Phoenix Management Services
“Lending Climate in America” Survey

4th Quarter 2010
Summary, Trends and Implications

PHOENIX
"LENDING CLIMATE IN AMERICA"
QUARTERLY SURVEY

SUMMARY, TRENDS AND IMPLICATIONS

1. **Existing home sales in September 2010 rose ten percent from the previous month, exceeding forecasted expectations. Lenders were asked which of the following statements best represents your sentiment on the housing market heading into 2011.**

Thirty eight percent of respondents agreed that monetary and fiscal policy actions will not be significant enough to maintain the positive existing home sales trend (3.84 million units sold in July 2010, 4.13 million sold in August 2010 and 4.53 million sold in September 2010) through the entirety of 2011. Thirty one percent agree that in the near term, home sales will continue to experience growth due to low interest rates, but as time passes, additional foreclosures and potential interest rate increases will lead to lower housing sales numbers (both new and existing home sales). Twenty three percent believe the Federal Reserve will announce quantitative easing during Q4 2010, keeping interest rates low and providing an incentive for consumers to purchase homes. As a result, 2011 will see continued monthly increases in existing home sales and a moderate increase in new housing. Six percent of respondents are optimistic of the 2011 housing outlook as they believe that regardless of government action, existing home sales will increase favorably into and through 2011. The final two percent designated "Other" as their choice relating to the question.

2. **The potential increase of quantitative easing, the Federal Reserve purchase of public and private debt on the open market, has created uncertainty about inflation risk moving forward. Respondents were asked "What is your opinion on inflation risk if the Federal Reserve announces that it plans to pursue quantitative easing?**

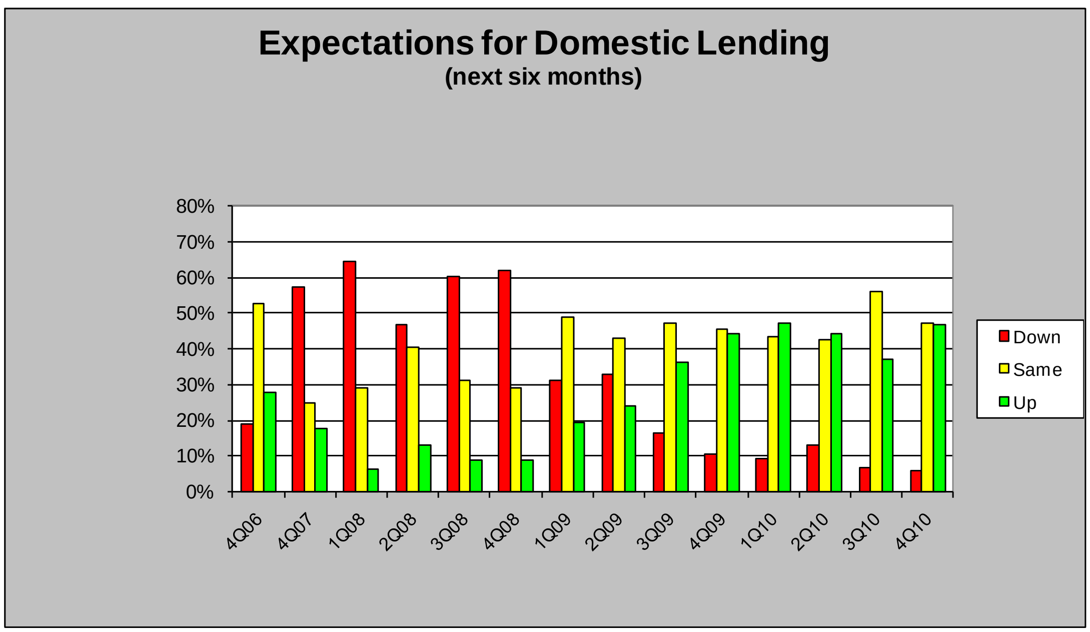
Thirty nine percent of lenders believe the Federal Reserve will implement another round of quantitative easing; however inflation will be maintainable due to sound monetary policy from the Fed. Thirty six percent agree that the Federal Reserve will implement another round of quantitative easing and as a result of increasing the money supply, inflation will have a significant impact on the economy in the long term. Thirteen percent believe the Federal Reserve will not attempt another round of quantitative easing and inflation will be significant in one form or another in the long term due to eventual economic growth combined with current suppressed interest rates. Ten percent responded that the Federal Reserve will not attempt another round of quantitative easing and inflation will not have a substantial long term impact on the economy. The final two percent chose "Other" as their response to the question.

3. **The National Commission on Fiscal Responsibility and Reform is considering the elimination of several tax breaks that add up to approximately $1 trillion annually according to the White House report. Among those being considered are: mortgage interest deduction, child tax credits and ability of employees to pay their portion of health insurance with pretax dollars. Lenders were asked to provide their impression on the potential change in the tax code.**

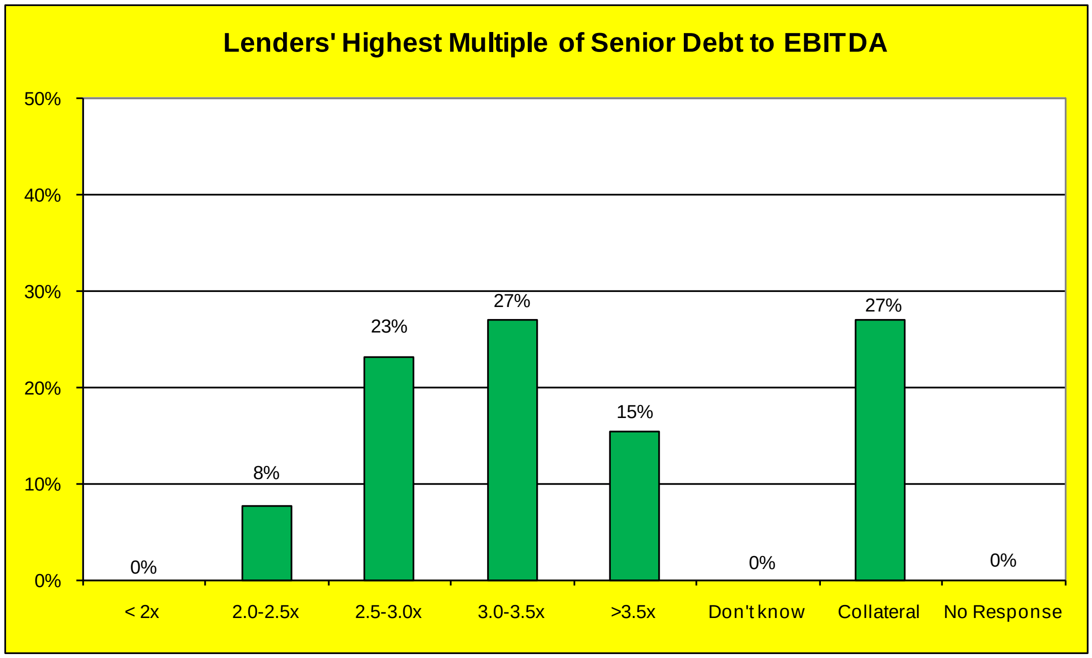
Nearly half (48 percent) of respondents believe the government would not generate enough public support to eliminate the proposed tax breaks as the elimination of these tax benefits would send the economy into a double dip recession. Twenty three percent of lenders suggest the Commission should look to other areas of government which do not have as significant of an impact for cost savings on taxpaying individuals such as a reduction in defense spending. Seventeen percent believe that a small reduction in these tax breaks would be appropriate measures in order to improve upon last year's $1.3 trillion deficit. Nearly eight percent of respondents support the proposed tax breaks as they believe these are vital steps to preserve the financial integrity of the national budget and the final impact would justify the decrease in consumer discretionary income. The remaining four percent chose "Other" factors.

4. **Domestic lending expectations signal signs of growth compared to the previous quarter.**

The overall index for all domestic lending segments increased by eleven percentage points in comparison to last quarter's survey. Respondents indicated that, on average for all domestic lending categories; forty-seven percent have expectations for increased loan demand (versus 37 percent in the prior quarter). All four lending categories in the survey including; Corporate, Middle Market, Small Business and International, yielded improved expectations compared to the previous quarter.



5. **Senior Debt to EBITDA ratios experienced an uptick in risk appetite regarding senior loan multiples compared to the previous survey.** Twenty-seven percent of lenders indicated their financial institution would consider a loan request with a Senior Debt to EBITDA multiple as high as 3.0-3.5x, up six percentage points from the previous survey. Twenty-three percent opined that their institution would only consider a loan request with a leverage ratio of 2.5-3.0x, five percentage points lower than Q3 2010. The percentage of lenders which indicated their institution would consider a loan request with a multiple greater than 3.5x was at fifteen percent, unchanged from the previous survey. The percentage of lenders which indicated they are collateral lenders and do not utilize cash flow totaled twenty seven percent; five percentage points lower than the previous survey. Eight percent responded they would consider a loan request only in the 2.0x-2.5x bandwidth (previous survey: 2 percent).

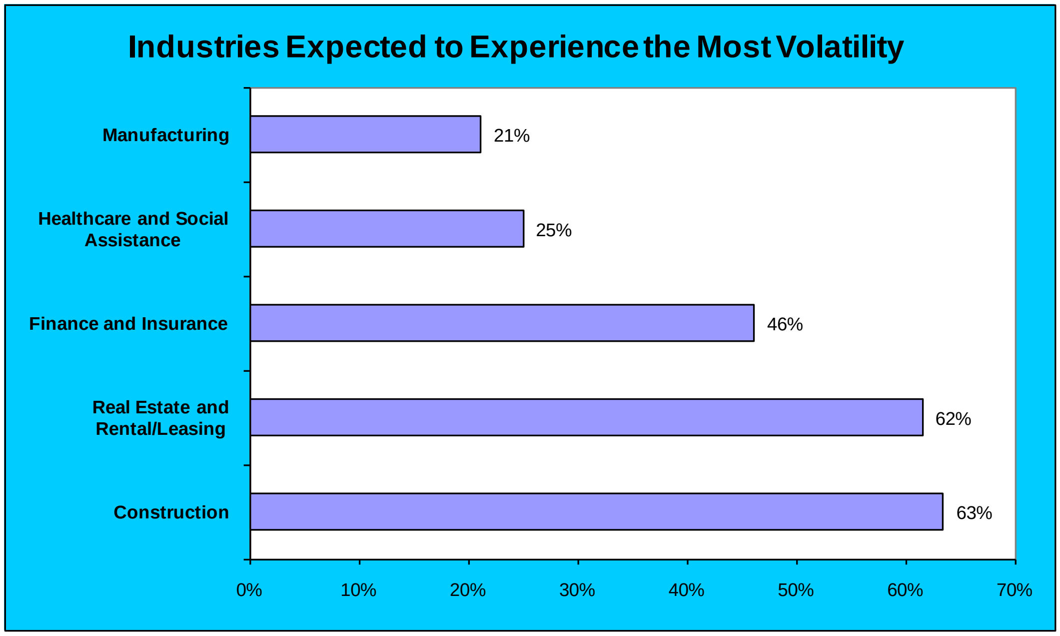


6. **Nearly double the respondents believe their institution's senior debt to EBITDA ratio will increase in the next six months compared to sentiment last quarter.**

Twenty one percent of respondents believe that the highest senior debt to EBITDA multiple will increase less than 0.5x (up from 11 percent in the previous quarter), while eight percent anticipate the multiple will increase greater than 0.5x over the next six months (four percent in the previous quarter). Forty percent of lenders believe no change will be made in the near term compared to fifty three percent in the previous quarter. No respondents suggested that the multiple would decline at their financial institution over the next six months. Twenty nine percent of respondents indicated they were collateral lenders and did not specifically focus on that multiple. Two percent of lenders responded that they did not know which direction their financial institution was headed in the near term.

7. **For the second consecutive quarter, respondents anticipate the Construction industry to 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-three percent chose the Construction industry as likely to experience the most volatility and sixty two percent of lenders chose the Real Estate and Rental/Leasing industry. These two industries were the top two responses in the previous survey. Forty six percent of lenders believe the Finance and Insurance industry will experience the most volatility, up sixteen percentage points from the previous survey. Twenty five percent believe the Healthcare and Social Assistance industry will experience the most volatility in the near term and twenty one percent credited the Manufacturing industry to experience high volatility.

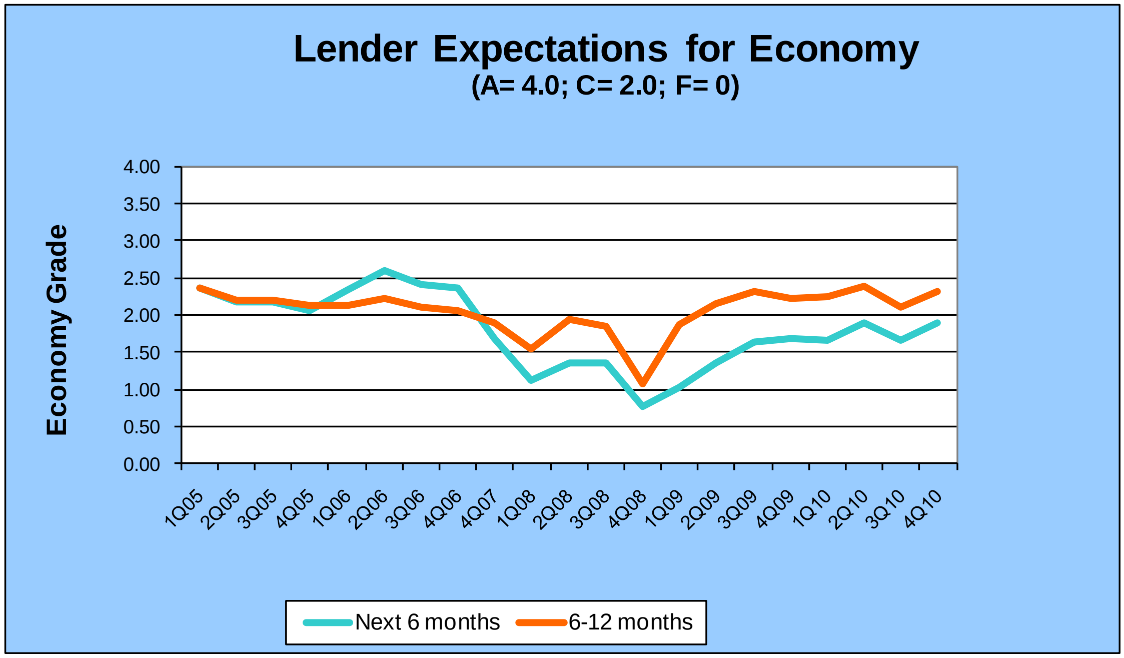


8. **Forty four percent of respondents' customers anticipate making an acquisition in the next six months (up nineteen percentage points from the previous survey).**

Forty percent responded their customers are planning on raising new capital; higher by two percentage points from the previous quarter. Thirty eight percent anticipate their customers to make new capital investments in the next six months; twelve percentage points higher than in Q3 2010. Twenty nine percent believe their customers will introduce new products or services during the next six months while twenty five percent anticipate their customers to hire new employees. Nineteen percent anticipate their customers to enter new markets in the next six months and ten percent believe their customers will conduct "Other" activities in the near term.

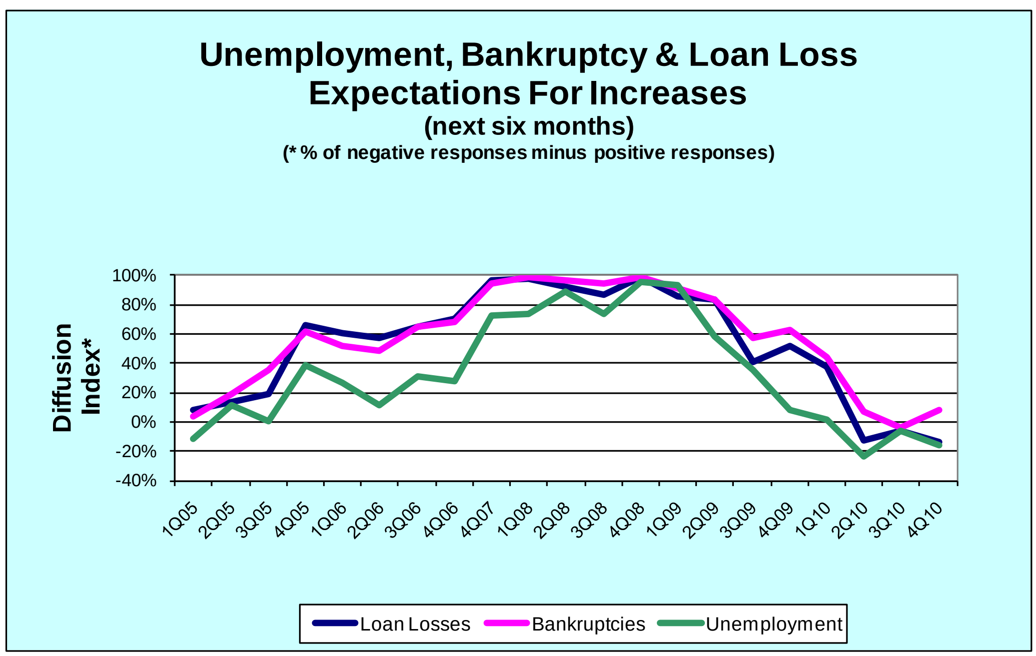
9. **Lenders expectations for the economy show an improvement in growth expectations for the next six to twelve months compared to the previous survey.**

Lenders expect the economy to perform at a near "C" level for the next six months, which is an improvement from the "D" level demonstrated in the previous survey. Growth expectation trends during the past four quarters of the survey have been volatile; however the economy's index grade has positively increased from its levels in Q1 2010 to expectations in the current quarter.



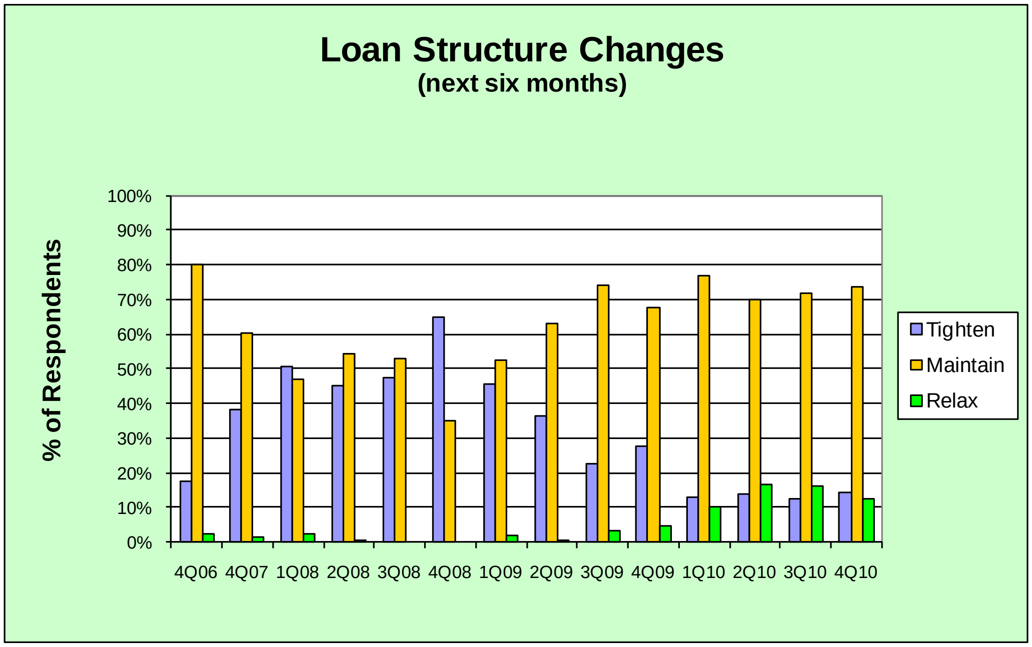
10. **Lenders expectations of macroeconomic indicators continued to show modest signs of improvement in all categories, except bankruptcies.**

Lenders expectations towards loan losses improved by seven percentage points on the diffusion index from growing sentiment that loan losses will decrease in the near term. Unemployment also exhibited signs of improvement as only four percent of respondents believe the rate of unemployment will increase compared to twenty one percent in the previous quarter. Expectations of an increase in bankruptcies, however, increased by seven percentage points versus Q3 2010.



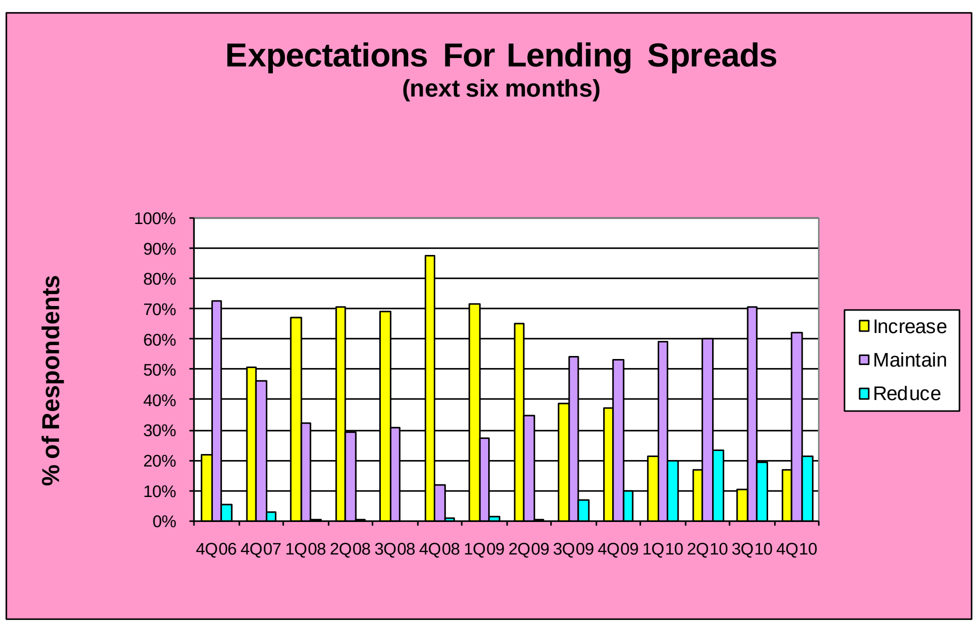
11. **Lenders expectations of minimal change to their loan structures remained consistent versus sentiment expressed in the previous quarter.**

The percentage of respondents planning to tighten their loan structure increased to fourteen percent, only two percentage points higher compared to the previous quarter. Seventy three percent of lenders expect to maintain their loan structures, an increase of one percentage point versus expectations in Q3 2010. Lenders who expect to relax their loan structures declined to thirteen percent, a three point decline versus last quarter.



12. **Lenders expecting to increase their interest rate spreads jumped seven percentage points in Q4 2010 versus the previous quarter.**

Seventeen percent of respondents (versus 10 percent in the previous quarter) anticipate increasing lending spreads from their current levels. The percentage of lenders expecting to maintain their current credit spreads decreased to sixty two percent in Q4 2010 versus seventy percent in the previous quarter. Twenty one percent of lenders anticipate reducing their credit spreads versus nineteen percent in Q3 2010.



Survey Results

1. Housing Market Expectations for 2011

Existing home sales in September 2010 rose ten percent from the previous month, exceeding forecasted expectations. Lenders were asked: Which of the following best represents your sentiment on the housing market heading into 2011?

- Thirty eight percent of respondents believe that monetary and fiscal policy actions will not be significant enough to maintain the positive existing home sales trend (3.84 million units sold in July 2010, 4.13 million units sold in August 2010 and 4.53 million units in September 2010) throughout the entirety of 2011.
- Thirty one percent believe in the near term, home sales will continue to experience growth due to low interest rates, but as time passes, additional foreclosures and potential interest rate increases will lead to lower housing sales numbers (both new and existing).
- Twenty three percent agree that the Federal Reserve will announce quantitative easing in Q4 2010, keeping interest rates low and providing an incentive for consumers to purchase homes. 2011 will see continued monthly increases in existing home sales and a moderate increase in new housing starts.
- Six percent opined that regardless of government action, existing home sales will continue to increase favorably into and through 2011.
- The final two percent of respondents chose “Other” as their response to the question.

2. Inflation Concerns regarding the Fed’s potential Quantitative Easing Policy

The potential increase of quantitative easing, the Federal Reserve purchase of public and private debt on the open market, has created uncertainty about inflation risk moving forward. Respondents were asked “What is your opinion on inflation risk if the Federal Reserve announces that it plans to pursue quantitative easing?

- Thirty nine percent of the participants agree that the Federal Reserve will implement another round of quantitative easing; however inflation will be maintainable due to sound monetary policy from the Fed.
- Thirty six percent also believe the Fed will implement another round of quantitative easing; however as a result of increasing the money supply, inflation will have a significant impact on the economy in the long term.
- Thirteen percent of lenders believe the Fed will not attempt another round of quantitative easing and inflation will be significant in one form or the other in the long term due to eventual growth combined with current suppressed interest rates.
- Ten percent commented that the Fed will not attempt another round of quantitative easing and inflation will not have a substantial long term impact on the economy.
- The final two percent of the participants chose “Other” as their response to the question.

3. Potential Changes in the Tax Code to Improve U.S. Fiscal Deficit

The National Commission on Fiscal Responsibility and Reform is considering the elimination of several tax breaks that add up to approximately $1 trillion annually according to the White House report. Among those being considered are: mortgage interest deduction, child tax credits and ability of employees to pay their portion of health insurance with pretax dollars. Lenders were asked: What is your impression of the potential change in the tax code?

- Forty eight percent of respondents believe the government would not generate enough support from the public to eliminate the proposed tax breaks as the elimination of these tax benefits would send the economy into a double dip recession.
- Twenty three percent opined that the Commission should look to other areas of government which do not have as significant of an impact for cost savings on taxpaying individuals such as a reduction in defense spending.
- Seventeen percent commented that a small reduction in these tax breaks would be appropriate measures in order to improve upon last year's $1.3 trillion deficit.
- Eight percent believe that these potential tax cuts are vital steps to preserve the financial integrity of the national budget and the financial impact would justify the decrease in consumer discretionary income.
- The remaining four percent chose "Other" factors in regards to the discussion question.

4. Highest Senior Debt to EBITDA Multiple Institutions Would Consider

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

- Twenty seven percent of respondents replied they are collateral lenders and, therefore, do not make credit decisions based on cash flow/leverage multiples (previous survey: 32 percent).
- Twenty seven percent indicated their institution would consider a loan request with a leverage multiple as high as the 3.0x – 3.5x range (previous survey: 21 percent).
- 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 (previous survey: 28 percent).
- Fifteen percent of lenders opined their financial institution would consider a loan request with a leverage multiple of greater than 3.5x (previous survey: 15 percent).
- Eight percent believed their institution would consider a loan request with a Senior Debt to EBITDA multiple as high as the 2.0x – 2.5x range (previous survey: 2 percent).

5. 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.

- Forty percent indicated that the Senior Debt to EBITDA multiple will not change at their financial institution over the next six months (previous survey: 53 percent).
- Twenty nine percent of respondents replied they are collateral lenders and, therefore, do not make credit decisions based on cash flow/leverage multiples (previous survey: 30 percent).
- Twenty one percent of lenders believe that the leverage multiple will increase less than 0.5x during the next six months (previous survey: 11 percent).
- Eight percent conclude that the leverage multiple will increase greater than 0.5x during the next six months (previous survey: 4 percent).
- The remaining two percent of respondents did not know the degree to which the Senior Debt to EBITDA multiple would change at their financial institution.

6. 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.

- Forty four percent designated the housing market as the factor with the strongest potential to affect the near-term economy (previous survey: 79 percent).
- Forty percent of respondents selected the U.S. budget deficit as having the strongest potential to affect the economy over the next six months (previous survey: 28 percent).
- Thirty one percent indicated constrained liquidity in the capital markets as the factor with the strongest potential to affect the near-term economy (previous survey: 38 percent).
- Twenty three percent concluded that unstable energy prices have the strongest potential to affect the economy during the next six months (previous survey: 11 percent).
- Twenty three percent chose “Other” factors as having the strongest potential to affect the economy during the next six months (previous survey: 9 percent).
- Fifteen percent opined that the stability of the stock market has the strongest potential to affect the economy during the next six months (previous survey: 26 percent).
- Two percent chose the War in Iraq as having the strongest affect on the economy in the next six months (previous survey: 0 percent).

7. 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 three percent designated the Construction industry as the industry expected to weather the greatest volatility in the near term (previous survey: 68 percent).
- Sixty two percent responded that the Real Estate and Rental/Leasing industry would experience the most volatility during the next six months (previous survey: 55 percent)

- Forty six percent of respondents believe the Finance and Insurance industry will experience the greatest volatility over the next six months (previous survey: 30 percent).

- Twenty five percent of respondents chose the Healthcare and Social Assistance industry to experience the greatest volatility (previous survey: 15 percent).

- Twenty one percent opined the Manufacturing industry would experience the most volatility (previous survey: 26 percent).

- Nineteen percent believe the Retail Trade industry would experience the most volatility over the next six months (previous survey: 38 percent).

- Seventeen percent chose the Public Administration industry percent to have the most volatility over the next six months (previous survey: 9 percent).

- Thirteen percent agreed that the Educational Services industry will experience the greatest volatility in the next six months (previous survey: 0 percent).

- Ten percent believe the Arts, Entertainment and Recreation industry will experience the greatest volatility in the next six months (previous survey: 11 percent).

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

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

- Forty four percent of lenders indicated their customers are planning on making an acquisition in the next six months (previous survey: 25 percent).

- Forty percent indicated their customers are planning on raising additional capital in the near term (previous survey: 38 percent).

- Thirty eight percent of lenders believe their customers will be making new capital investments (previous survey: 26 percent).

- Twenty nine percent of lenders believe their customers are planning on introducing new products or services (previous survey: 26 percent).

- Twenty five percent of respondents indicated their customers plan on hiring new employees in the next six months (previous survey: 23 percent).

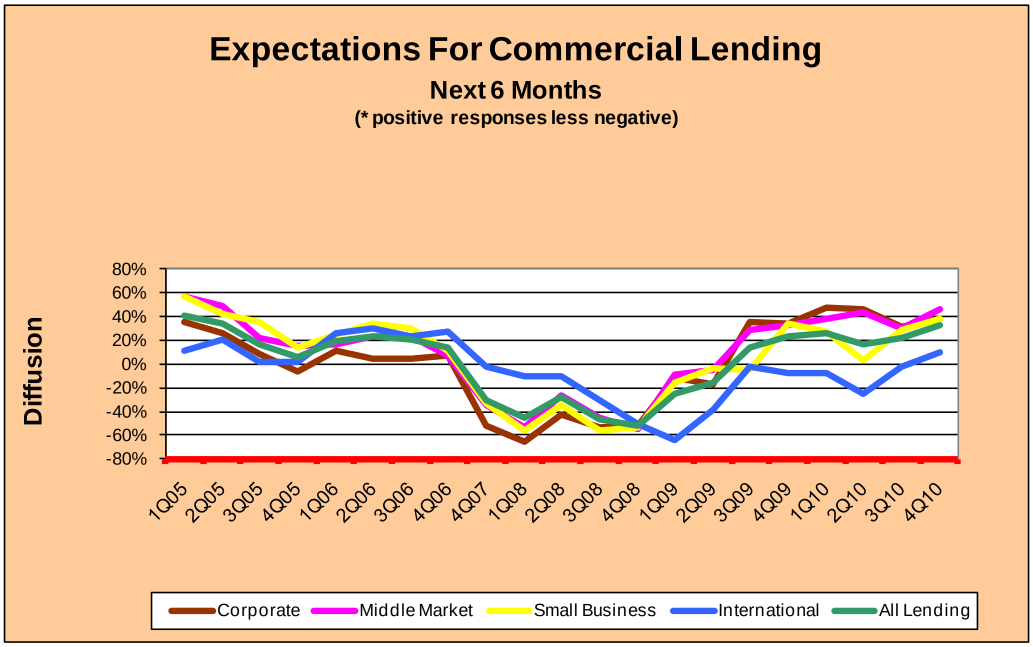
- Nineteen percent responded their customers are planning on entering new markets in the near term (previous survey: 28 percent).

- Ten percent of lenders believe their customers are planning "other" initiatives in the next six months (previous survey: 11 percent).

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.

- Respondents' sentiment regarding lending economic indicators was optimistic as the overall indicator experienced a strong gain of eleven percentage points from the previous quarter and marks the largest single quarter increase since Q3 2009. The diffusion index for all domestic lending segments equaled positive 41 percentage points – an increase of eleven percentage points versus last quarter. Corporate, Middle Market and Small Business lending expectations experienced significant gains from the previous survey; as Corporate lending increased by six percentage points and both Middle Market and Small Business lending increased by ten percentage points. Expectations for International lending also yielded a big rise from the previous quarter, increasing twelve percentage points in the diffusion index. The current quarter is the first time that all lending categories yielded a positive gain since Q2 2008.



	4Q/2010			3Q/2010		
	Up	Down	Same	Up	Down	Same
Corporate Lending	42%	4%	54%	38%	6%	56%
Middle Market Lending	50%	4%	46%	36%	6%	58%
Small Business Lending	48%	10%	42%	38%	9%	53%
International Lending	24%	14%	62%	21%	22%	57%

- A majority of the macroeconomic indicators yielded positive indications as loan losses and unemployment showed signs of improvement however, expectations of an increase in bankruptcies were higher compared to the previous quarter. Interest rate expectations remained unchanged from the previous quarter. Expectations of bank failures increasing were diminished by five percentage points in Q4 2010 versus the previous quarter.

	4Q/2010			3Q/2010		
	Up	Down	Same	Up	Down	Same
Loan Losses	27%	40%	43%	23%	28%	49%
Bankruptcies	35%	27%	38%	28%	32%	40%
Interest Rates	23%	4%	73%	23%	4%	73%
Unemployment	4%	19%	77%	21%	26%	53%
Bank Failures	37%	17%	46%	42%	4%	54%

10. U.S. Economy Grade – Next Six Months

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

- Respondents exhibited a more favorable outlook on the near term performance of the U.S. economy versus sentiment in the previous quarter. The percentage of respondents who expect the economy to perform at a "C" level or better during the next six months increased by nine percentage points from 64 percent in Q3 2010 to 73 percent in Q4 2010. The percentage of lenders who believe the economy will languish at a "D" level or worse declined by seventeen percentage points from the previous survey (19 percent in Q4 2010 versus 36 percent in Q3 2010).

Grade	4Q/2010	3Q/2010
A	0%	0%
B	8%	2%
C	73%	62%
D	19%	36%
F	0%	0%
Weighted Average Grade	1.88	1.66

11. U.S. Economy Grade – Beyond the Next Six Months

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

- Similar sentiment (compared to the previous survey) resonated as lenders expectations for the U.S. economy's performance in the "out six months" period improved compared to the previous survey, from a weighted average input of 2.31 in the current survey compared to a grade of 2.09 in Q3 2010. Forty four percent of lenders believe the economy will perform at a "B" level compared to only 23 percent in the previous quarter.

Grade	4Q/2010	3Q/2010
A	0%	0%
B	44%	23%
C	42%	64%
D	14%	13%
F	0%	0%
Weighted Average	2.31	2.09

12. 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 "moderate" growth expectations for the next six months to one year was higher from the previous survey at seventy nine percent (66 percent in Q3 2010). In the previous survey, nine percent of respondents opined that their customers have “strong” growth expectations for the next six months to a year compared to zero percent in the current survey. Lenders expectations of their customers experiencing “no growth” improved by four percentage points compared to the previous quarter.

Indication	**4Q/2010**	**3Q/2010**
Very Strong	0%	0%
Strong	0%	9%
Moderate	79%	66%
No Growth	21%	25%

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.

- According to the survey results, loan structures show minor indications of tightening in comparison to their positions last quarter. Lenders who believe that loan structures would tighten in the near term increased by two percentage points to 14 percent in Q4 2010 up from 12 percent in the previous quarter. Those lenders who expect to relax their loan structures declined by four percentage points versus Q3 2010. However, an overwhelming majority of seventy four percent of lenders believe their loan structures will remain unchanged from the previous quarter; higher by two percentage points compared to Q3 2010.

	4Q/2010			**3Q/2010**		
	Tighten	Maintain	Relax	Tighten	Maintain	Relax
Loans> $25 million	14%	66%	20%	9%	76%	15%
$15 – 25 million	16%	70%	14%	13%	67%	20%
$5-15 million	13%	80%	7%	14%	72%	14%
Under $5 million	15%	77%	8%	13%	72%	15%
Overall Average	14%	74%	12%	12%	72%	16%

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.

- Seventeen percent of respondents plan to increase their current interest rate spreads and fee structures on all sizes of loans – seven percentage points higher than in the previous quarter. Twenty one percent of lenders agreed that they intend on reducing their spreads in the near term; a two percentage point increase compared to the previous quarter.

	4Q/2010			3Q/2010		
	Reduce	Maintain	Increase	Reduce	Maintain	Increase
Loans> $25 million	27%	59%	14%	24%	67%	9%
$15 – 25 million	27%	57%	16%	24%	67%	9%
$5-15 million	18%	64%	18%	20%	70%	10%
Under $5 million	12%	67%	20%	10%	77%	13%
Overall Average	21%	62%	17%	19%	71%	10%

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.

- Seventy nine percent of respondents believe that the Fed will keep interest rates unchanged during the next six months, an expectation that is higher by ten percentage points compared to the previous quarter. Only twelve percent of lenders believe interest rates will increase in the coming six months compared to twenty nine percent of respondents in Q3 2010. Seven percent agree that the Fed will decrease interest rates in the near term versus only two percent during last quarter's survey.

Bps Change	**4Q/2010**	**3Q/2010**
-More than 1.0	0%	0%
-1.0	0%	0%
-.75	0%	0%
-.50	0%	0%
-.25	7%	2%
0	79%	69%
+.25	8%	17%
+.50	4%	12%
+.75	2%	0%
+1.0	0%	0%
More than 1.0	0%	0%
Weighted Average	+ 03 basis points	+ 10 basis points

16. Current Competition

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

- Similar to the previous several quarters, Local Commercial/Community banks served as the primary source of competition at 54 percent in Q4 2010 versus 47 percent in the previous quarter. Factor lending institutions were named the second highest source of competition at 17 percent followed by Money Center Banks at 15 percent and Regional Banks placed 4th in the current quarter.

	4Q/2010	3Q/2010
Money Center Banks	15%	23%
Local Commercial/ Community Banks	54%	47%
Factors	17%	9%
Regional Banks	10%	15%
Commercial Finance Organizations	2%	4%
Other	2%	2%