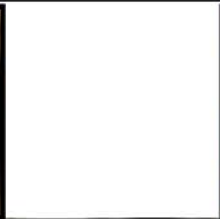


Phoenix Management Services “Lending Climate in America” Survey

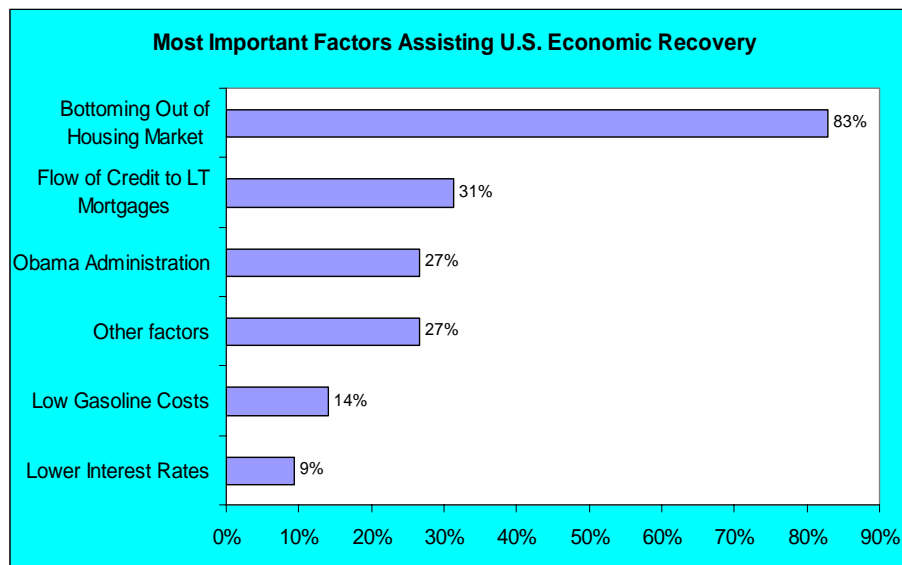


4th Quarter 2008
Summary, Trends and Implications

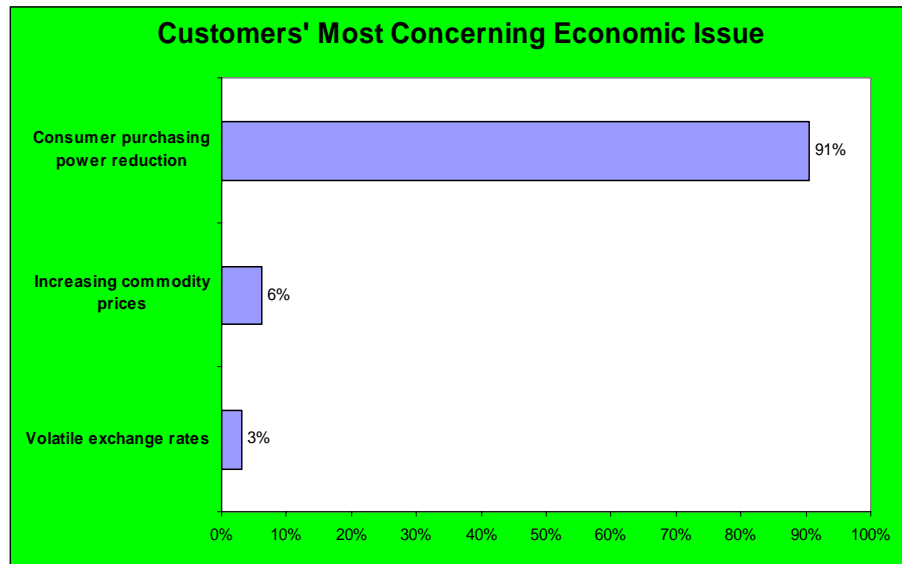
PHOENIX
“LENDING CLIMATE IN AMERICA”
QUARTERLY SURVEY

4th Quarter 2008

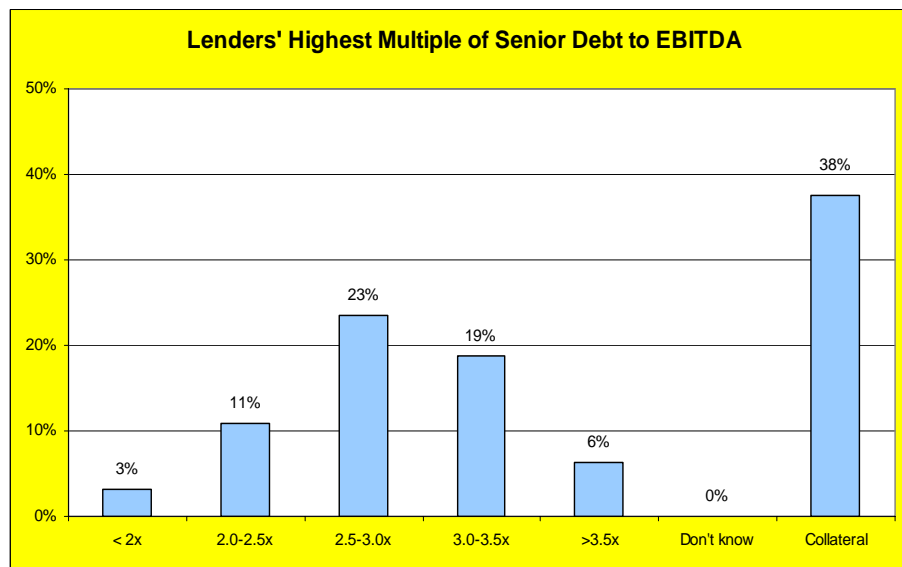
1. **Only three percent of lenders believe the Troubled Asset Relief Program (“TARP”) will have a “meaningful” impact on lending.** Fifty-five percent of respondents opined that the TARP would have a “modest impact” on lending. Thirty-six percent believe the TARP will have “minimal impact”, while the remaining six percent of respondents believe the TARP will have “no impact” on lending.
2. **Eighty-three percent of respondents believe the bottoming out of the residential housing market will be the most important factor that will assist the U.S. in recovering from this recession/depression.** When asked to identify the two most important factors, thirty-one percent selected the flow of credit to long-term mortgages. Twenty-seven percent of lenders chose the following responses: the Obama administration and other factors. Low gasoline prices was selected by fourteen percent of respondents, and nine percent of lenders believe lower interest rates will be an important factor in the potential recovery from this recession/depression.



3. **Forty-four percent of lenders predict inflation will trend lower than current levels over the next six months as compared to eighteen percent in the previous survey.** Thirty-nine percent of respondents anticipate inflation, over the next two fiscal quarters, will be equal to current levels (previous survey: fifty-one percent). Finally, seventeen percent anticipate overall levels of inflation will trend higher than recent levels (previous survey: thirty percent).
4. **An overwhelming majority – ninety-one percent - designated the reduction in consumer purchasing power as the economic issue borrowers/customers are most concerned with in the near term.** Six percent indicated increasing commodity prices as the most concerning economic issue. Three percent of lenders indicated volatile exchange rates as the most concerning economic issue. Respondents did not choose higher labor rates and impact of importing lower-cost goods.

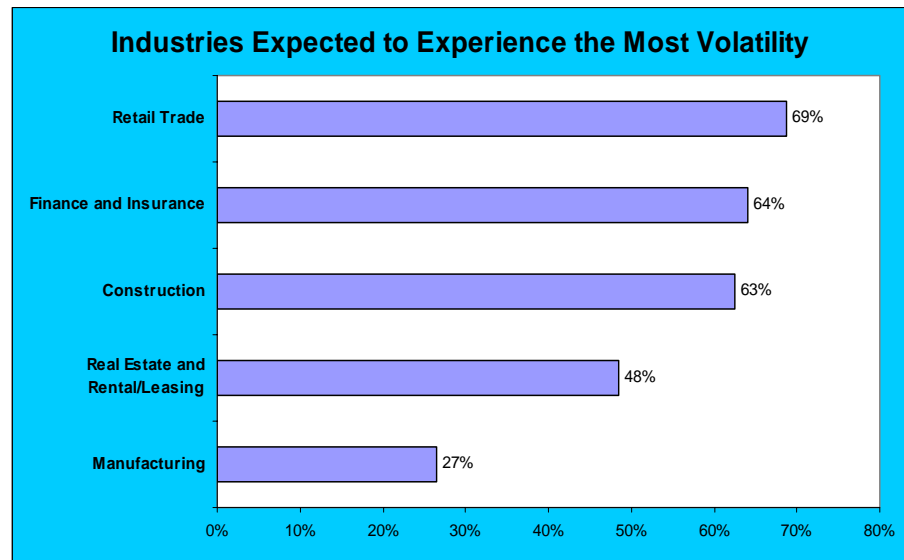


5. **Twenty-five percent of lenders indicated their financial institution would consider a loan request with a Senior Debt to EBITDA multiple greater than 3x, down from thirty-eight percent in the previous survey.** Twenty-three percent of respondents indicated their institution would only consider a loan request with a multiple as high as 2.5-3.0x (previous survey: sixteen percent). Fourteen percent of respondents indicated they would only consider a loan request with a Senior Debt to EBITDA multiple less than 2.5x (previous survey: nine percent). Thirty-eight percent of respondents indicated they are collateral lenders and do not utilize cash flow multiples as the primary factor in credit decisions.

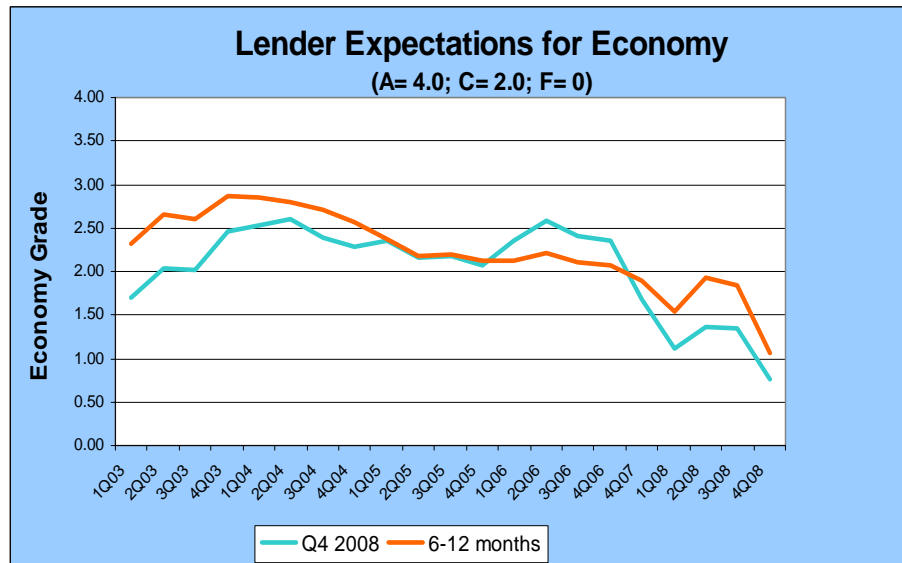


6. **Thirty-eight percent of lenders believe their institution will have no change in the highest Senior Debt to EBITDA multiple it will consider in regards to a new loan request.** Nineteen percent of respondents believe internally that multiple will decrease less than 0.5x, while another five percent believe that multiple will decrease by more than 0.5x. Four percent of lenders opined that the multiple would increase at their financial institution over the next six months. Thirty-three percent of respondents indicated they were collateral lenders and did not specifically focus on that multiple.

7. **Eighty-eight percent of lenders designated constrained liquidity in the capital markets as the factor with the strongest potential to impact the near-term economy.** The sluggish housing market was chosen by 64 percent of respondents as having the most significant potential to have near-term economic impact. Nine percent of lenders chose the unstable energy prices and the U.S. budget deficit, while eight percent designated the outcome of the presidential election. Finally, three percent chose the Iraqi war as having the strongest potential to impact the near-term economy.
8. **Sixty-nine percent of respondents anticipate the Retail Trade 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, sixty-four percent choose the Finance and Insurance industry as the most likely to experience volatility and sixty-three percent of lenders chose the Construction industry. Forty-eight percent of lenders believe the Real Estate and Rental/Leasing industries will experience the most volatility. Twenty-seven percent of lenders believe the Manufacturing industry will experience the most volatility.

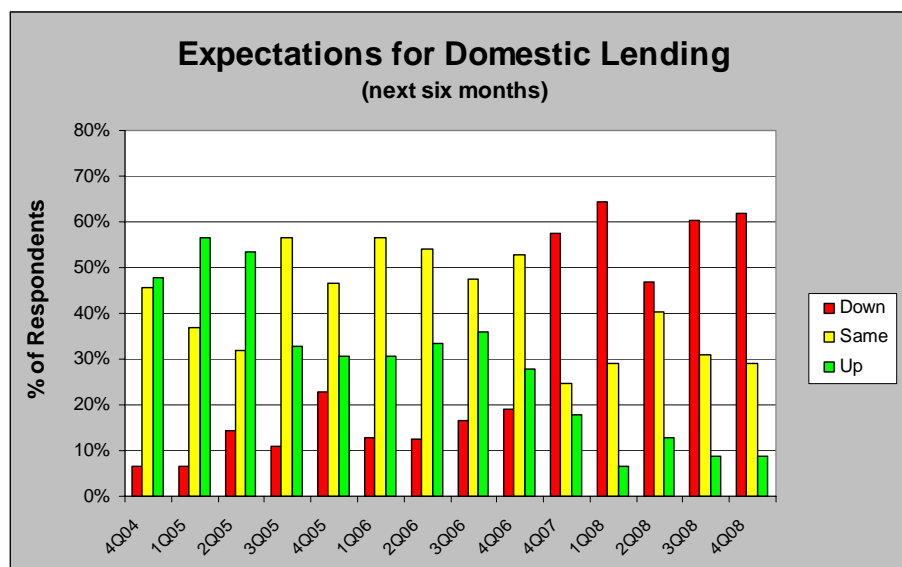


9. **Fifty-five percent of respondents' customers anticipate raising additional capital in the next six months.** Twenty-five percent of customers plan on introducing new products and services in the next two quarters. Sixteen percent each of lenders' customers anticipate making new capital investments and entering new markets in the next six months. Nine percent of customers plan on making an acquisition, while just five percent intend on hiring new employees.
10. **Lenders expectations for the economy significantly deteriorated from the previous quarter.** Lenders expect the economy to perform at a low "D" level during the fourth quarter. The long-term outlook fell to a "D" expectation level as well – the lowest level in the history of this quarterly survey.

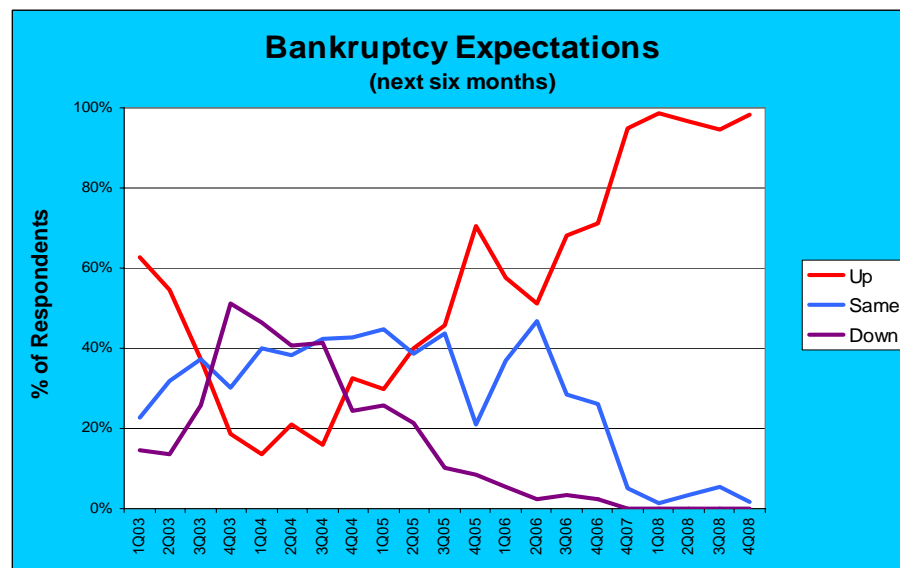
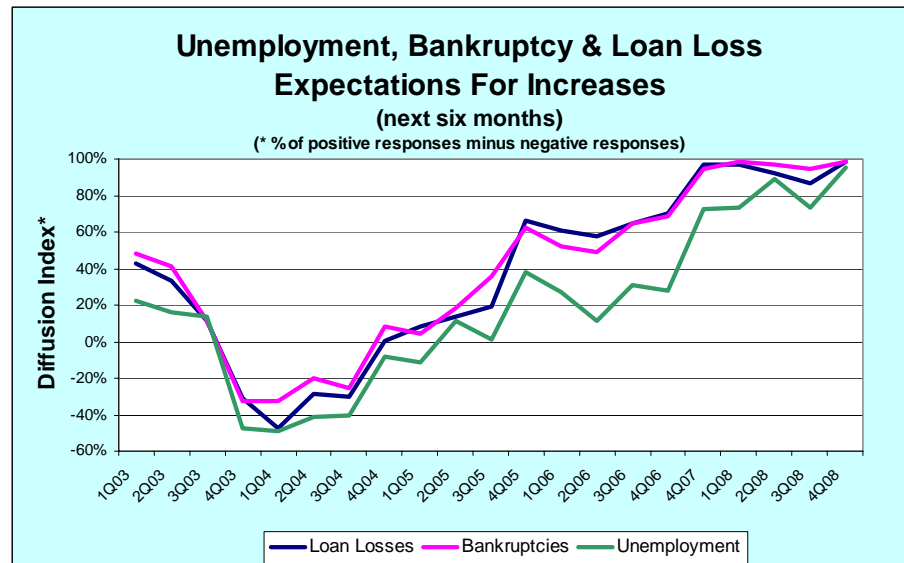


11. **The percentage of respondents with customers having no growth expectations over the next 6 - 12 months continued to rise significantly from recent quarters to seventy-eight percent – the highest level recorded in this survey in the last eight years.** Twenty-two percent of lenders opined their customers had moderate growth expectations, down from 49 percent in the previous quarter.

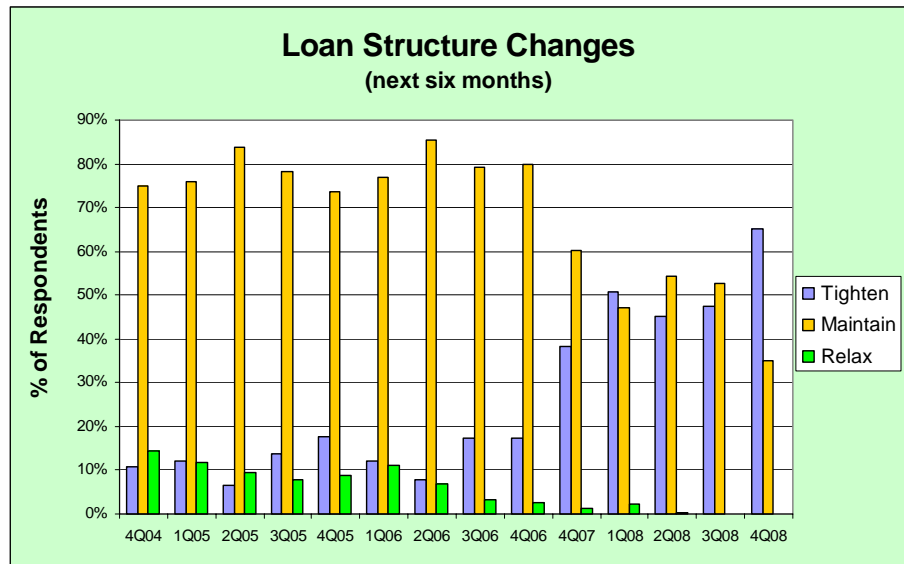
12. **The loan demand diffusion index (the percentage of respondents forecasting a higher percentage less those anticipating a lower percentage) continues its recent negative trending, as respondents were pessimistic across all lending segments in this survey.** The overall diffusion index for all lending segments deteriorated to negative 52 percentage points (from negative forty-six percentage points in the previous survey). Respondents indicated that, on average for all domestic lending categories, eight percent have expectations for increased loan demand (versus 9 percent in the prior quarter).



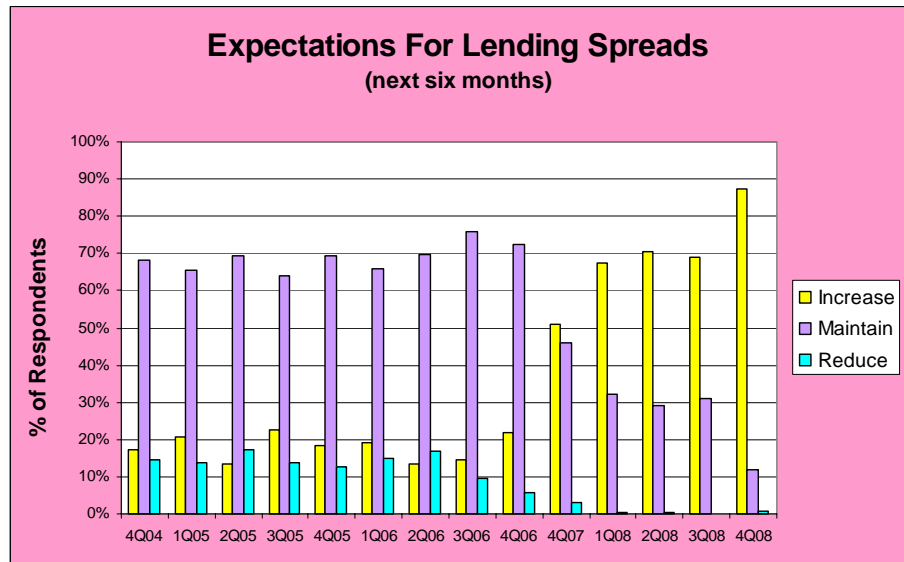
13. **Lenders remained consistent with expectations of deteriorating credit quality.** The loan loss diffusion index was at 98 percent, increasing twelve percentage points from the previous quarter, while ninety-eight percent of lenders anticipate higher bankruptcies. The percentage of respondents anticipating higher unemployment jumped to 95 percent – rising from seventy-four percent in the previous quarter.



14. **The percentage of lenders anticipating interest rates will decrease over the next six months rose to 73 percent (versus twenty-three percent in the previous survey).** Twenty-two percent of lenders believe rates will remain unchanged, while the remaining five percent of respondents believes that interest rates will increase over the next six months.
15. **The percentage of lenders expecting to tighten their existing loan structures increased to sixty-five percent (versus forty-seven percent in the previous survey).** As a result, the percentage of respondents planning to maintain their loan structure fell to 35 percent (versus fifty-three percent in the previous survey).



16. **Continuing the recent six-quarter trend, an increasing percentage of lenders anticipate increasing their current lending spreads in this interest rate environment.** Eighty-seven percent of respondents (versus 69 percent in the previous quarter) expect to increase lending spreads from their current levels.



Phoenix Management
“Lending Climate in America”
4th Quarter 2008

Survey Results

1. Troubled Asset Relief Program (“TARP”) Impact on Lending

Lenders were asked what impact they believed the TARP would have on lending.

- Fifty-five percent believe that the TARP will have a “modest” impact on lending.
- Thirty-six percent of respondents believe “minimal” impact will be realized relative to the TARP.
- Six percent of lenders responded the TARP would have “no” impact.
- The remaining three percent of lenders believe the TARP will have “meaningful” impact on lending.

2. Most Important Factors That Will Assist the U.S. Economic Recovery

Respondents were asked which two factors would be the most important in assisting the U.S. in recovering from the current recession/depression.

- Eighty-three percent of respondents designated the bottoming out of the residential housing market as the most important factor in assisting the U.S. economic recovery.
- Thirty-one percent opined the most important factor would be the flow of credit to the long-term mortgage market.
- Twenty-seven percent of lenders chose the following responses: the Obama administration and other undefined factors.
- Fourteen percent believe low gasoline prices will be the most important factor in assisting the U.S. economic recovery.
- Finally, nine percent of respondents indicated that lower interest rates would be the most important factor that will assist the U.S. economic recovery.

3. Anticipation of Near-Term Inflation Trends

Lenders were asked, over the next six months, how did they anticipate that overall levels of inflation would trend.

- Forty-four percent of respondents believe that overall levels of inflation will be lower than current levels.
- Thirty-nine percent of respondents opined that the near-term overall levels of inflation would be equal to current levels.

- Seventeen percent of lenders responded that inflation in the next months would be higher than current levels.

4. Economic Issue that Borrowers/Customers are Most Concerned With

Respondents were asked which economic issue that their borrowers/customers are MOST concerned with in the near term.

- Ninety-one percent of respondents replied their borrowers/customers are most concerned with their reduction in consumer purchasing power.
- Six percent indicated the biggest concern was increasing commodity prices.
- Three percent of respondents indicated volatile exchange rates as the economic issue borrowers/customers are most concerned with.
- The following economic issues were not selected by any respondents: higher labor rates and impact of importing lower-cost goods.

5. Highest Senior Debt to EBITDA Multiple Institutions Would Consider

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

- Thirty-eight percent of respondents replied they are collateral lenders and, therefore, do not make credit decisions based on cash flow/leverage multiples.
- Twenty-three percent believed their institution would consider a loan request with a Senior Debt to EBITDA multiple as high as the 2.5x – 3.0x range.
- Nineteen percent indicated their institution would consider a loan request with a leverage multiple as high as the 3.0x – 3.5x range.
- Eleven percent of lenders indicated their financial institution would consider a loan request with a leverage multiple as high as 2.0x – 2.5x.
- Six percent of lenders opined their financial institution would consider a loan request with a leverage multiple of greater than 3.5x.
- Three percent of lenders responded their financial institution would only consider a loan request with a leverage multiple lower than 2.0x.

6. 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-eight percent indicated that the Senior Debt to EBITDA multiple will not change at their financial institution over the next six months.
- Thirty-three percent of respondents replied they are collateral lenders and, therefore, do not make credit decisions based on cash flow/leverage multiples.

- Nineteen percent believed the leverage multiple will decrease less than 0.5x during the next six months.
- Five percent believed the Senior Debt to EBITDA multiple will decrease more than 0.5x during the next six months.
- Four percent opined the Senior Debt to EBITDA multiple will increase during the next six months.
- Three percent of lenders stated they did not know if the leverage multiple would change at their institution over the next six months.

7. 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.

- Eighty-eight percent designated constrained liquidity in the capital markets as the factor with the strongest potential to affect the near-term economy (an increase of thirteen percentage points from the previous survey).
- Sixty-four percent designated the sluggish housing market as the factor with the strongest potential to affect the near-term economy.
- Eleven percent believed that other factors (than the five factors specifically mentioned) have the greatest potential to affect the economy in the next six months.
- Nine percent of respondents selected the following two responses – unstable energy prices and the U.S. budget deficit – as having the strongest potential to affect the economy over the next six months.
- Eight percent opined that the outcome of the presidential election had the strongest potential to affect the economy during the next six months.
- Three percent chose the Iraqi war as the factor with the strongest potential to affect the economy in the next six months.

8. 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.

- Sixty-nine percent believed the retail trade industry would experience the most volatility over the next six months.
- Sixty-four percent of respondents believed the finance and insurance industry will experience the greatest volatility over the next six months.
- Sixty-three percent designated the construction industry as the industry expected to weather the greatest volatility in the near term.

- Forty-eight percent responded that the real estate and rental/leasing industry would experience the most volatility during the next six months.
- Twenty-seven percent opined the manufacturing industry would experience the most volatility.
- The balance of the industry choices did not register designations greater than ten percent from the respondents.

9. 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.

- Fifty-five percent indicated their customers are planning on raising additional capital in the next six to twelve months.
- Twenty-eight percent responded their customers plan on engaging in "other" business actions in the next 6-12 months.
- Twenty-five percent responded their customers intend to introduce new products or services in the next 6-12 months.
- Sixteen percent indicated the following responses - their customers are planning on entering new markets and making new capital investments.
- Nine percent responded their customers plan on making an acquisition in the next 6-12 months.
- Five percent of respondents indicated their customers plan on hiring new employees in the next 6-12 months.

10. 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.

- Respondents remained predominantly pessimistic across all lending segments in this quarterly survey. As a result, the diffusion index for all lending segments declined to negative 52 percentage points - a 6 percentage point deterioration from the previous quarter and the lowest metric since Summer 2001.
- The percentage of lenders anticipating increased loan losses (up 10 percentage points) and unemployment (up twenty percentage points) materially increased this survey. The percentage of respondents forecasting a decrease in interest rates rose to 34 percent versus just seven percent in the previous survey.

	3Q/2008			4Q/2008		
	<u>Up</u>	<u>Down</u>	<u>Same</u>	<u>Up</u>	<u>Down</u>	<u>Same</u>
Corporate Lending	8%	62%	30%	9%	61%	30%
Middle Market Lending	10%	55%	35%	7%	63%	30%
Small Business Lending	8%	64%	28%	9%	63%	28%
International Lending	11%	42%	47%	5%	55%	40%
	<u>Up</u>	<u>Down</u>	<u>Same</u>	<u>Up</u>	<u>Down</u>	<u>Same</u>
Loan Losses	88%	1%	11%	98%	0%	2%
Bankruptcies	95%	0%	5%	98%	0%	2%
Interest Rates	40%	7%	53%	17%	34%	49%
Unemployment	75%	1%	24%	95%	0%	5%
Bank Failures	81%	3%	16%	86%	0%	14%

11. U.S. Economy Grade – Fourth Quarter of 2008

Respondents were asked how they expected the U.S. economy to perform during the 4th quarter of 2008 on a grading scale of A through F.

- Respondents' outlook for the economy's near-term performance deteriorated to a low "D" grade level for the fourth quarter of 2008. The percentage of lenders who believe that the economy will perform at a "F" level increased to 28 percent from three percent in the prior quarter.

	3Q/2008	4Q/2008
A	0%	0%
B	0%	0%
C	37%	5%
D	60%	67%
F	3%	28%
Weighted Average Grade	1.34	0.77

12. U.S. Economy Grade – First Half of 2009

Respondents were asked how they expected the U.S. economy to perform during the first half of 2009 ("out" six months) on a grading scale of A through F.

- Lenders' expectations for the U.S. economy's performance in the "out six months" period was the lowest ever in the history of this quarterly survey. Respondents anticipating the economy to perform at a "C" level during the first half of 2009 decreased to 17 percent (from 70 percent in the previous survey). Conversely, lenders anticipating the economy to perform at a "D" level increased to 72 percent (up from 21 percent in the previous survey).

	3Q/2008	4Q/2008
A	0%	0%
B	0%	0%
C	70%	17%
D	21%	72%
F	1%	11%
Weighted Average	1.85	1.06

13. Customers' Future Growth Expectations

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

- The percentage of respondents indicating their customers have no growth expectations for the next six months to one year increased to 78 percent (a 28 percentage point increase from the previous survey).

	3Q/2008	4Q/2008
Very Strong	0%	0%
Strong	1%	0%
Moderate	49%	22%
No Growth	50%	78%

14. 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.

- Respondents indicating their financial institutions would tighten their loan structures increased all loan sizes. The overall average of financial institutions planning to tighten their loan structures rose to 65 percent as compared to 47 percent in the prior quarter survey.

	3Q/2008			4Q/2008		
	<u>Tighten</u>	<u>Maintain</u>	<u>Relax</u>	<u>Tighten</u>	<u>Maintain</u>	<u>Relax</u>
Loans > \$25 million	53%	47%	0%	70%	30%	0%
\$15 – 25 million	51%	49%	0%	62%	38%	0%
\$5-15 million	42%	58%	0%	63%	37%	0%
Under \$5 million	43%	57%	0%	65%	35%	0%
Overall Average	47%	53%	0%	65%	35%	0%

15. 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.

- Eighty-seven percent of respondents plan to increase their current interest rate spreads and fee structures on all sizes of loans – a historically high percentage of respondents and 18 percentage points higher than the previous survey.

	3Q/2008			4Q/2008		
	<u>Reduce</u>	<u>Maintain</u>	<u>Increase</u>	<u>Reduce</u>	<u>Maintain</u>	<u>Increase</u>
Loans > \$25 million	0%	31%	69%	0%	13%	87%
\$15 – 25 million	0%	32%	68%	2%	9%	89%
\$5-15 million	0%	31%	69%	2%	12%	88%
Under \$5 million	0%	29%	71%	0%	15%	85%
Overall Average	0%	31%	69%	1%	12%	87%

16. 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 reversed recent trends and forecasted a decreasing interest rate environment – the first such collective sentiment in the past three surveys. The percentage of lenders anticipating a 25 bps or more decrease in interest rates rose to seventy-four percent (versus twenty-two percent in the prior quarter survey).

	3Q/2008	4Q/2008
-More than 1.0	0%	1%
-1.0	1%	5%
-.75	1%	2%
-.50	7%	38%
-.25	13%	28%
0	32%	22%
+.25	21%	2%
+.50	17%	2%
+.75	0%	0%
+1.0	6%	2%
More than 1.0	1%	0%
Weighted Average	+ 12 basis points	- 31 basis points

17. 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 regional banks as the primary source of competition decreased to thirty-three percent this survey – as compared to forty-three percent last quarter. Conversely, respondents designating local commercial/community banks as the primary source of competition increased to nineteen percent versus 10 percent in the previous survey.

	3Q/2008	4Q/2008
Money Center Banks	9%	6%
Local Commercial/ Community Banks	10%	19%
Factors	6%	8%
Regional Banks	43%	33%
Commercial Finance Organizations	26%	20%
Other	6%	14%