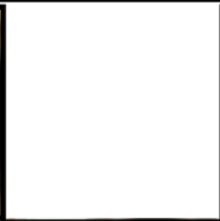


Phoenix Management Services “Lending Climate in America” Survey



2nd Quarter 2012 Summary, Trends and Implications

PHOENIX
“LENDING CLIMATE IN AMERICA”
QUARTERLY SURVEY

2nd Quarter 2012

SUMMARY, TRENDS AND IMPLICATIONS

- 1. In December 2011, European Union (“EU”) member countries announced a fiscal compact with a goal of promoting economic growth and reducing government debt levels. How would you classify the success of the fiscal pact among European countries through the beginning of 2012?**

Over half of the respondents (fifty three percent) agree that based upon the magnitude of the issue, it is too soon to determine if the program has been a success or a failure. Thirty five percent of lenders believe that recent economic data indicates stunted growth and the lack of public acceptance is not improving the economic climate. The agreement has been unsuccessful to date. The final twelve percent of respondents think that while the implementation of the fiscal compact has not improved economic conditions in the short term, the deal exhibits signs of reassurance from domestic and foreign investors. To date, the deal has improved the image of the EU.

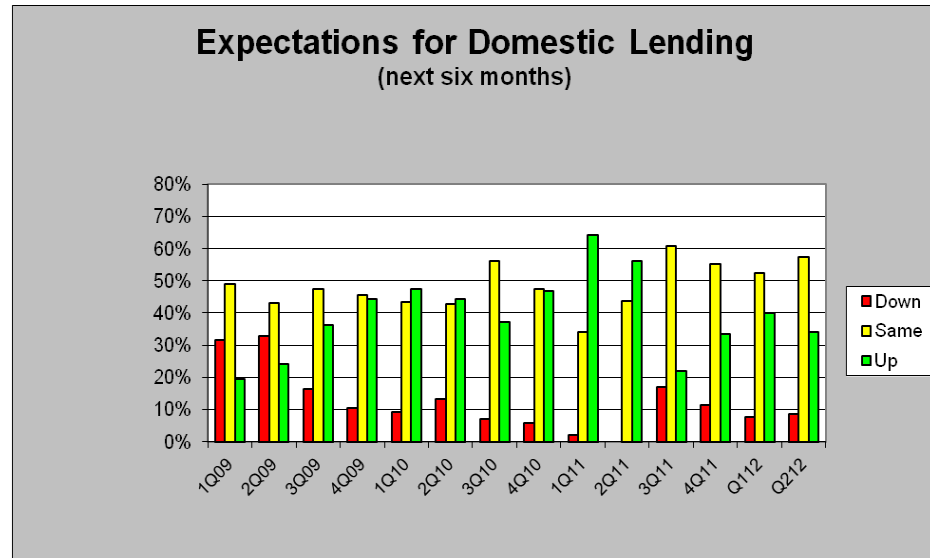
- 2. According to the Federal Deposit Insurance Corporation (“FDIC”), commercial and industrial loans to small businesses of \$1 million or less increased by \$2.8 billion or one percent in the fourth quarter of 2011, the first time in seven quarters that loan balances increased. Bank of America recently reported that among businesses with less than \$5 million in revenue, lending increased 63% in the 4th quarter while other banking institutions reported credit extended to small businesses was flat or slightly down. Do you expect loans to small businesses to increase or decrease through the remainder of 2012?**

Forty six percent of respondents believe loans to small businesses will remain stable through 2012. They noted that the economy has improved, but small businesses will be hesitant to take on additional debt and will rely on existing cash flow to grow their businesses. Forty four percent of lenders expect loans to small businesses to increase as small business is seen as a significant opportunity for banks and many businesses are looking to refinance to lower rates or take out a loan or line of credit as the economy recovers. Five percent of lenders believe loans to small business will decrease through the remainder of 2012 due to the belief that small businesses are still battling with the economy and are focused on paying down existing debt instead of taking on more. The final five percent of respondents chose “Other” as their answer to the question.

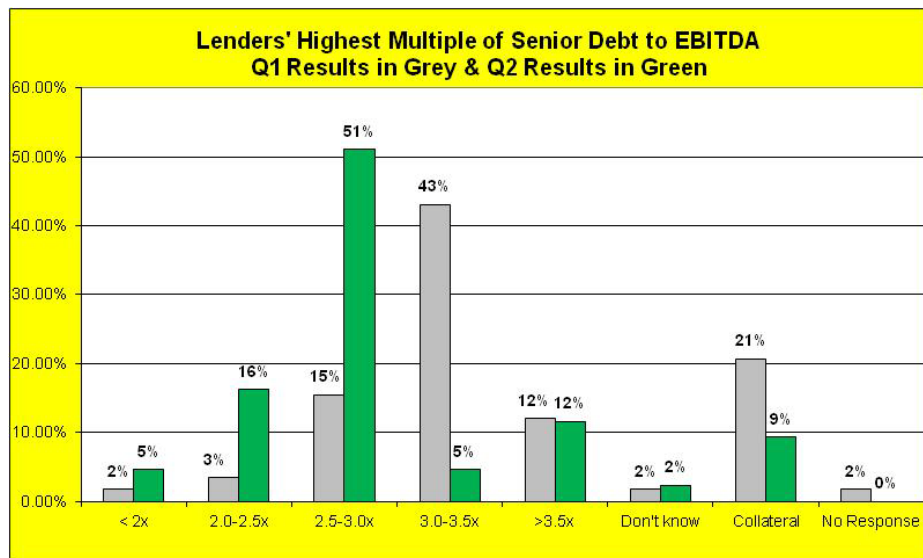
- 3. The U.S. economy expanded 2.2% in Q1 2012 versus 3% in Q4 2011. Forecasts for Q1 2012 were for 2.5% growth. Government cuts in Q1 were a primary driver of this lower than anticipated growth rate. Which factor will present the biggest hurdle in achieving positive growth in future quarters?**

Thirty percent of lenders believe the biggest hurdle in achieving positive growth in future quarters is the political clarity surrounding the November 2012 elections. Twenty six percent believe that “developments abroad” will present the biggest hurdle in achieving positive growth in future quarters. Twenty one percent of respondents chose government budget initiatives as the biggest potential hurdle in achieving positive growth. Fourteen percent are still concerned with the housing and construction industry growth as being the largest hurdle in the near term GDP growth. The final nine percent of lenders chose “Other” factors. Some of these other factors included: Congress addressing major issues, European markets and lack of consumer confidence.

4. **Domestic lending exhibited tempered enthusiasm in Q2 2012.** The index for all domestic lending segments decreased by five percentage points on the diffusion index compared to last quarter's survey. The overall index still maintains a slight gain of four percentage points above respondent responses six months ago. Respondents indicated that, on average for all domestic lending categories; thirty four percent have expectations for increased loan demand (versus forty percent in the prior quarter). Nine percent of lenders in Q2 2012 anticipate an overall domestic lending decline, compared to eight percent from the previous quarter. Corporate and middle market lending expectations revealed their first decline in twelve months, while small business lending categories showed a slight increase compared to last quarter.



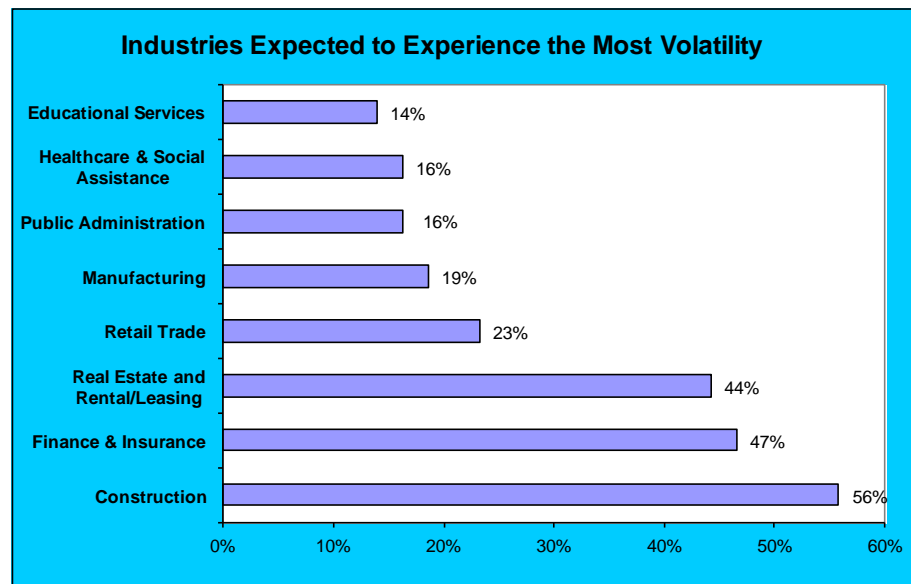
5. **Senior debt to EBITDA ratios show slight tightening of lending standards compared to prior quarter easing.** Total responses in the 3-3.5x category had a significant decline of thirty eight percentage points relative to last quarter's survey (five percent in the current survey versus forty three percent in Q1), while responses with ratios of less than 2x remained relatively unchanged. Fifty one percent of lenders indicated that they would consider a loan with a senior leverage ratio between 2.5-3.0x, which is thirty six percentage points higher than last quarter. Sixteen percent of lenders would consider providing senior term loans in the 2-2.5x ratio category, a thirteen percentage point increase relative to Q1 2012. Twelve percent of lenders responded that their institution would consider senior debt to EBITDA ratios in excess of 3.5x, this metric remained unchanged quarter over quarter. Nine percent of lenders indicated that collateral supersedes senior debt to EBITDA ratio when considering a loan request. An equal number of lenders, five percent in each category, indicated they would consider multiples of less than 2x and 3-3.5x. Two percent of those individuals surveyed did not know what the highest ratio their firm would consider for a loan request.



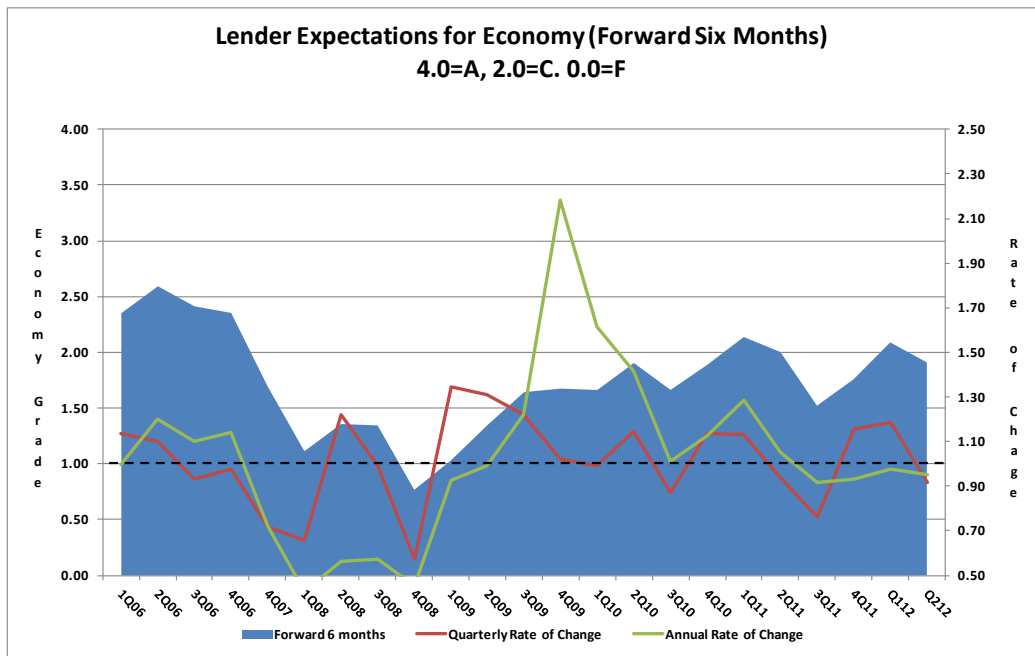
6. **The majority (sixty five percent) of respondents believe their institution's senior debt to EBITDA ratio will experience no change in the next six months compared to fifty five percent that shared the same sentiment last quarter.** Sixteen percent anticipate the multiple will increase less than 0.5x over the next six months (no change from the previous quarter). Nine percent of respondents indicated they were collateral lenders and did not specifically focus on senior debt to EBITDA multiple (down twelve percentage points from the previous survey), while five percent of respondents believe that the highest senior debt to EBITDA multiple will increase by greater than 0.5x (higher by two percentage points from the previous quarter). Only two percent of respondents suggested that the multiple would decline at their financial institution over the next six months (no change from the previous quarter). Three percent of lenders specified that they do not know how senior leverage ratios will change at their financial institutions in the next six months.

7. **Sluggish housing market and U.S. budget deficit concerns highlight challenges facing economic recovery in the short term.** When asked to choose two factors that could have the strongest potential to affect the economy in the next six months, forty nine percent (versus thirty one percent in the previous quarter) chose the U.S. budget deficit and in a close second place, forty seven percent chose a sluggish housing market (versus thirty one percent last quarter). Thirty percent still believe unstable energy prices remain a valid concern going forward (seventy nine percent chose this response last quarter). Stability in the stock market garnered twenty one percent of responses (an increase of nine percentage points over last quarter). Constrained liquidity concerns saw a quarterly jump of sixteen percentage points, totaling nineteen percent of respondents. Twenty three percent of respondents believe that other factors than those listed will have the strongest potential to affect the economy in the next six months, an increase of thirteen percentage points.

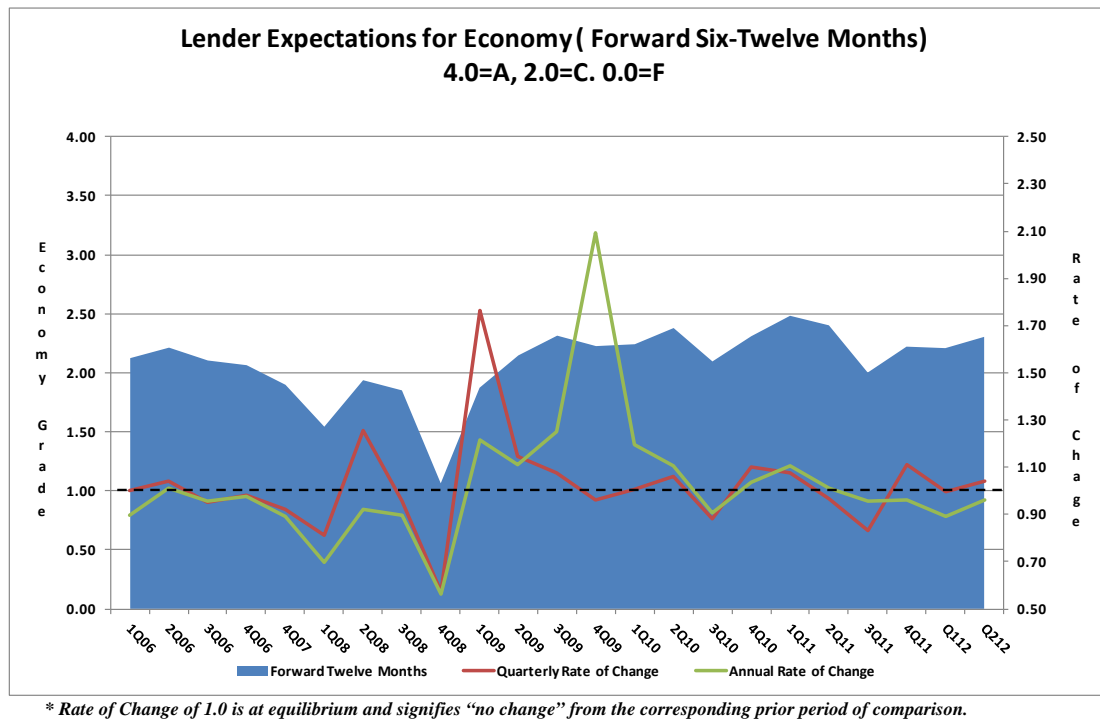
8. **For the eighth consecutive quarter, respondents anticipate the Construction industry to experience the most volatility in the next six months.** When asked to identify three industries that will experience the most volatility in the next six months, fifty six percent (up from fifty three percent in the previous survey) chose the Construction industry as likely to experience the most volatility. Forty seven percent of respondents chose the Finance and Insurance industry. Rounding out the top three, forty four percent chose Real Estate and Rental/Leasing. Retail trade received twenty three percent of respondent's votes. Nineteen percent of respondents believed Manufacturing would experience the most volatility. Sixteen percent of respondents chose both Healthcare and Social Assistance and Public Administration. Fourteen percent indicated Education. The remaining industries yielded responses of less than ten percent.



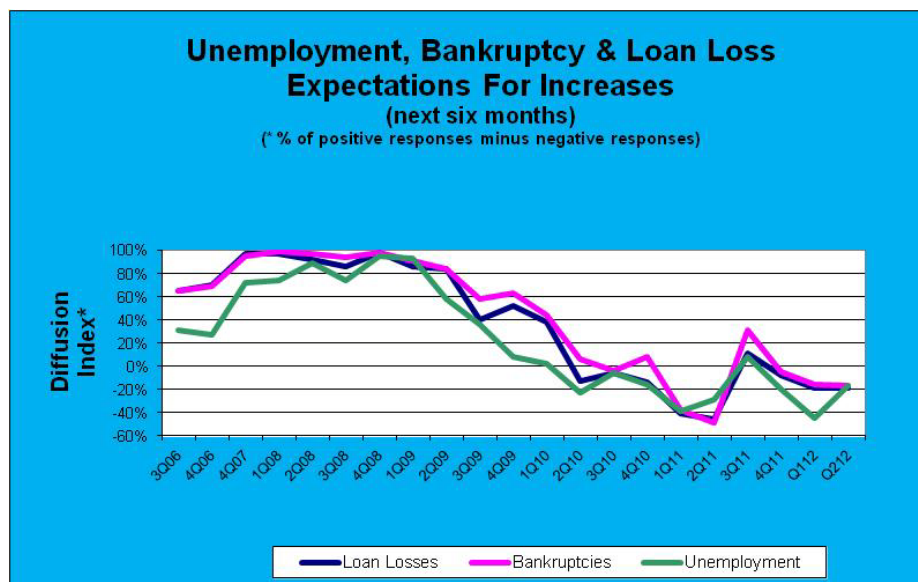
- 9. For the fourth straight quarter, respondents' customers making new capital investments in the next six months was the leading growth expectation in the survey (forty four percent).** Forty two percent of lenders believe their customers will introduce new products or services, coming in a close second place this quarter and representing a thirteen percentage point increase over last quarter. Thirty seven percent responded their customers are planning on making an acquisition, relatively stable from last quarter (thirty six percent). Thirty five percent of survey-takers indicated that customers were planning to both hire new employees and entering new markets. The hire new employees response reflects a three percentage point drop from last quarter, while entering new markets jumped seven percentage points. Twenty six percent of lenders expect their customers to begin raising new capital compared to twenty two percent from the previous quarter. Two percent of respondents believe their customers will conduct "Other" activities in the near term.
- 10. Q2 2012 economic performance grade for the next six months slips yet still near recent highs.** Economic growth sentiment maintained a "C" grade, falling slightly by eighteen basis points relative to the previous survey. Sixty five percent of lenders believe the economy will perform at a "C" level or better over the next six months, compared to seventy four percent in the previous survey. Twenty three percent of respondents agreed that the economy will perform at a "D" grade or better in the next six months compared to only nine percent in the previous quarter. The percentage of lenders who believe the economy will perform higher than a "B" level dropped slightly to twelve percent compared to seventeen percent in the previous quarter. There were no responses suggesting an "F" grade. The quarterly and year-over-year rates of change both signaled a decline versus the respective time periods.



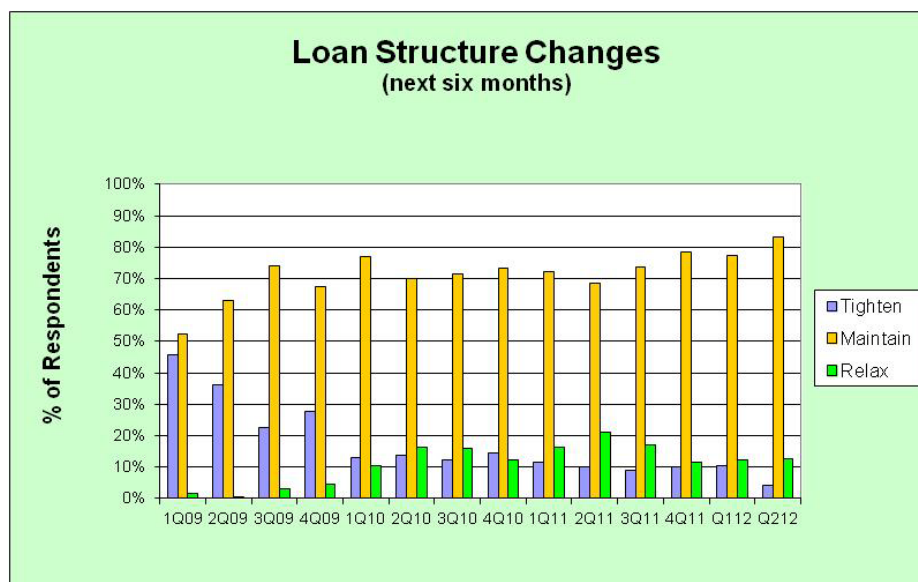
- 11. Longer term outlook shows slightly improved economic sentiment.** Lenders growth expectations for the U.S. economy beyond six months improved slightly, higher by nine basis points compared to the "C+" level from last quarter. Ninety five percent of lenders believe the economy will perform at a "C" level or better in the six to twelve month period, compared to eighty three percent in the previous quarter.



- 12. Lenders expectations towards macroeconomic indicators remained largely unchanged from quarter to quarter.** Lenders expectations regarding economic indicators including loan losses and bankruptcies remained unchanged in Q2 2012. Belief that interest rate increases were on the way up in the next six months eased as only five percent of respondents believe interest rates will increase from their current levels. Respondents did find a positive note relating to unemployment as this economic indicator improved by 29 percentage points versus the previous quarter.



- 13. Lenders expectations of maintaining their current loan structures remained largely unchanged with a slight bias towards relaxing credit facilities.** The percentage of respondents planning to maintain their loan structure increased six percentage points relative to the prior quarter, totaling eighty three percent of respondents. Lenders who expect to tighten their loan structures dropped to just four percent. Lenders anticipating relaxing their client's loan structures increased by one percentage point to thirteen percent of responses for the quarter.



14. Lenders maintain consistent outlook for interest rate spread adjustments in the near term.

Seventy one percent of respondents (versus seventy two percent in the previous quarter) anticipate maintaining lending spreads at their current levels. The percentage of lenders expecting to reduce their current credit spreads stayed exactly the same quarter over quarter at twenty percent. Nine percent of lenders anticipate increasing their credit spreads in the next six months versus eight percent in Q1 2012.



Phoenix Management Services

“Lending Climate in America”

2nd Quarter 2012

Survey Results

1. European Union fiscal policy success to date undetermined

In December 2011, European Union (“EU”) member countries announced a fiscal compact with a goal of promoting economic growth and reducing government debt levels.

Lenders were asked: How would you classify the success of the fiscal pact among European countries through the beginning of 2012?

- Fifty three percent agreed that based upon the magnitude of the issue, it is too soon to determine if the program has been a success or a failure.
- Thirty five percent chose recent economic data indicates stunted growth and the lack of public acceptance is not improving the economic climate. The agreement has been unsuccessful to date.
- Twelve percent indicated that while the implementation of the fiscal compact has not improved economic conditions in the short term, the deal exhibits signs of reassurance from domestic/foreign investors. To date the deal has improved the EU's image.

2. Small business lending forecast for the remainder of 2012

According to the Federal Deposit Insurance Corp., commercial and industrial loans to small businesses of \$1 million or less increased by \$2.8 billion, or 1 percent in the 4th quarter, the first time in 7 quarters that loan balances increased. Bank of America recently reported that among businesses with less than \$5 million in revenue, lending increased 63% in the 4th quarter while other banking institutions reported credit extended to small businesses was flat or slightly down.

Lenders were asked: Do you expect loans to small businesses to increase or decrease through the remainder of 2012?

- Forty seven percent of respondents agreed loans will remain stable. The economy has improved but small businesses will be hesitant to take on additional debt and will rely on existing cash flow to grow their business.
- Forty four percent of lenders believe loans will increase. Small business is seen as a significant opportunity for banks and many businesses are looking to refinance to lower rates or take out a loan or line of credit as the economy recovers.
- Five percent said loans will decrease. Small businesses are still battling with the economy and are focused on paying down existing debt instead of taking on more.
- The final four percent chose “Other”.

3. Hurdles for future quarterly GDP growth

The U.S. economy expanded 2.2% in Q1 2012 versus 3% in Q4 2011. Forecasts were for 2.5%. Government budget cuts in Q1 were a primary driver of this lower than anticipated growth rate.

Lenders were asked: What factor will present the biggest hurdle in achieving positive growth in future quarters?

- Thirty percent chose political clarity surrounding the November 2012 elections.
- Twenty six percent of respondents said developments abroad.
- Twenty one percent believe government budget initiatives stand in the way of GDP growth.
- Fourteen percent responded with housing and construction industry growth
- Nine percent replied “Other”

4. Highest Senior Debt to EBITDA Leverage 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.

- Twelve percent of lenders opined their financial institution would consider a loan request with a leverage multiple of greater than 3.5x (previous survey: 12 percent).
- Five percent indicated their institution would consider a loan request with a leverage multiple as high as the 3.0x – 3.5x range (previous survey: 45 percent).
- Fifty one 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: 16 percent).
- Sixteen percent of lenders believed their institution would consider a loan request with a Senior Debt to EBITDA multiple as high as 2.0x – 2.5x range (previous survey: 4 percent).
- Five percent of lenders indicated that their financial institution would only consider a loan request with a Senior Debt to EBITDA ratio of less than 2.0x (previous survey: 2 percent).
- Nine percent of respondents replied they are collateral lenders and, therefore, do not make credit decisions based on cash flow/leverage multiples (previous survey: 21percent).
- Two percent of lenders either “Did not know” or did not respond in regard to how their institution’s senior leverage ratio would change.

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.

- Five percent conclude that the leverage multiple will increase greater than 0.5x during the next six months (previous survey: 3 percent).
- Sixteen percent of lenders believe that the leverage multiple will increase less than 0.5x during the next six months (previous survey: 16 percent).
- Sixty five percent indicated that the Senior Debt to EBITDA multiple will not change at their financial institution over the next six months (previous survey: 55 percent).

- Two percent conclude that the leverage multiple will decrease less than 0.5x during the next six months (previous survey: 2 percent).
- Nine percent of respondents replied they are collateral lenders and, therefore, do not make credit decisions based on cash flow/leverage multiples (previous survey: 21 percent).
- Three percent of lenders responded “Do Not Know” regarding how senior leverage ratios would change at their financial institution in the next six months.

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 nine 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: 41 percent).
- Forty seven percent designated the sluggish housing market as the factor with the strongest potential to affect the near-term economy (previous survey: 31 percent).
- Thirty percent concluded that unstable energy prices have the strongest potential to affect the economy during the next six months (previous survey: 71 percent).
- Twenty one percent opined that the stability of the stock market has the strongest potential to affect the economy during the next six months (previous survey: 12 percent).
- Nineteen percent indicated constrained liquidity in the capital markets as the factor with the strongest potential to affect the near-term economy (previous survey: 3 percent).
- Zero percent indicated the war in Iraq as the factor with the strongest potential to affect the near-term economy (previous survey: 3 percent).
- Twenty three percent chose “Other” factors as having the strongest potential to affect the economy during the next six months (previous survey: 10 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.

- Fifty six percent designated the Construction industry as the industry expected to have the greatest volatility in the near term (previous survey: 53 percent).
- Forty seven percent of respondents believe the Finance and Insurance industry will experience the greatest volatility over the next six months (previous survey: 34 percent).
- Forty four percent responded that the Real Estate and Rental/Leasing industry would experience the most volatility during the next six months (previous survey: 31 percent).
- Twenty three percent believe the Retail Trade industry would experience the most volatility over the next six months (previous survey: 31 percent).

- Nineteen percent of lenders believe the Manufacturing industry to experience the greatest volatility (previous survey: 14 percent).
- Sixteen percent of respondents chose the Healthcare and Social Assistance industry to experience the greatest volatility (previous survey: 31 percent).
- Sixteen percent of respondents believe the Public Administration industry will experience significant volatility in the next six months (previous survey: 17 percent).
- Fourteen percent of lenders chose the Educational Services industry to experience the greatest volatility (previous survey: 17 percent).
- The balance of the industry choices registered ten percent or less from the respondents.

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

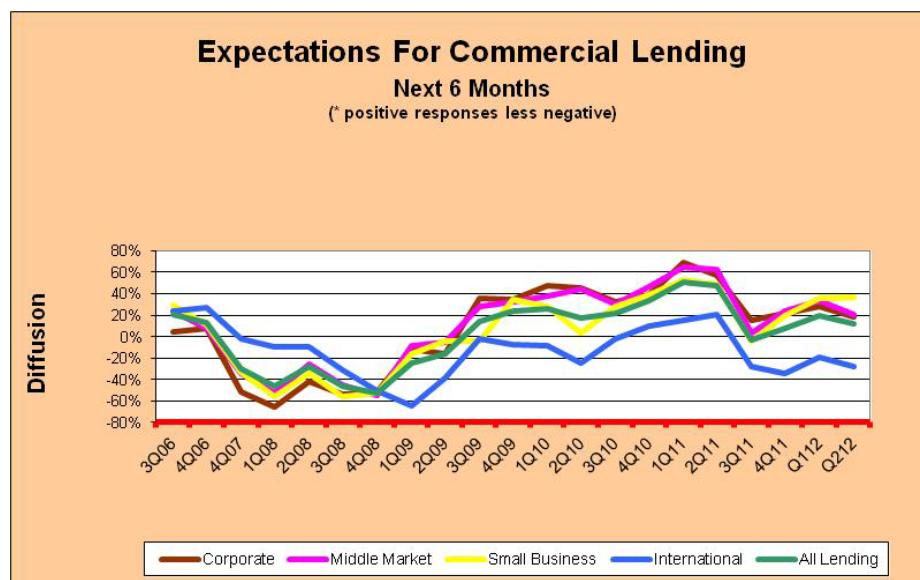
Respondents were asked which of the following actions their customers planned in the next six months. Lenders were asked to designate all potential customer actions that applied.

- Forty four of lenders believe their customers will be making new capital investments (previous survey: 50 percent).
- Forty two percent of lenders believe their customers are planning on introducing new products or services (previous survey: 39 percent).
- Thirty seven percent of lenders indicated their customers are planning on making an acquisition in the next six months (previous survey: 36 percent).
- Thirty five percent of respondents indicated their customers plan on hiring new employees in the next six months (previous survey: 38 percent).
- Thirty five percent responded their customers are planning on entering new markets in the near term (previous survey: 28 percent).
- Twenty six percent indicated their customers are planning on raising additional capital in the near term (previous survey: 22 percent).
- Two percent of lenders believe their customers are planning "Other" initiatives in the next six months (previous survey: 5 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.

- Overall sentiment regarding lending economic indicators experienced a slight retraction versus the previous quarter. Twenty eight percent of the respondents believe the lending environment is improving compared to thirty four percent of respondents from the previous quarter. The overall lending diffusion index for all lending categories was lower by eight percentage points in comparison to the previous quarter. The diffusion index for all types of domestic lending categories was lower by seven percentage points compared to the previous quarter. Recently, international lending expectations received a boost last quarter, but it did not last. The international index dropped nine percentage points.



| | <u>2Q/2012</u> | | | <u>1Q/2012</u> | | |
|------------------------|----------------|-------------|-------------|----------------|-------------|-------------|
| | <u>Up</u> | <u>Down</u> | <u>Same</u> | <u>Up</u> | <u>Down</u> | <u>Same</u> |
| Corporate Lending | 30% | 12% | 58% | 35% | 7% | 58% |
| Middle Market Lending | 28% | 7% | 65% | 42% | 9% | 49% |
| Small Business Lending | 44% | 7% | 49% | 43% | 7% | 50% |
| International Lending | 10% | 38% | 53% | 16% | 35% | 49% |

- Expectations for near term loan losses and unemployment yielded similar sentiment in Q2 2012 in comparison to the previous survey. Unemployment concerns shifted, as fewer respondents believe unemployment will worsen versus the previous quarter, although the same percentage (seven percent) believes that unemployment will actually improve. Similar to last quarter, an overwhelming percentage of respondents believe interest rates will remain the same.

| | <u>2Q/2012</u> | | | <u>1Q/2012</u> | | |
|----------------|----------------|-------------|-------------|----------------|-------------|-------------|
| | <u>Up</u> | <u>Down</u> | <u>Same</u> | <u>Up</u> | <u>Down</u> | <u>Same</u> |
| Loan Losses | 9% | 28% | 63% | 12% | 31% | 57% |
| Bankruptcies | 7% | 23% | 70% | 14% | 29% | 57% |
| Interest Rates | 5% | 7% | 88% | 10% | 2% | 88% |
| Unemployment | 7% | 23% | 70% | 7% | 52% | 41% |

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.

- Respondent's responses slipped this quarter with respect to economic growth grades. In the current quarter, sixty five percent of respondents believe the economy will perform at a "C" level, which represents a decrease of nine percentage points from the previous quarter. The percentage of lenders who believe the economy will languish at a "D" level or worse increased by fourteen percentage points from the previous survey (twenty three percent in Q2 2012 versus nine percent in Q1 2012).

| <u>Grade</u> | <u>2Q/2012</u> | <u>1Q/2012</u> |
|------------------------|----------------|----------------|
| A | 2% | 0% |
| B | 9% | 17% |
| C | 65% | 74% |
| D | 23% | 9% |
| F | 0% | 0% |
| Weighted Average Grade | 1.91 | 2.09 |

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 on a grading scale of A through F.

- Lenders expectations for the U.S. economy's performance in the longer term experienced a slight improvement relative to the previous quarter. The weighted average increased nine basis points and ninety five percent of lenders feel as though in the longer term the economy will performed a "C" or better level (compared to eighty four percent last quarter).

| <u>Grade</u> | <u>2Q/2012</u> | <u>1Q/2012</u> |
|------------------|----------------|----------------|
| A | 0% | 2% |
| B | 37% | 34% |
| C | 58% | 48% |
| D | 3% | 14% |
| F | 2% | 2% |
| Weighted Average | 2.30 | 2.21 |

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 decreased by two percentage points from eighty three percent in the previous survey to eighty one percent in Q2 2012. Lenders expectations for their customers to experience "no growth" showed a slight increase of four percentage points to twelve percent from eight percent in the prior quarter.

| <u>Indication</u> | <u>2Q/2012</u> | <u>1Q/2012</u> |
|-------------------|----------------|----------------|
| Very Strong | 0% | 0% |
| Strong | 7% | 9% |
| Moderate | 81% | 83% |
| No Growth | 12% | 8% |

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, eighty three percent of lenders anticipate maintaining their loan structures in the near term, an increase of five percentage points compared to the previous quarter. Lenders who believe that loan structures would tighten in the near term represented

four percent, a reduction of six percentage points from the prior quarter. Thirteen percent of lenders expect to relax their loan structures, compared to twelve percent in Q1.

| | <u>2Q/2012</u> | | | <u>1Q/2012</u> | | |
|---------------------|----------------|-----------------|--------------|----------------|-----------------|--------------|
| | <u>Tighten</u> | <u>Maintain</u> | <u>Relax</u> | <u>Tighten</u> | <u>Maintain</u> | <u>Relax</u> |
| Loans> \$25 million | 0% | 83% | 17% | 12% | 77% | 11% |
| \$15 – 25 million | 3% | 85% | 12% | 9% | 81% | 10% |
| \$5-15 million | 2% | 86% | 12% | 7% | 83% | 10% |
| Under \$5 million | 12% | 79% | 9% | 13% | 69% | 18% |
| Overall Average | 4% | 83% | 13% | 10% | 78% | 12% |

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.

- A majority of respondents (seventy one percent) plan to maintain their current interest rate spreads and fee structures on all sizes of loans, which is similar to the previous quarter (seventy two percent). Twenty percent of lenders agreed that they intend on reducing their spreads in the near term, unchanged from last quarter. Lenders who anticipate increasing their interest rate spreads increased to nine percent, an increase of one percentage point from the previous quarter.

| | <u>2Q/2012</u> | | | <u>1Q/2012</u> | | |
|---------------------|----------------|-----------------|-----------------|----------------|-----------------|-----------------|
| | <u>Reduce</u> | <u>Maintain</u> | <u>Increase</u> | <u>Reduce</u> | <u>Maintain</u> | <u>Increase</u> |
| Loans> \$25 million | 27% | 63% | 10% | 29% | 65% | 6% |
| \$15 – 25 million | 24% | 68% | 8% | 23% | 73% | 4% |
| \$5-15 million | 20% | 73% | 7% | 14% | 76% | 10% |
| Under \$5 million | 7% | 80% | 13% | 13% | 75% | 13% |
| Overall Average | 20% | 71% | 9% | 20% | 72% | 8% |

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.

- Consistent with the previous survey, a significant majority of lenders, eighty six percent, believe that the Fed will not change during the next six months, an expectation that is lower by five percentage points compared to the previous quarter. Twelve percent of lenders believe interest rates will increase in the coming six months, which is slightly higher than last quarter. Only two percent of lenders believe that the Fed will decrease interest rates in the near term versus three percent during last quarter's survey.

| <u>Bps Change</u> | <u>2Q/2012</u> | <u>1Q/2012</u> |
|-------------------|---------------------|---------------------|
| -More than 1.0 | 0% | 0% |
| -1.0 | 0% | 0% |
| -.75 | 0% | 0% |
| -.50 | 0% | 0% |
| -.25 | 2% | 3% |
| 0 | 86% | 91% |
| +.25 | 7% | 7% |
| +.50 | 5% | 2% |
| +.75 | 0% | 0% |
| +1.0 | 0% | 0% |
| More than 1.0 | 0% | 0% |
| Weighted Average | + 0.03 basis points | + 0.03 basis points |

16. Current Competition

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

- Regional banks served as the primary source of competition at sixty three percent versus fifty one percent in the previous quarter. Money Center Banks, at seventeen percent of responses, served as the second highest source of competition followed by Local Commercial/Community Banks at nine percent. Commercial Finance Organizations represented seven percent of responses and the remaining five percent of lenders chose Other as their response.

| | <u>2Q/2012</u> | <u>1Q/2012</u> |
|-----------------------------------|----------------|----------------|
| Money Center Banks | 16% | 12% |
| Local Commercial/ Community Banks | 9% | 17% |
| Factors | 0% | 0% |
| Regional Banks | 63% | 51% |
| Commercial Finance Organizations | 7% | 17% |
| Other | 5% | 3% |