise prices and fees to offset higher gas prices.
- Twenty-six percent of lenders indicated that customers are not reacting in any tangible way to the higher gas prices.
- Eight percent of lenders responded that customers have put hiring plans on hold.
- Six percent of respondents believe their customers will postpone capital investment.
- One percent of respondents, each, predicted their customers will do the following: lay off employees and decrease production as a result of higher gas prices.

3. Largest Impediment Institutions Face in Booking and Maintaining Loans

Respondents were asked what the largest single impediment their financial institution faces in its efforts to book and maintain loans.

- Thirty-two percent of respondents believe relaxed credit quality standards among competitors is the largest impediment to booking and maintaining loans.
- Thirty-one percent of lenders opined that new capital providers entering the market are the largest impediment.
- Twenty-eight percent of lenders indicated that reduced pricing from competitors is the single largest impediment.

- Eight percent of lenders are of the opinion that lack of activity by borrowers is the largest impediment.

- The remaining respondents (one percent) opined that improved working capital by borrowers is the single largest impediment to booking and maintaining loans.

4. Impact of Relaxed Credit Quality Standards

Respondents were asked how much relaxed credit quality standards among competitors affected their institution's efforts to book and maintain loans in the last twelve months.

- Thirteen percent of respondents opined that relaxed credit standards were a "very significant" impediment.

- Forty-seven percent of respondents indicated that relaxed credit standards were a "significant" impediment.

- Twenty-eight percent of respondents believe that relaxed credit standards were a "minor" impediment.

- Eight percent of respondents stated that relaxed credit standards were the "most significant" impediment.

- Finally, the remaining four percent of respondents indicated either they did not know if relaxed credit quality standards among competitors were an impediment or that they were not at all.

5. Impact of Hedge Funds as Alternative Source of Financing

Respondents were asked to assess the impact that hedge funds are having on the marketplace as an alternative source of financing.

- Twenty percent indicated that hedge funds pose a "very serious" threat as an alternative source of financing.

- Forty-eight percent indicated that hedge funds pose a "moderate" threat as an alternative source of financing.

- Twenty-two percent responded that hedge funds pose a "neutral" threat as an alternative source of financing.

- Eight percent indicated that they did not know the impact hedge funds pose as an alternative source of financing.

- The remaining respondents (two percent) believed that hedge funds pose a "positive" threat as an alternative source of financing.

6. Highest Multiple of Senior Debt to EBITDA Considered

Respondents were asked to identify the highest multiple of Senior Debt to EBITDA that their financial institution will consider with regard to a loan request.

- Twelve percent indicated they would consider a multiple greater than 5x with regard to loan request.
- Twenty-four percent indicated that 4-5x is the highest Senior Debt to EBITDA multiple range they would consider with regard to loan request.
- Twenty-three percent believe that 3-4x is the highest Senior Debt to EBITDA multiple range they would consider with regard to loan request.
- Six percent indicated they would only consider a loan request with a Senior Debt to EBITDA multiple of less than 3x.
- Thirty-one percent of respondents indicated that they were collateral lenders and, therefore, not as concerned about the Senior Debt to EBITDA multiple.
- The remaining four percent indicated they did not know what the highest multiple their financial institution would consider with regards to a loan request.

7. Forecast of Change in Senior Debt to EBITDA Multiple in Next Six Months

Respondents were asked, over the next six months, how they estimated that the Senior Debt to EBITDA multiple will change at their financial institution.

- Forty-nine percent indicated the Senior Debt to EBITDA multiple will not change at their financial institution.
- Eight percent indicated the Senior Debt to EBITDA multiple will increase less than 1.0x at their financial institution.
- Seven percent indicated the Senior Debt to EBITDA multiple will decrease less than 1.0x at their financial institution.
- Three percent indicated the Senior Debt to EBITDA multiple will increase more than 1.0x at their financial institution.
- Two percent indicated the Senior Debt to EBITDA multiple will decrease more than 1.0x at their financial institution.
- Six percent indicated they did not know how the Senior Debt to EBITDA multiple will change at their financial institution.
- Twenty-five percent of respondents indicated that they were collateral lenders and, therefore, not as concerned about the Senior Debt to EBITDA multiple.

8. Customers' Plans in the Next Six to Twelve Months

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

- Twenty-four percent indicated their customers are planning on making new capital investments.
- Seventeen percent, each, indicated their customers plan to introduce new products or services, or plan to make an acquisition.
- Fifteen percent indicated their customers plan to hire new employees.
- Fourteen percent indicated their customers plan to raise additional capital.
- Thirteen percent indicated their customers intend to enter new markets.

9. 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 diffusion index (the percentage of respondents indicating an "Up" trend less the percentage indicating a "Down" trend) rose for the second consecutive quarter for all lending segments with the exception of Corporate Lending. Middle market lending (up 9 index points) and small business lending (up 8 index points) demonstrated the largest increases in the quarter.
- Continuing the recent two-quarter trend, fewer lenders believe that the assorted credit quality metrics will deteriorate over the next six months. The percentage of respondents forecasting an increase in Loan Losses (down 7 percentage points), Bankruptcies (down 7 percentage points), and Unemployment (down 13 percentage points) materially decreased this period.

	Last Quarter			**This Quarter**		
	Up	Down	Same	Up	Down	Same
Corporate Lending	24%	13%	63%	20%	16%	64%
Middle Market Lending	32%	15%	53%	34%	10%	56%
Small Business Lending	35%	10%	55%	46%	11%	43%
International Lending	39%	13%	48%	38%	7%	55%
	Up	Down	Same	Up	Down	Same
Loan Losses	65%	4%	31%	58%	1%	41%
Bankruptcies	58%	5%	37%	51%	2%	47%
Interest Rates	75%	1%	24%	88%	2%	10%
Unemployment	36%	9%	55%	26%	15%	59%
Bank Failures	11%	7%	82%	9%	8%	83%

10. 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 improved from a high "C" grade to a low "B" grade for the first half of 2006. The percentage of lenders who believe that the economy will perform at an "A" or "B" level has increased to 55 percent from just 21 percent two quarters prior.

	Last Quarter	**This Quarter**
A	3%	6%
B	34%	49%
C	58%	44%
D	5%	1%
F	0%	0%
Weighted Average Grade	2.35	2.59

11. 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.

- Forecasting a marginal increase versus the recent quarterly surveys, respondents see the economy's performance at approximately a C grade for the second half of 2006.

	Last Quarter	**This Quarter**
A	2%	1%
B	21%	29%
C	63%	60%
D	13%	10%
F	0%	0%
Weighted Average	2.12	2.21

12. 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 rose to 21 percent, up from 16 percent, combined, the previous quarter. The percentage of respondents expecting "moderate" growth fell marginally to 76 percent as compared to 80 percent in the previous quarter.

	Last Quarter	**This Quarter**
Very Strong	1%	2%
Strong	15%	19%

Moderate	80%	76%
No Growth	3%	3%

13. 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, a decreasing percentage of lenders anticipated tightening their current loan structures. The overall average of financial institutions planning to tighten their loan structures decreased to 8% from 12% and 18%, respectively, in the previous two surveys.

	Last Quarter			**This Quarter**		
	Tighten	Maintain	Relax	Tighten	Maintain	Relax
Loans> $10 million	11%	78%	12%	4%	88%	8%
$6-10 million	8%	81%	11%	7%	86%	7%
$1-5 million	13%	75%	12%	8%	87%	5%
Under $1 million	16%	74%	10%	12%	79%	9%
Overall Average	12%	77%	11%	8%	87%	7%

14. 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.

- Thirteen percent of lenders plan to increase their current interest rate spreads and fee structures on all sizes of loans, down from 19 percent in the previous survey.

	Last Quarter			**This Quarter**		
	Reduce	Maintain	Increase	Reduce	Maintain	Increase
Loans> $10 million	22%	70%	9%	29%	66%	5%
$6-10 million	16%	70%	14%	26%	65%	9%
$1-5 million	13%	64%	23%	10%	78%	12%
Under $1 million	8%	60%	32%	4%	69%	27%
Overall Average	15%	66%	19%	17%	70%	13%

15. 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.

- While the interest rate outlook continues to forecast higher rates, the degree of the forecasted increased rates is similar to the previous quarter, yet sharply lower than the recent historical trend. Forty-nine percent of respondents (versus fifty-two percent in the previous survey, but as high as eighty-six percent two quarters ago) 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	2%	0%
-.50	1%	0%
-.25	0%	2%
0	7%	5%
+.25	37%	44%
+.50	48%	40%
+.75	2%	8%
+1.0	2%	1%
More than 1.0	0%	0%
Weighted Average	+35 basis points	+38 basis points

16. 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 percentage of Regional Banks.

	Last Quarter	**This Quarter**
Money Center Banks	14%	10%
Local Commercial/Community Banks	28%	15%
Factors	3%	1%
Regional Banks	33%	52%
Commercial Finance Organizations	15%	16%
Other	7%	5%

17. Type of Institution

Respondents were asked for what type of institution they worked.

- Ninety-one respondents participated in this quarter's survey.
- Sixty-three percent of respondents report working for a Commercial Bank.
- Twenty-nine percent work for a Commercial Finance Organization.
- Four percent work for a Factor (a type of financial organization that handles riskier loans by purchasing a company's accounts receivable).
- The remaining four percent work for other types of financial organizations.

18. Average Loan Size

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

	Last Quarter	**This Quarter**
Under $1 million	16%	11%
$1-5 million	28%	26%
$6-10 million	22%	31%
Over $ 10 million	34%	32%
Average Loan	$7.2 Million	$7.5 Million