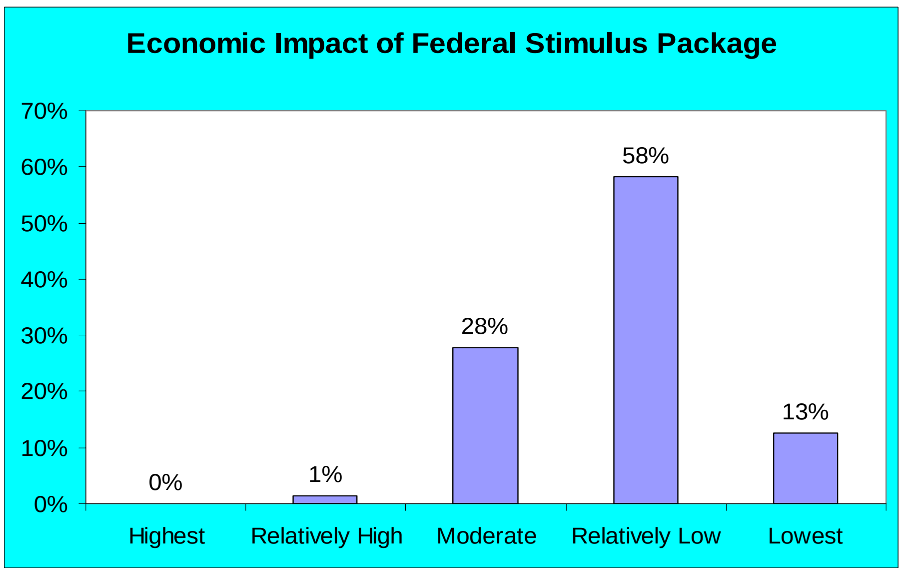
PHOENIX
"LENDING CLIMATE IN AMERICA"
QUARTERLY SURVEY

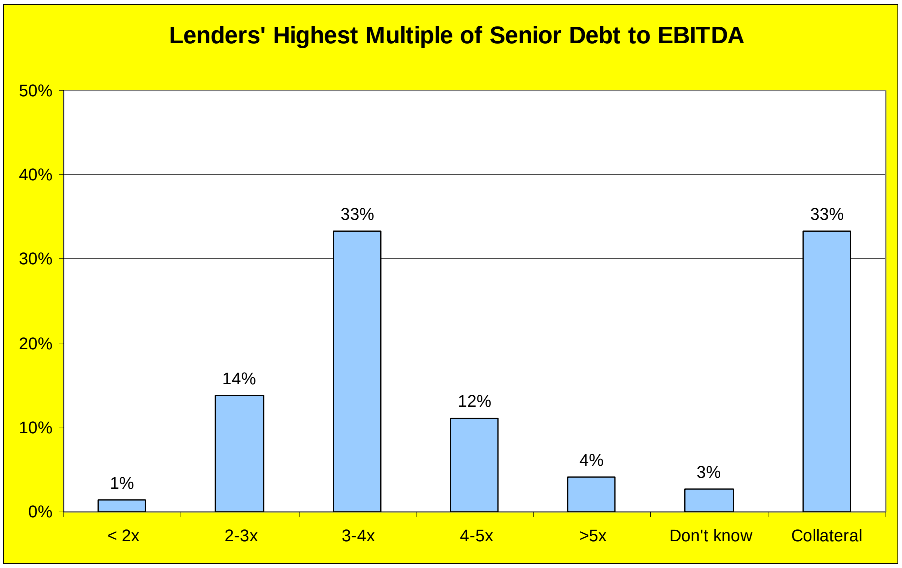
1st Quarter 2008

SUMMARY, TRENDS AND IMPLICATIONS

1. **An overwhelming majority of lenders believe that the Economic Stimulus Package will have marginal to little impact on the U.S. economy over the next twelve months.** On a scale of "highest" to "lowest" impact on the U.S. economy, twenty-eight percent of lenders believe the stimulus package will have a moderate impact, while fifty-eight percent opine that the federal initiative will have a relatively low impact on the economy during the next year. Thirteen percent of respondents believe that the stimulus package will have the "lowest impact" on the economy during the next twelve months.

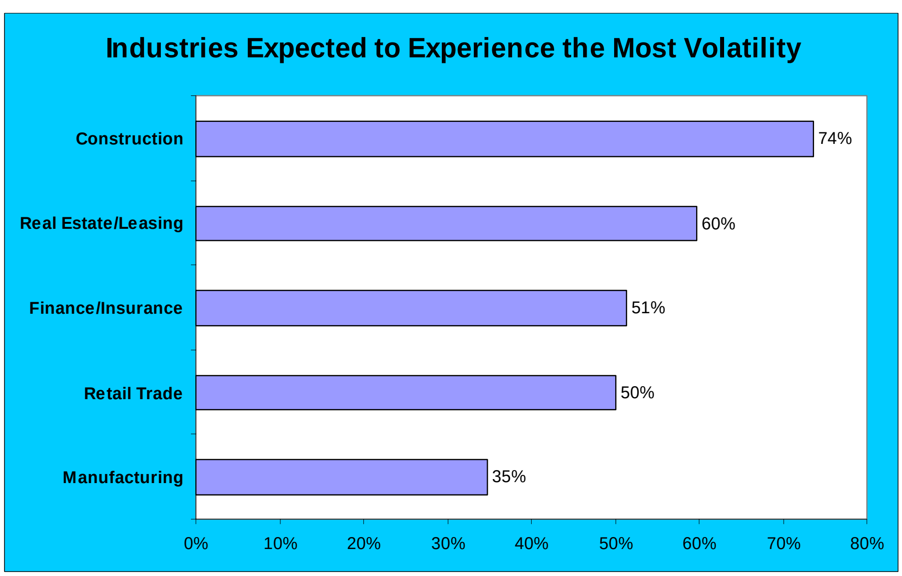


2. **Excluding collateral lenders, nearly three out of four responding lenders indicated their financial institution would not consider a loan request with a Senior Debt to EBITDA multiple above 4.0x.** Fifteen percent of respondents indicated their institution would only consider a loan request with a multiple of less than 3x, while another thirty-three percent of lenders opined they would consider a loan request with a multiple as high as 3-4x. Twelve percent of lenders' institutions would consider a loan request with as high as a 4-5x multiple, while another five percent of respondents indicated they would consider a loan request with a Senior Debt to EBITDA multiple greater than 5x. Thirty-three percent of respondents indicated they are collateral lenders and do not utilize cash flow multiples as the primary factor in credit decisions.

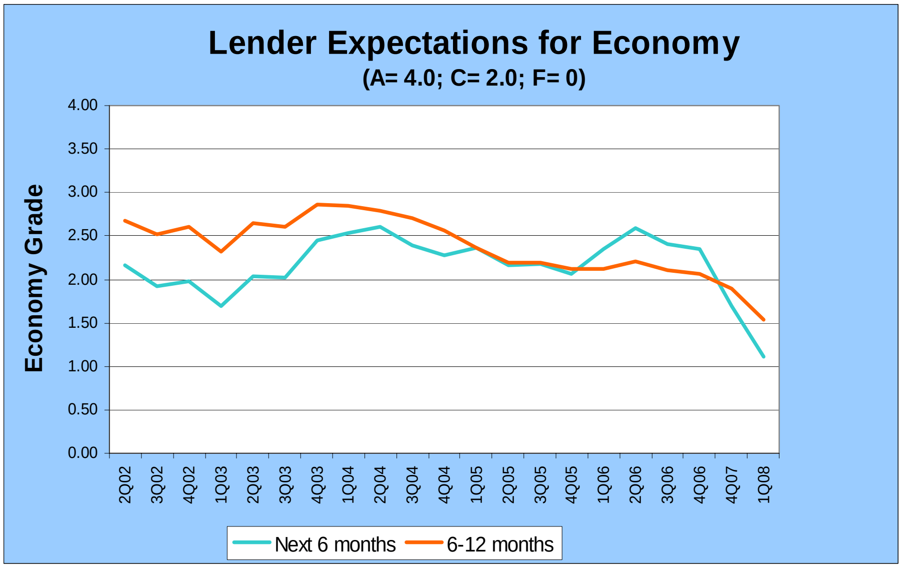


3. **Twenty-eight percent of lenders believe their institution will have no change in the highest Senior Debt to EBITDA multiple it will consider in regards to a new loan request.** Twenty-six percent of respondents believe internally that multiple will decrease less than 1x, while another six percent believe that multiple will decrease by more than 1x. Five percent of lenders opined that the multiple would increase at their financial institution over the next six months. Thirty-one percent of respondents indicated they were collateral lenders and did not specifically focus on that multiple.

4. **Respondents anticipate the Construction industry will experience the most volatility in the next six months**. When asked to identify three industries that will experience the most volatility in the next six months, seventy-four percent of lenders designated the construction industry, with sixty percent choosing the Real Estate and Rental/Leasing industries as the most likely to experience volatility. Fifty-one percent of lenders believe the Finance and Insurance industries will experience the most volatility. Fifty percent of respondents designated the Retail Trade industry. Thirty-five percent of lenders believe the Manufacturing industry will experience the most volatility. The last industry to register a meaningful percentage – Transportation and Warehousing – was selected by seventeen percent of respondents.

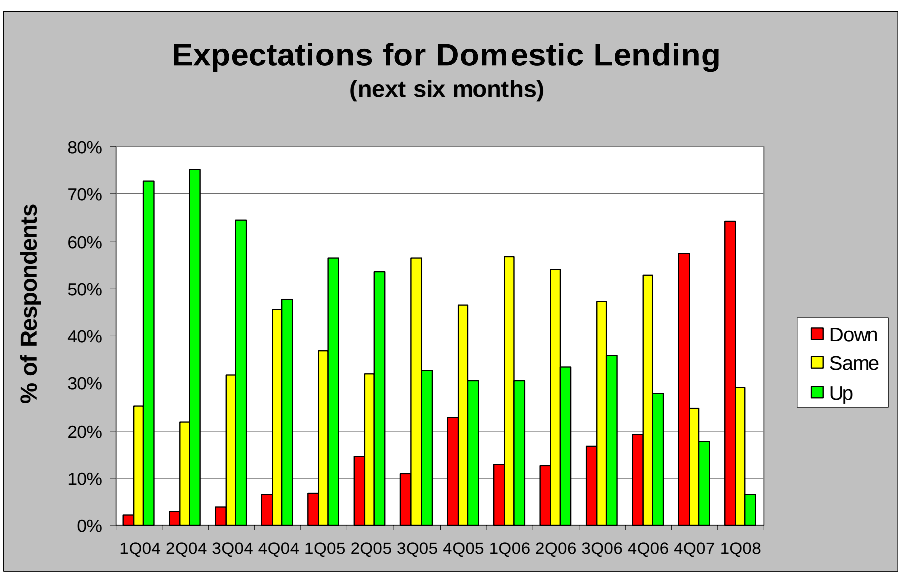


5. **Lenders expectations for the economy continued to decline from the previous quarter.** Lenders expect the economy to perform at a "D" level during the next six months. The respondents' expectations for longer-term improvement remained marginally better than the near-term outlook with a low "C" expectation level.

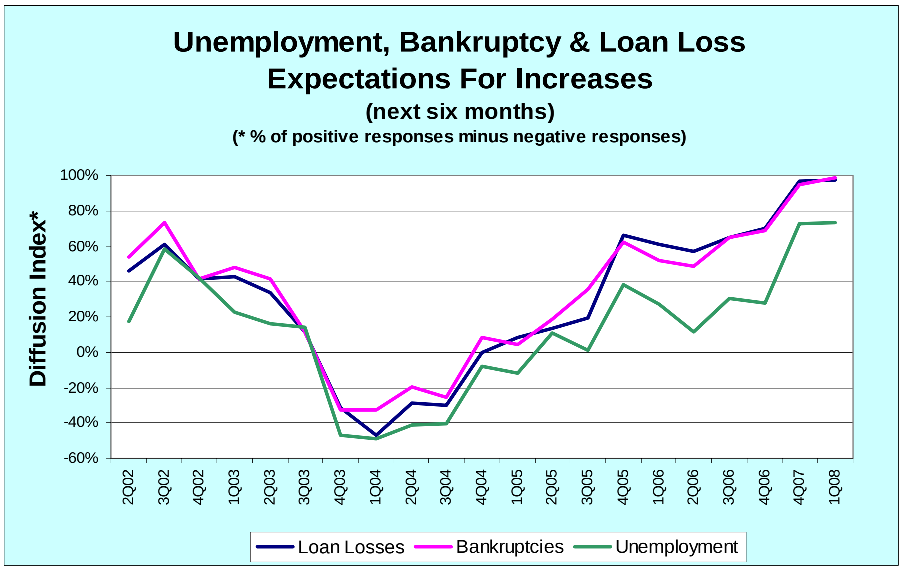


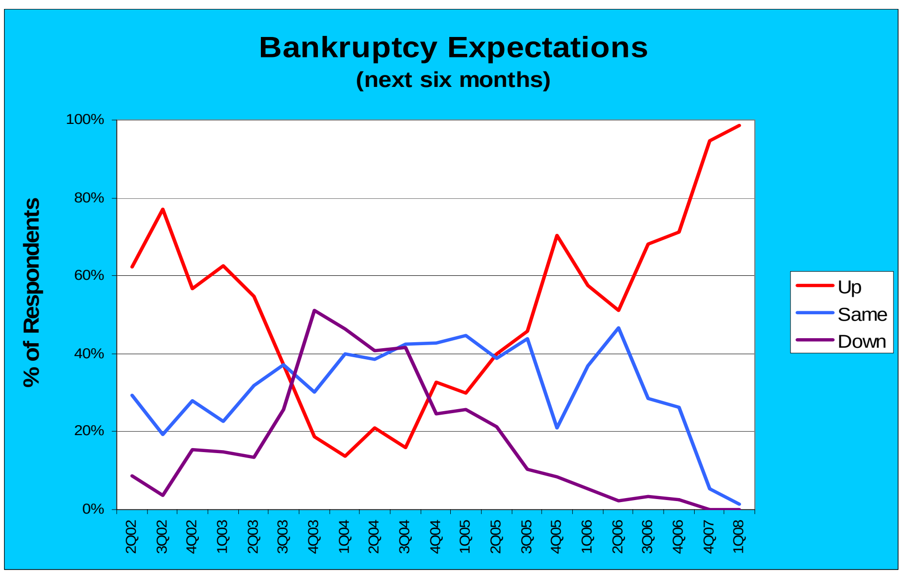
6. **The percentage of respondents with their customer having no growth expectations over the next 6 - 12 months doubled to thirty-three percent**. Sixty-five percent of lenders opined their customers had moderate growth expectations, down from the previous quarter resulting from the increase in "no growth" responses.

7. **For the second consecutive quarter, the loan demand diffusion index (the percentage of respondents forecasting a higher percentage less those anticipating a lower percentage) continued to be negative across all lending segments.** Respondents indicated that, on average for all domestic lending categories, six percent have expectations for increased loan demand (versus 18 percent in the prior quarter).



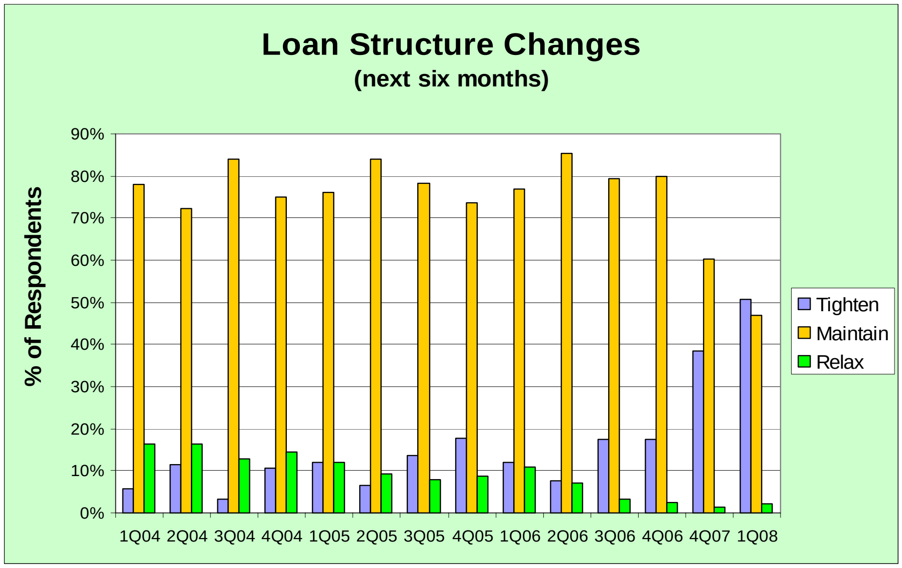
8. **Expectations for deteriorating credit quality remained at near unanimous levels.** The loan loss diffusion index was at 97 percent, in line with the previous quarter, while ninety-nine percent of lenders anticipate higher bankruptcies. The percentage of respondents anticipating higher unemployment grew to 78 percent – up from 74 percent in the previous quarter. Lastly, seventy-five percent of respondents anticipate increased bank failures, as compared to thirty-eight percent in the prior quarter.



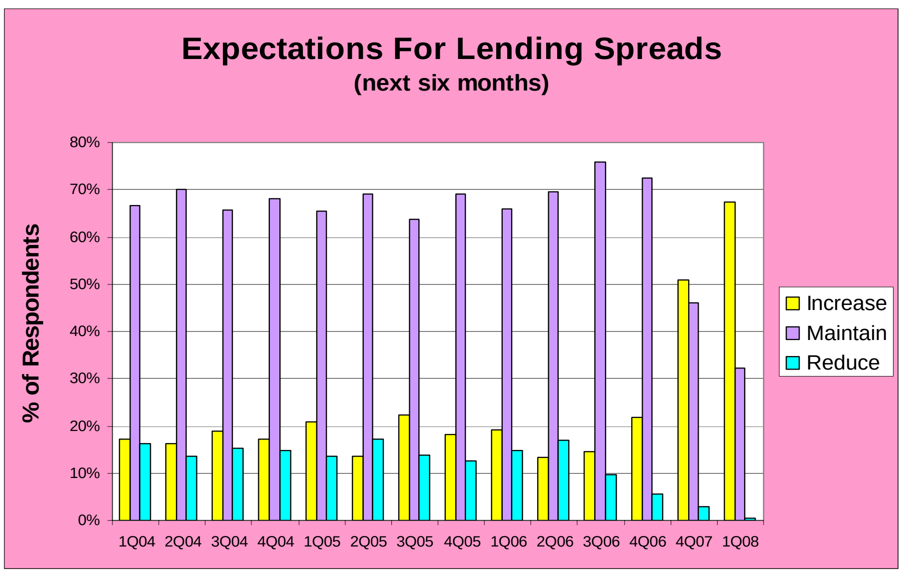


9. **Seventy-eight percent of lenders anticipate a 50 bps (or more) cut in interest rates over the next six months (versus sixty percent in the previous survey)**. Thirteen percent of lenders are expecting interest rates to decline 25 bps in the first half of 2008. The remaining ten percent of respondents believe that interest rates will either remain unchanged or marginally increase over the next six months.

10. **The percentage of lenders expecting to tighten their existing loan structures increased to fifty-one percent (versus thirty-eight percent in the previous survey).** As a result, the percentage of respondents planning to maintain their loan structure decreased to 47 percent (versus 60 percent last quarter).



11. **More lenders anticipate increasing their current lending spreads in this interest rate environment.** Sixty-seven percent of respondents (versus 51 percent in the previous quarter) expect to increase lending spreads from their current levels.



Phoenix Management
"Lending Climate in America"
1st Quarter 2008

Survey Results

1. Impact of Economic Stimulus Package in the Next Twelve Months

Respondents were asked what effect the Economic Stimulus Package would have on the economy over the next twelve months (on a scale of 5 being the "highest" impact to 1 being the "lowest" impact).

- A majority – fifty-eight percent – selected "2" (on the scale from 1-5) indicating their expectation that the stimulus package would have a relatively low impact on the economy over the next year.

- Twenty-eight percent selected "3" (on the scale from 1-5) intimating the stimulus package would have moderate impact on the economy over the next year.

- Thirteen percent chose option "1" – effectively opining that the economic stimulus package would have the minimal impact on the economy over the next twelve months.

- The remaining one percent selected "4" (on the scale from 1-5) indicating the stimulus package would have a significant impact on the economy over the next year.

2. Highest Multiple of Senior Debt to EBITDA an Institution Would Consider

Respondents were asked what was the highest multiple of Senior Debt to EBITDA their institution would consider with regard to a loan request.

- Thirty-three percent indicated their institution would consider a loan request with a Senior Debt to EBITDA ratio as high as 3-4x.

- Thirty-three percent of respondents replied they are collateral lenders and, therefore, do not make credit decisions based on cash flow/leverage multiples.

- Fourteen percent opined their institution would consider a loan request with a Senior Debt to EBITDA ratio as high as 2-3x.

- Eleven percent responded their institution would consider a loan request with a Senior Debt to EBITDA ratio as high as 4-5x.

- The remaining eight percent of lenders were split between willing to consider a loan request with a multiple less than 2x, a loan request with a multiple of greater than 5x, and not knowing what the highest leverage multiple their institution would consider.

3. Anticipated Change in Senior Debt to EBITDA Multiple

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

- Thirty-one percent of respondents replied they are collateral lenders and, therefore, do not make credit decisions based on cash flow/leverage multiples.

- Twenty-eight percent indicated that the Senior Debt to EBITDA multiple will not change at their financial institution over the next six months.

- Twenty-six percent believed the leverage multiple will decrease less than 1.0x during the next six months.

- Six percent believed the Senior Debt to EBITDA multiple will decrease more than 1.0x during the next six months.

- Five percent opined the Senior Debt to EBITDA multiple will increase during the next six months.

- The remaining four percent of lenders stated they did not know if the leverage multiple would change at their institution over the next six months.

4. Factors with Strongest Potential to Affect Near-Term Economy

Respondents were asked, over the next six months, which TWO factors had the strongest potential to affect the economy.

- Seventy-two percent of respondents replied the sluggish housing market has the strongest potential to affect the economy over the next six months.

- Sixty-five percent designated unstable energy prices as the factor with the strongest potential to affect the near-term economy.

- Twenty-eight percent believed that other factors (than the five factors specifically mentioned) have the greatest potential to affect the economy in the next six months.

- Seven percent opined that the U.S. budget deficit had the strongest potential to affect the economy during the next six months.

- Six percent chose rising healthcare prices as the factor with the strongest potential to affect the economy in the next six months.

- The remaining four percent of lenders replied that overseas competition for jobs would be the factor with the strongest economic impact over the next six months.

5. Industries Expected to Experience Greatest Volatility

Respondents were asked, over the next six months, which industries will experience the most volatility (i.e. Chapter 11 filings, mergers and acquisitions, declining profits, etc.). Respondents were asked to select the top three industries.

- Seventy-four percent of respondents believed the construction industry will experience the greatest volatility over the next six months.

- Sixty percent designated the real estate and rental/leasing industry as the industry expected to weather the greatest volatility in the near term.

- Fifty-one percent believed the finance and insurance industry would experience the most volatility.

- Fifty percent designated the retail trade industry as the anticipated most volatile industry over the next six months.

- Thirty-five percent opined the manufacturing industry would experience the most volatility.

- Seventeen percent responded that the transportation and warehousing industry would experience the most volatility during the next six months.

- The balance of the industry choices did not register designations greater than five percent from the respondents.

6. 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. Lenders were asked to designate all potential customer actions that applied.

- Forty-nine percent responded their customers intend to raise additional capital in the next 6-12 months.

- Thirty-nine percent indicated their customers are planning on introducing new products or services.

- Thirty-five percent indicated their customers are planning on making an acquisition in the next six to twelve months.

- Thirty-three percent each indicated their customers plan on entering new markets and making new capital investments.

- Eighteen percent each indicated their customers plan on hiring new employees and engaging in "other" business actions.

7. 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 a "Up" trend less the percentage indicating a "Down" trend) reached historical lows across all domestic lending segments. As a result, the diffusion index for all lending segments fell to negative 46 percentage points - down 13 percentage points from the previous quarter.

- Lenders maintained their negative credit quality outlook, as a near unanimous number of respondents believe that loan losses and bankruptcies will increase. The percentage of respondents forecasting an increase in Bank Failures (up 37 percentage points) significantly increased this period.

	4Q/2007			1Q/2008		
	Up	Down	Same	Up	Down	Same
Corporate Lending	10%	62%	28%	5%	69%	26%
Middle Market Lending	22%	57%	21%	8%	61%	31%
Small Business Lending	21%	53%	26%	6%	63%	31%
International Lending	24%	26%	50%	18%	28%	54%
	Up	Down	Same	Up	Down	Same
Loan Losses	97%	0%	3%	97%	0%	3%
Bankruptcies	95%	0%	5%	99%	0%	1%
Interest Rates	5%	64%	31%	3%	61%	37%
Unemployment	74%	2%	24%	78%	4%	18%
Bank Failures	38%	0%	62%	75%	0%	25%

8. U.S. Economy Grade – First Half of 2008

Respondents were asked how they expected the U.S. economy to perform during the first half of 2008 (next six months) on a grading scale of A through F.

- Respondents' outlook for the economy's near-term performance fell to a "D" grade level for the first half of 2008 – its lowest near-term outlook level in the history of this survey. The percentage of lenders who believe that the economy will perform at a "D" level increased to 81 percent from 33 percent in the prior quarter.

	4Q/2007	1Q/2008
A	0%	0%
B	5%	0%
C	60%	15%
D	33%	81%
F	2%	4%
Weighted Average Grade	1.69	1.11

9. U.S. Economy Grade – Second Half of 2008

Respondents were asked how they expected the U.S. economy to perform during the second half of 2008 ("out" six months) on a grading scale of A through F.

- While still lower than the previous quarter, lenders' expectations for the "out six-month" period were higher than expectations for the next six months for the second consecutive quarter – in contrast to the previous four surveys where the longer-term outlook was more negative that the near-term outlook.

	4Q/2007	1Q/2008
A	0%	0%
B	12%	6%
C	67%	44%
D	19%	49%
F	2%	1%
Weighted Average	1.90	1.54

10. Customers' Future Growth Expectations

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

- While the majority of lenders maintain their customers have moderate growth expectations, the percentage of respondents believing their customers will have no growth expectations over the next 6-12 months doubled to 34 percent (from 17 percent last quarter).

	4Q/2007	1Q/2008
Very Strong	0%	0%
Strong	0%	1%
Moderate	83%	65%
No Growth	17%	34%

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.

- For the third consecutive quarter, respondents anticipated increasing percentages of financial institutions tightening their loan structures. The overall average of financial institutions planning to tighten their loan structures rose to 51% from 38% of respondents in the prior quarter survey.

	4Q/2007			1Q/2008		
	Tighten	Maintain	Relax	Tighten	Maintain	Relax
Loans> $25 million	48%	52%	0%	55%	45%	0%
$15 – 25 million	45%	55%	0%	53%	45%	2%
$5-15 million	33%	67%	0%	49%	48%	3%
Under $5 million	28%	67%	5%	46%	50%	4%
Overall Average	38%	60%	2%	51%	47%	2%

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.

- Reflecting the current liquidity crisis and the need for borrowers to pay more for scarcely available capital, sixty-seven percent of respondents plan to increase their current interest rate spreads and fee structures on all sizes of loans – the highest percentage of respondents in the last seven years.

	4Q/2007			1Q/2008		
	Reduce	Maintain	Increase	Reduce	Maintain	Increase
Loans> $25 million	0%	43%	57%	0%	36%	64%
$15 – 25 million	3%	45%	52%	0%	30%	70%
$5-15 million	5%	45%	50%	1%	30%	69%
Under $5 million	3%	52%	45%	0%	33%	67%
Overall Average	3%	46%	51%	0%	33%	67%

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.

- Respondents continued to forecast a declining interest rate environment. The percentage of lenders anticipating a 75 bps or more decrease in interest rates rose to forty-seven percent (versus twenty-five percent in the prior quarter survey).

	4Q/2007	1Q/2008
-More than 1.0	9%	17%
-1.0	2%	17%
-.75	14%	13%
-.50	36%	32%
-.25	26%	13%
0	10%	6%
+.25	3%	1%
+.50	0%	0%
+.75	0%	1%
+1.0	0%	1%
More than 1.0	0%	0%
Weighted Average	- 47 basis points	- 63 basis points

14. Current Competition

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

- The percentage of lenders identifying large commercial/community banks as the primary source of competition increased to fifty-three percent this survey – as compared to seventeen percent last quarter.

	4Q/2007	**1Q/2008**
Money Center Banks	10%	6%
Local Commercial/ Community Banks	17%	53%
Factors	0%	8%
Regional Banks	47%	21%
Commercial Finance Organizations	19%	4%
Other	7%	8%