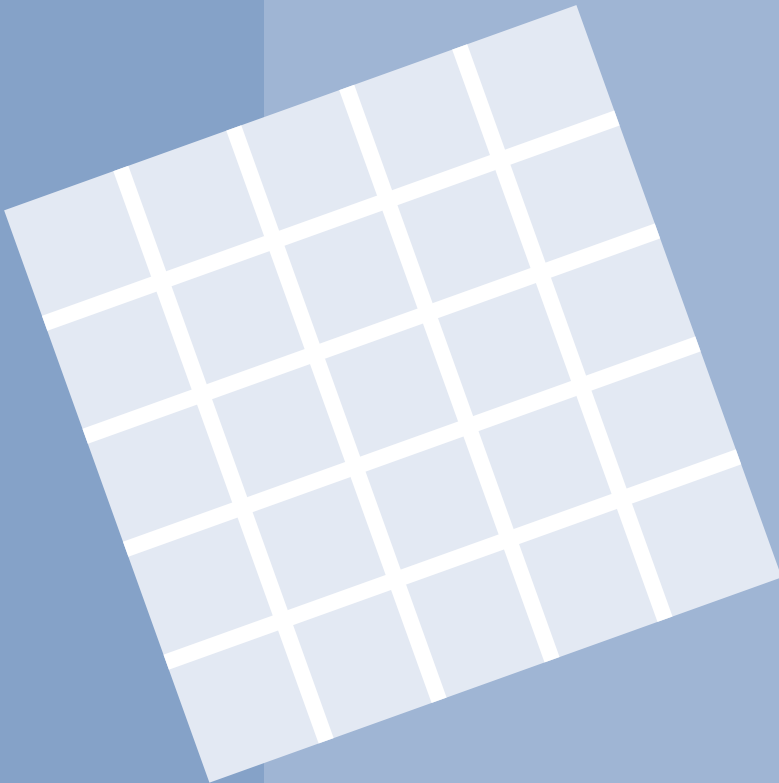


The Phoenix-Hecht Quality Index™

*Performance
Benchmarking
Measures*





The Phoenix-Hecht Quality Index™

*Performance Benchmarking Measures
for Treasury Managers*



CORPORATE PERCEPTIONS OF THE PERFORMANCE OF INDIVIDUAL BANKS FOR:

- Wholesale Lockbox
- Wire Transfer
- Controlled Disbursement
- ACH
- Balance Reporting
- Depository Services
- Customer Service
- Product Specialists
- Problem Resolution
- Customer Calling



PHOENIX-HECHT®

The Phoenix-Hecht Quality Index™

The Phoenix-Hecht Quality Index™ is a statistically valid comparison of customer perceptions about bank performance for cash management services. Individual bank Quality Index™ letter grades are available directly from participating institutions.

The Quality Index™ is a useful device to benchmark the quality of your existing or potential operating banks. Many companies feature a bank's Quality Index™ grades as part of their relationship management evaluations. Eventually, every cash manager will have to replace an existing service provider. The Quality Index™ grades are an extremely valuable method to evaluate services at banks. Many treasury professionals will request that a bank's Quality Index™ grades be included in the RFP for new business.

There are three separate Quality Indexes published by Phoenix-Hecht based on the annual sales size of the corporate customer. Phoenix-Hecht has calculated that a statistical difference exists for each of the three market segments. Corporations should request from their banks the most appropriate Index from their service provider.

Market Segment	Sales Size
Large Corporate	Over \$500 million
Upper-Middle Market	\$100 to \$500 million
Middle Market	\$40 to \$100 million

Within each market segment, letter grades are determined for each Quality Index™ category. The calculation of grades is based not only on how well a bank does relative to its peers in a category, but also how well a category scores overall in the survey.

Index Grades

A+ A B C D

The letter grading system was established for relative comparisons between service providers to help the treasury manager recognize statistical differences in the numeric score.

Quality Index™ Categories

The **product** evaluations are designed to measure the respondent's perceptions of processing speed, accuracy and timeliness of delivery or availability for the core group of cash management products.

The **bank perception** evaluations measure the respondent's perception of the bank's capabilities.

The **relationship management** evaluations examine many of the human aspects found in the selling and account management process. For the purpose of these evaluations, the term "relationship manager" is defined as the contact from whom the customer purchases cash management services.

Quality Index™ Categories

PRODUCTS

Wholesale Lockbox

- Speed of Processing
- Accuracy of processing and reporting

Wire Transfer

- Timeliness of initiation and processing
- Accuracy and reliability

Controlled Disbursement

- Timeliness of notification
- Consistency of notification
- Accuracy of Notification

ACH

- Speed of error correction
- Accuracy of processing and reporting

Balance Reporting

- Timeliness of information
- Reliability and accuracy

Depository Services

- Accuracy of processing

PERCEPTIONS ABOUT THE BANK

- Innovation
- Service customization
- Product Specialists
- Customer Service
- Customer calling program
- Prospect calling program

RELATIONSHIP MANAGEMENT

- Calling officer knowledge
- Anticipates service needs on new services
- Informative regarding new services
- Knowledgeable about my business
- Prompt call follow-up
- Problem resolution

Banking customers should compare different banks by using the individual ratings from the three categories which are most important to the service being purchased.

Quality Index™ Grading Methodology

Information regarding quality is readily available in the marketplace from many sources. Bank customer surveys, standardized operational measures, peer experiences and even personal observations can all provide input about a bank's quality. It is important to realize that the perception of quality are degrees of excellence which are ultimately determined by each individual buyer. After all, if the major cash management banks had widely different qualities, some of them would be out of business. It is also important to note that the perception of quality is always relative and can be heavily influenced by your environment.

Phoenix-Hecht has carefully crafted a methodology for the Quality Index™ to ensure that unbiased and “apples to apples” comparisons over time and between banks can be made. Each Quality Index™ is based on thousands of individual bank assessments. In order to remove any large customer bias, the quantifiable observations Phoenix-Hecht reports are divided into the three market segments. These market segments were chosen because of the statistical differences originally observed in the base-line study. At individual banks, there may be considerable differences in customers perceptions of quality depending on company size. These differences typically stem from the stated or implied focus or target market of the bank.

Most banks do not have the resources to service every market in the same fashion.

The grading methodology utilized by the Quality Index™ is designed to highlight statistical differences between service providers. Customers of each bank (survey respondents) are asked to provide numerical rating of one to five, with five being high for only the services utilized at each bank. For each question and market segment, a mean rating is

computed for each bank. A single mean rating for each question is then computed for all banks with sufficient responses. The mean rating for all questions are then used to compute survey-wide means and standard deviations for each market segment.

The Quality Index™ has five letter grade ratings. The highest is an A+ and the lowest is a D. The calculation of grades is based not only on how well a bank does relative to its peers in a category, but also on how a category scores overall in the survey. These two factors are weighted equally in the grade determination process. Grades are only assigned if a sufficient survey response level is achieved for the particular category and bank.

To calculate the grades, the mean rating for the question/market segment is compared to the overall mean rating for the companies of that sales size segment. The difference between the two is stated in standard deviations from the overall mean. Next, the mean rating for each bank for the question/market segment is compared to the mean for all banks from the same question/market segment. The difference between the two is stated in standard deviations from the question/market segment mean. The two standard deviation differences are weighted and added together. Two-thirds of the weight is based on the position within a specific measure and one-third is based on the overall score. The result is compared against a set of standards to determine the letter grade. The specific numeric rating required to achieve each letter grade was established in 1992. This allows for consistent interpretation between surveys. An A in one year requires the same basic score as an A in the following survey.

Standard Deviation Difference	Grade
+1.00 or more	A+
+0.31 to +0.99	A
-1.10 to +0.30	B
-1.60 to -1.11	C
-1.61 or less	D

Achieving a specific grade is somewhat easier in certain products than in others. For example, wire transfer, a highly automated service, consistently receives higher grades than do other services. Conversely, many of the personnel evaluations have more fluctuation in their evaluations. In the highly automated world of cash management, quality is increasingly driven by the people factors.

Cash Management Monitor™

The Quality Index™ is produced as a subset of the Cash Management Monitor™ Survey.

The Cash Management Monitor™ is a multifaceted survey of corporate treasury managers. Its purpose is to:

- Measure current cash management product usage
- Measure the quality of service being provided
- Qualify company plans and intentions for
 - current banking relationships
 - product purchases
 - cash management projects over the next year.
- Quantify buyer behavior as to their bank selection process

For The Cash Management Monitor™ Phoenix-Hecht conducts two biennial surveys of senior financial executives. These executives are responsible for managing the bank relationships for cash management services.

One survey targets public and private U.S. parent corporations with sales in excess of \$100 million. Major domestic subsidiaries of international corporations are also included. This segment has been studied by Phoenix-Hecht since 1986. The completed surveys usually are equivalent to 12% of the sample universe, resulting in an error rate, attributable to sampling and random effects, of plus or minus 2.4%, with a 95% confidence. Results from this survey are divided into two market segments for reporting purposes. Large Corporate is defined as companies with annual

revenues in excess of \$500 million and the term Upper-Middle Market is used to describe companies with sales between \$100 and \$500 million.

A second survey is conducted for companies with annual sales between \$40 and \$100 million. This segment is described as Middle Market. The completed surveys for the Middle Market segment usually represent at least 4% of the sample universe of over 32,000 companies. For the Middle Market survey, the error rate, attributable to sampling and random effects, is plus or minus 2.4% with 95% confidence.

The Cash Management Monitor™ is conducted using a detailed written questionnaire. Prior to each survey and with the assistance of survey subscribers, the questionnaire is modified to incorporate refinements and capture data on emerging industry trends and new products. A Cash Management Monitor™ survey is fielded each fall, with results available in the first quarter of the following year.

The survey for larger companies is conducted in odd numbered years, while the middle market study is fielded in even years.

As part of the survey, respondents are asked about their cash management relationships with leading banks in the United States. The purpose of this methodology is to obtain representative coverage of these banks.

Phoenix-Hecht guarantees confidentiality to all respondents. In appreciation for their participation, a special “Report to Respondents,” which is a detailed summary of the non-bank specific survey results, is sent to all respondents.

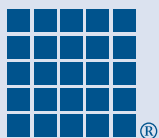
Banks Surveyed

ABN AMRO / LaSalle	Huntington
Allfirst (FNB Maryland)	KeyCorp
AmSouth	Marshall & Ilsley
Bank of America	Mellon
Bank of New York	Mercantile
Bank One (First Chicago NBD)	Michigan National Bank
Chase	Morgan Guaranty
Citibank	National City
Comerica	Northern Trust
Commerce Bancshares	PNC Bank
Crestar	State Street
Deutsche Bank (Bankers Trust)	SunTrust
First Tennessee	Union Bank of CA
First Union	US Bank
Firststar	Wachovia
Fleet Boston (Fleet/Bank Boston)	Wells Fargo (Norwest)
Harris	

Phoenix-Hecht is not allowed to release individual bank grades. However, corporations can usually obtain them directly from the individual bank. Participation in the study by the bank is required.

Monitoring the performance of service providers is an important part of the treasury management function. Through its banking clients, Phoenix-Hecht provides corporate treasury managers with valuable performance measures. For a more complete picture of your provider's quality performance, remittance processing and check clearing efficiency, request a copy of its Quality Index™ (grades) and results from the Phoenix-Hecht Postal Survey™ and Check Clearing Study™.

**Ask your banks for their Phoenix-Hecht Quality Index™ grades —
The measure of quality in treasury management.**



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