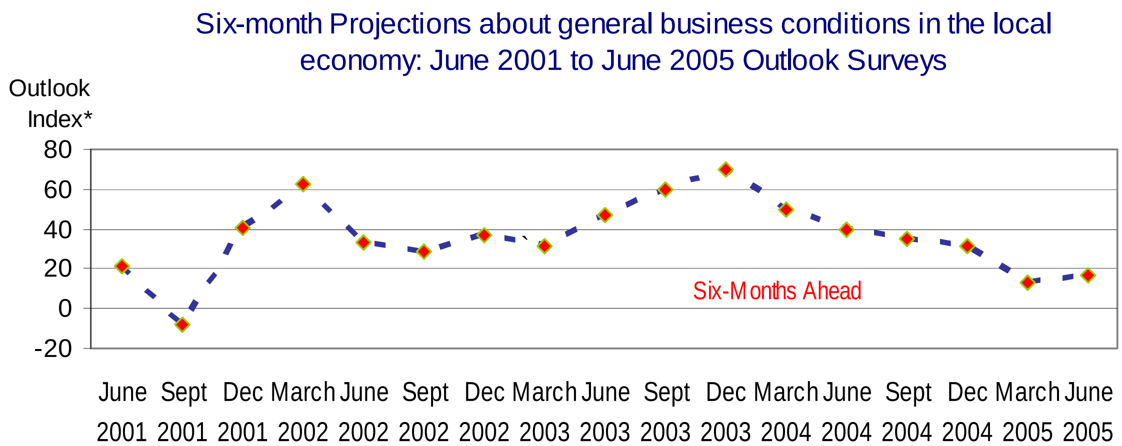
Business Conditions and Outlook Survey
June 2005

Firms Expect Some Improvement in Business Conditions within the Local Economy during the Third and Fourth quarters of 2005



*Percentage of respondents indicating better conditions minus percentage indicating worse conditions.

Business Outlook for Local Economic Activity

The Business Outlook Index derived from the June 2005 survey rose from 13 to 17 between the March 2005 and June 2005 surveys. The most recent survey found that 30 percent of reporting firms felt that future business conditions are likely to improve while 13 percent indicated that conditions are likely to get worse. In comparison, the March 2005 survey found that 27 percent of the reporting firms anticipated improved business conditions while 14 percent expected worsening conditions.

(The Business Conditions and Outlook Survey is a quarterly survey of businesses in the Evansville, Indiana area. Participants indicate the direction of change in overall business activity and in various measures of activity including: employment, employee compensation, Internet activity, capital expenditures, borrowing, and pricing decisions. The first survey was conducted in June 2001 and is a useful source of information for tracking conditions and future prospects in the Evansville economy. See additional information: http://business.usi.edu/survey/)

Results from the survey indicate:

- A decline in the proportion of firms indicating that business conditions in the local economy are likely to remain unchanged from 57 percent to 51 percent between the March 2005 and June 2005 surveys. Respondents also indicated that the most pressing problems they face are: health care expenses for employees, competition from other businesses, government regulations, and availability of employees.

- With regard to their own levels of activity, the most recent survey found that 41 percent of reporting firms expect to expand their activity compared to 42 percent in March 2005. Among the reporting firms, 50 percent expect to maintain their current levels of activity. For those firms that expect to expand their level of activity, 46 percent anticipate improved business conditions in the local economy.

- Among the firms that feel business conditions will get better over the next six months, 62 percent plan to expand their own level of activity over the next two quarters. The percent of firms planning to hire more employees in the future dropped from 39 percent to 26 percent between the March 2005 and June 2005 surveys. The most recent survey indicated 63 percent of the reporting firms expect to maintain their current staff levels over the next six months.

- Plans related to capital expenditures for the next six months changed in a downward direction in the most recent survey compared to the March 2005 survey. The percent of firms planning to increase capital expenditures was 21 percent in the June 2005 survey compared to 25 percent in the March 2005 survey. Among the firms planning to increase capital expenditures, 61 percent expect that conditions for obtaining financing will be easier or about the same in the next six months. Between the two surveys there was a slight increase in the percent of firms planning to reduce capital expenditures from 11 percent to 13 percent.

- The percent of firms planning to raise average selling prices decreased from 40 percent in the March 2005 survey to 32 percent in the June 2005 survey. Meanwhile, there was an increase in the percentage of firms reporting that their employees received more compensation in the preceding six months from 54 percent to 64 percent between the March 2005 and June 2005 surveys.

- The proportion of reporting firms anticipating easier access to financing rose slightly from 8 percent in March 2005 to 10 percent in June 2005. At the same time there was a noticeable decline in the proportion of firms unsure about prospects for obtaining funding from 10 percent to 3 percent between the March 2005 and June 2005 surveys.

Summary of Returns
June 2005

Questions	Response			
	Improve/ Increase	Same	Worse/ Decrease	Unsure
	(Percentage of Total Responses)			
Business conditions in local economy in next six months	30	51	13	6
Level of activity of your firm in next six months	41	50	7	2
Capital expenditures of your firm in next six months	21	60	13	6
Employment by your firm in next six months	26	63	8	3
Average selling price of your firm in next six months	32	46	4	18
Access to financing by your firm in next six months	10	74	13	3
Employee compensation by your firm in last six months	64	35	1	0
Sales in last six months compared to previous six months	51	26	23	0

Survey Responses
Disaggregated by Sector/Activity

Questions by Industry	Response			
	Improve/ Increase	Same	Worse/ Decrease	Unsure
Manufacturing	*(Percentage of Total Responses)*			
Business conditions in local economy in next six months	18	55	27	0
Level of activity of your firm in next six months	18	55	18	9
Construction				
Business conditions in local economy in next six months	27	55	18	0
Level of activity of your firm in next six months	27	64	9	0
Real Estate				
Business conditions in local economy in next six months	33	67	0	0
Level of activity of your firm in next six months	33	67	0	0

Retail & Wholesale Trade				
Business conditions in local economy in next six months	26	52	9	13
Level of activity of your firm in next six months	31	61	4	4
Professional & Scientific Services				
Business conditions in local economy in next six months	36	55	9	0
Level of activity of your firm in next six months	36	55	9	0
Health Care & Social Services				
Business conditions in local economy in next six months	43	43	0	14
Level of activity of your firm in next six months	71	29	0	0
Other Services				
Business conditions in local economy in next six months	67	33	0	0
Level of activity of your firm in next six months	67	17	16	0
Communications and Information				
Business conditions in local economy in next six months	33	34	33	0
Level of activity of your firm in next six months	67	33	0	0
Finance and Insurance				
Business conditions in local economy in next six months	20	60	20	0
Level of activity of your firm in next six months	80	20	0	0

Summary:

Results from the June 2005 survey indicate an upturn in expectations about general business conditions in the local economy after five consecutive instances of declining sentiment that began with the March 2004 survey. Over the past four years survey respondents have identified the following important challenges to their activities: health care expenses for employees, availability of employees, competition from other businesses, and quality of labor. In the most recent survey, three of the four have been identified as the most pressing problems. Consistently, over the past year, firms are more optimistic about their own prospects compared to what they think will be happening to the overall economy. The most recent survey found that 30 percent of reporting firms felt that future business conditions are likely to improve while 41 percent expect an expansion in activity level during the next six months.

Links:

- Graphs Comparing June 2005 with Previous Quarters
- Diffusion Index of Firm-Level Economic Activity by Sector

Further Information:

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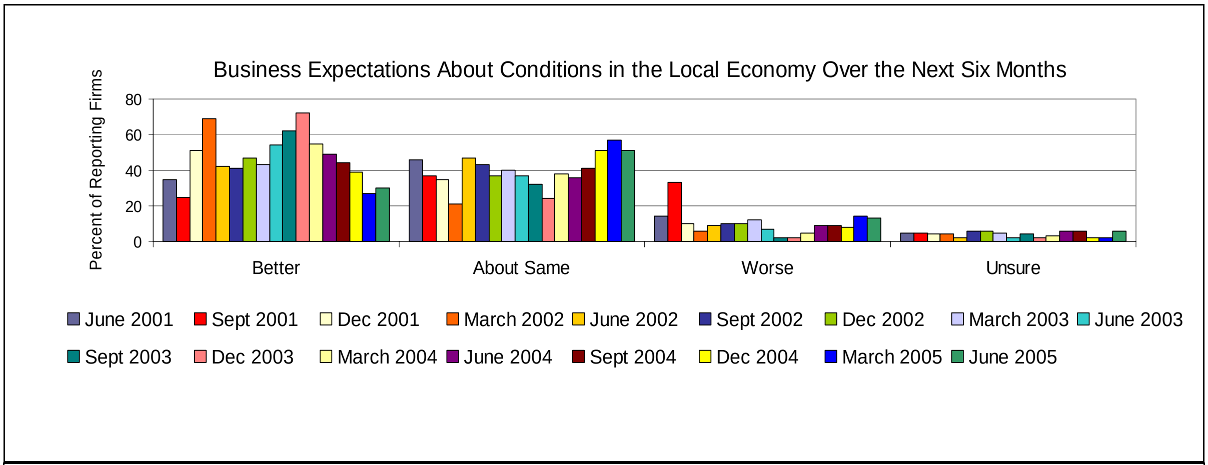
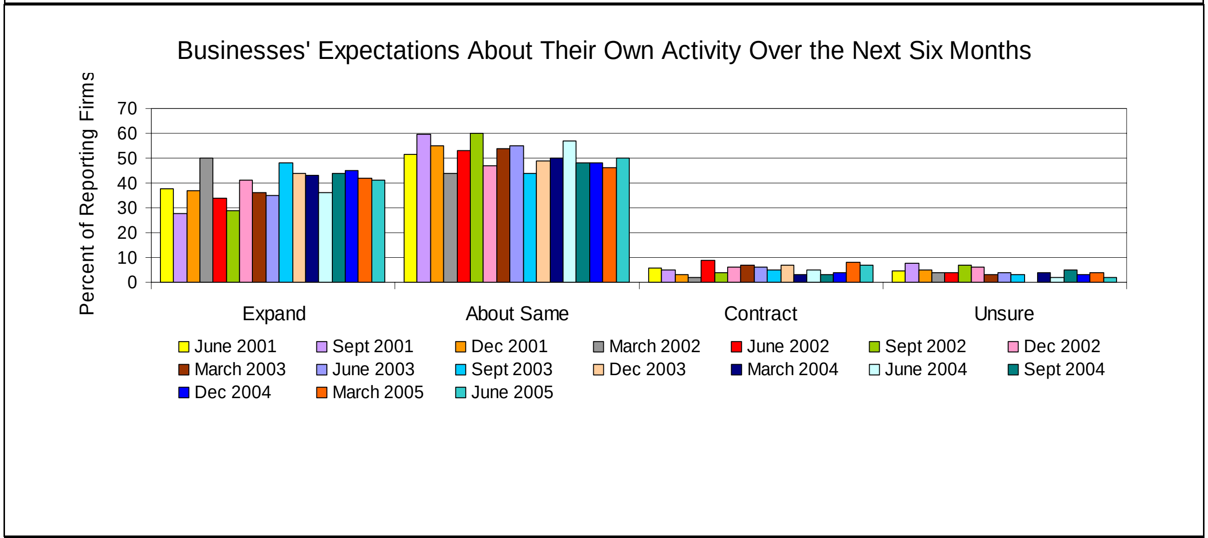
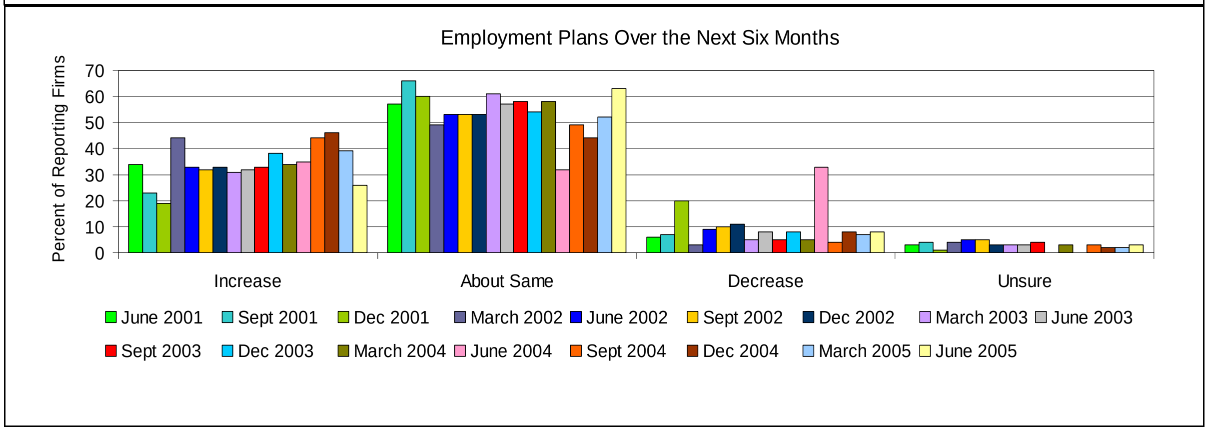
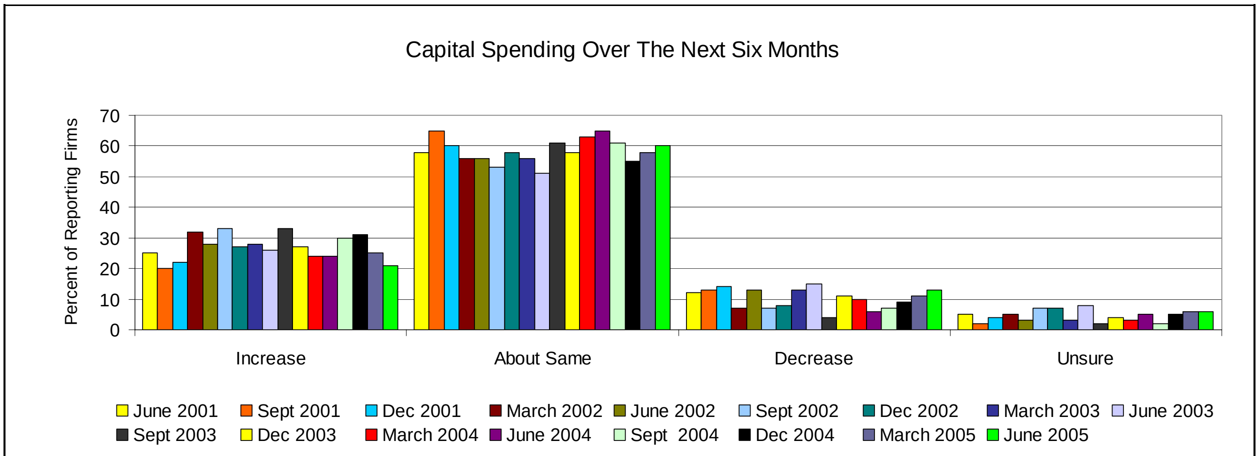
Comparison of June 2005 to Previous Quarters









Capital Spending Over The Next Six Months
Percent of Reporting Firms
70
60
50
40
30
20
10
0
Increase
About Same
Decrease
Unsure
June 2001
Sept 2001
Dec 2001
March 2002
June 2002
Sept 2002
Dec 2002
March 2003
June 2003
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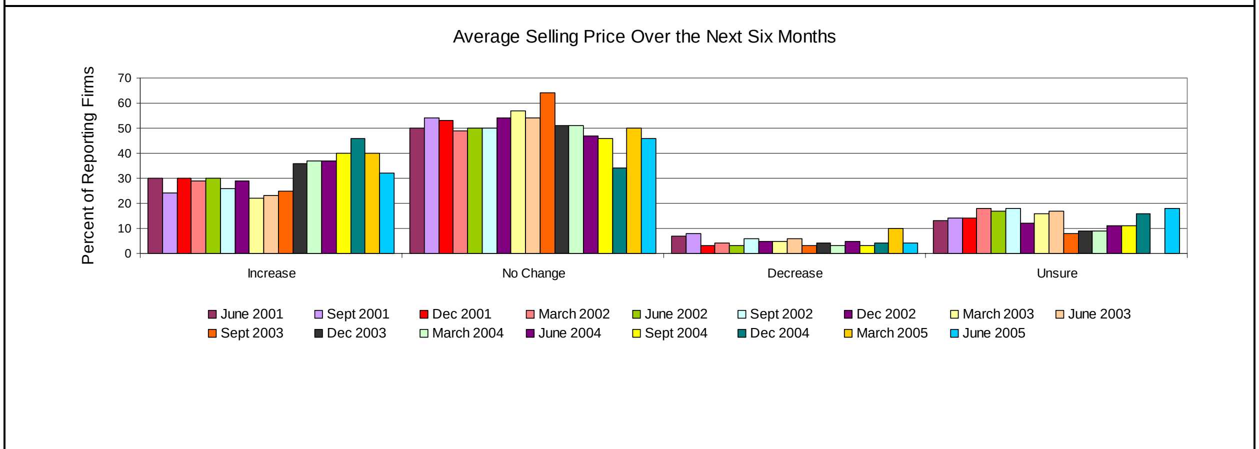
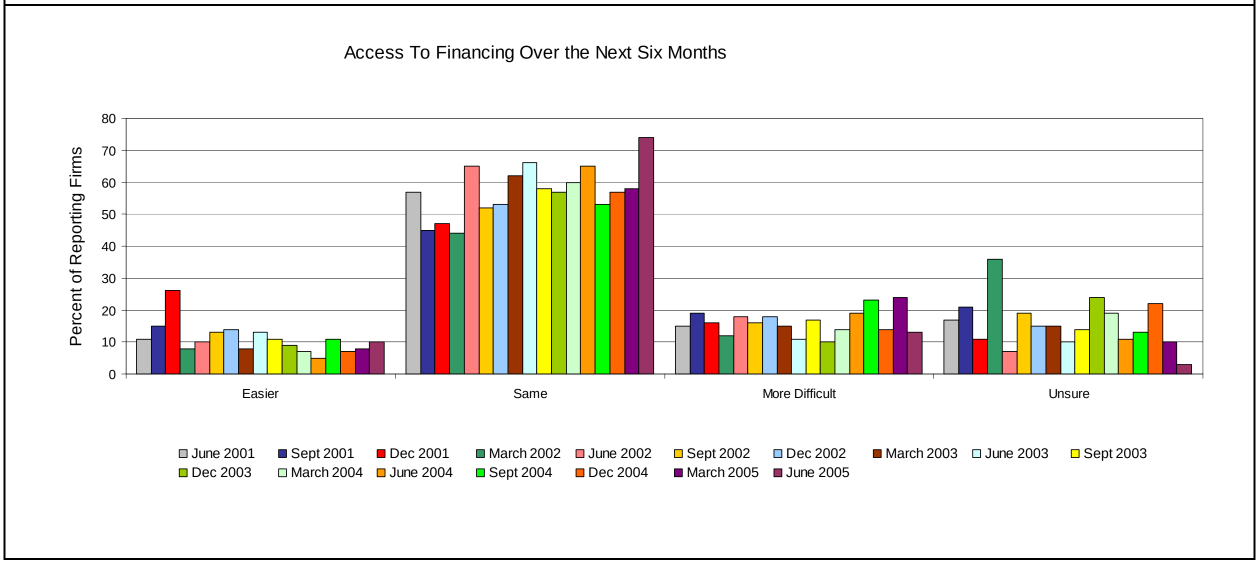
March 2004
June 2004
Sept 2004
Dec 2004
March 2005
June 2005

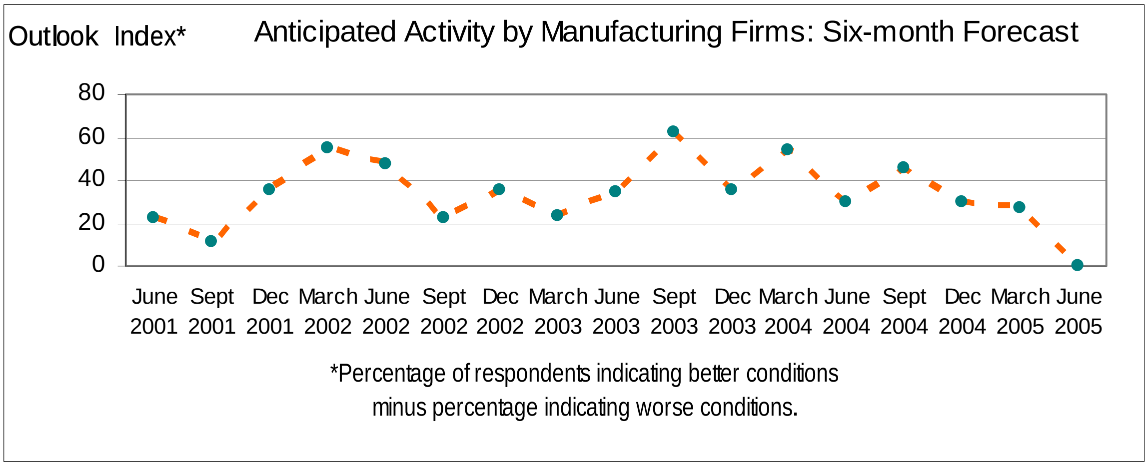


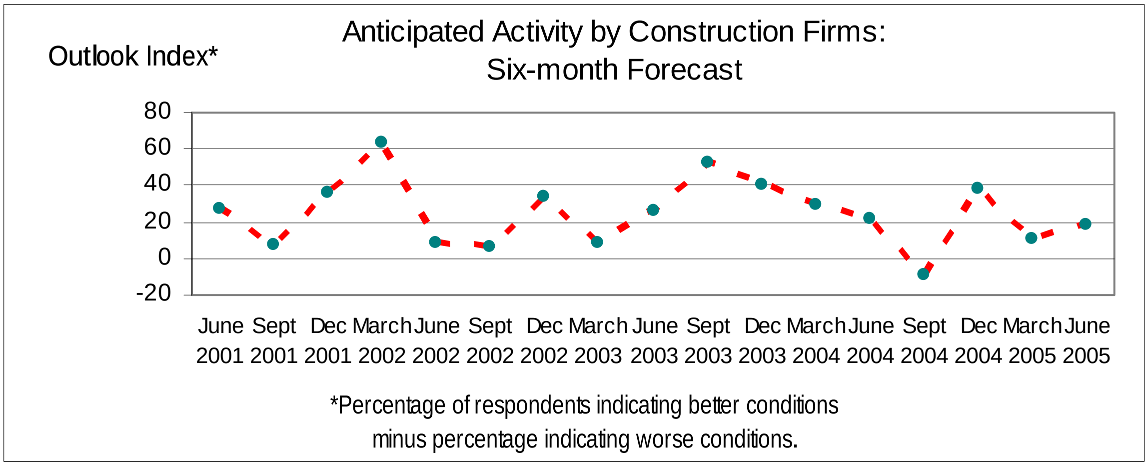
Average Selling Price Over the Next Six Months
Percent of Reporting Firms
70
60
50
40
30
20
10
0
Increase
No Change
Decrease
Unsure
June 2001
Sept 2001
Dec 2001
March 2002
June 2002
Sept 2002
Dec 2002
March 2003
June 2003
Sept 2003
Dec 2003
March 2004
June 2004
Sept 2004
Dec 2004
March 2005
June 2005

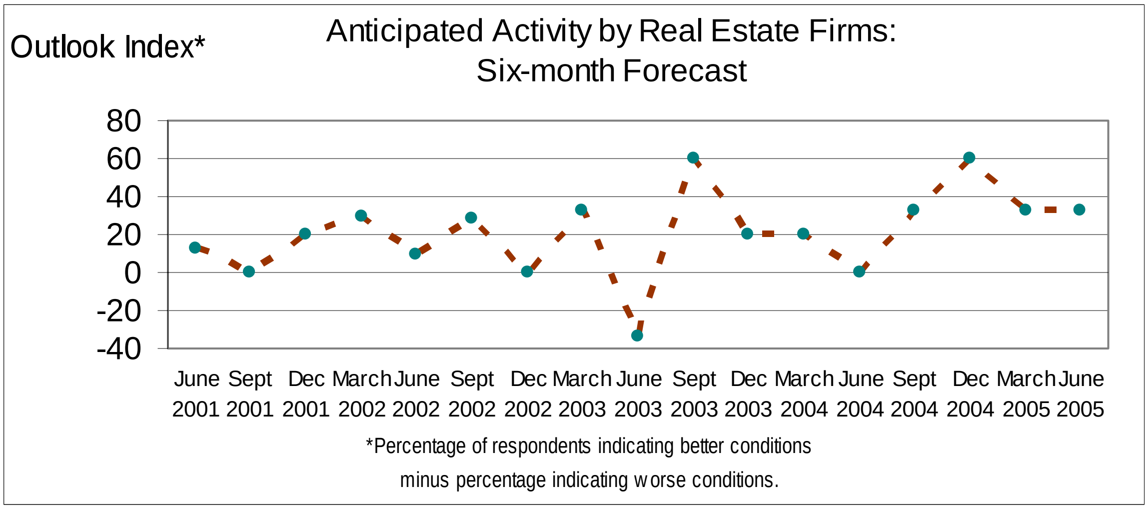


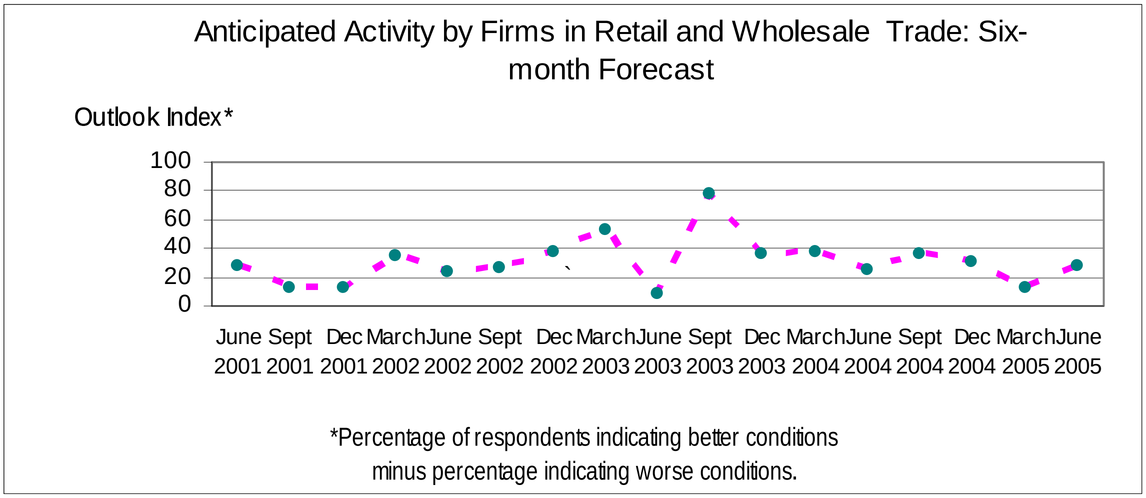
Access To Financing Over the Next Six Months
Percent of Reporting Firms
80
70
60
50
40
30
20
10
0
Easier
Same
More Difficult
Unsure
June 2001
Sept 2001
Dec 2001
March 2002
June 2002
Sept 2002
Dec 2002
March 2003
June 2003
Sept 2003
Dec 2003
March 2004
June 2004
Sept 2004
Dec 2004
March 2005
June 2005

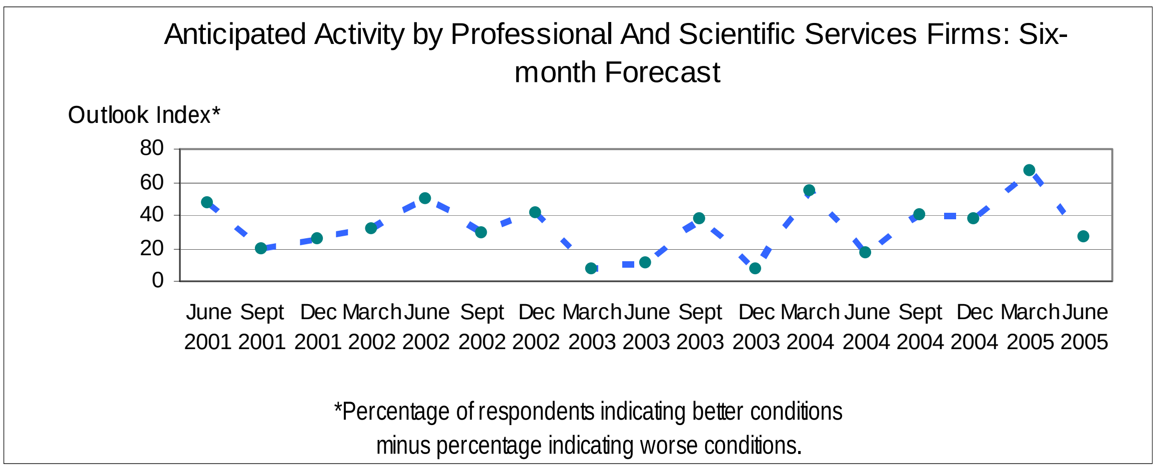
Diffusion Index of Firm-Level Economic Activity by Sector

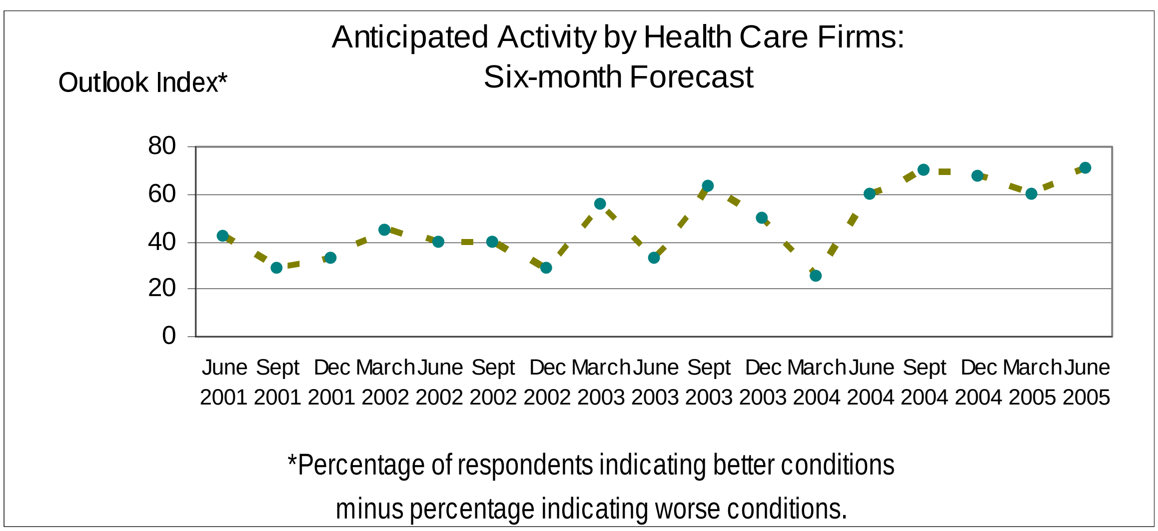


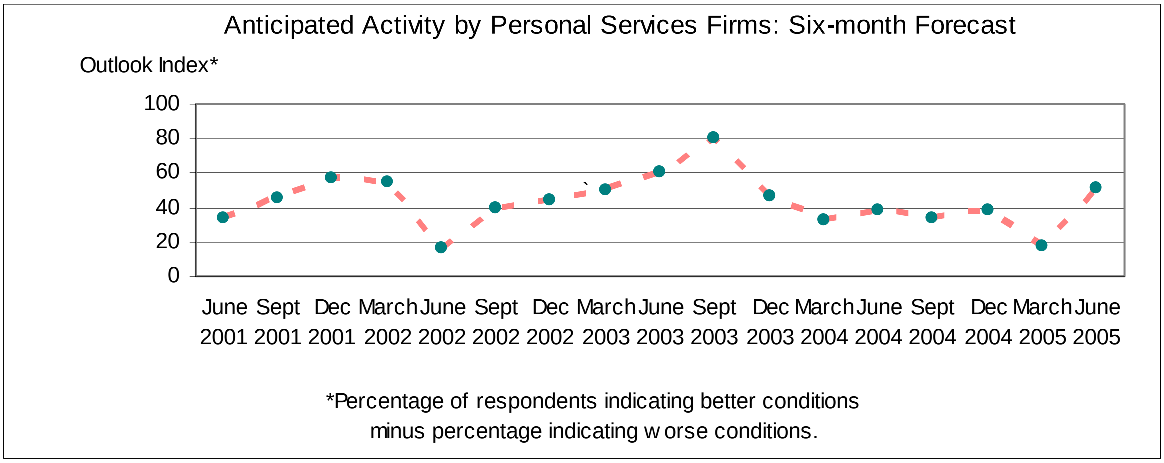


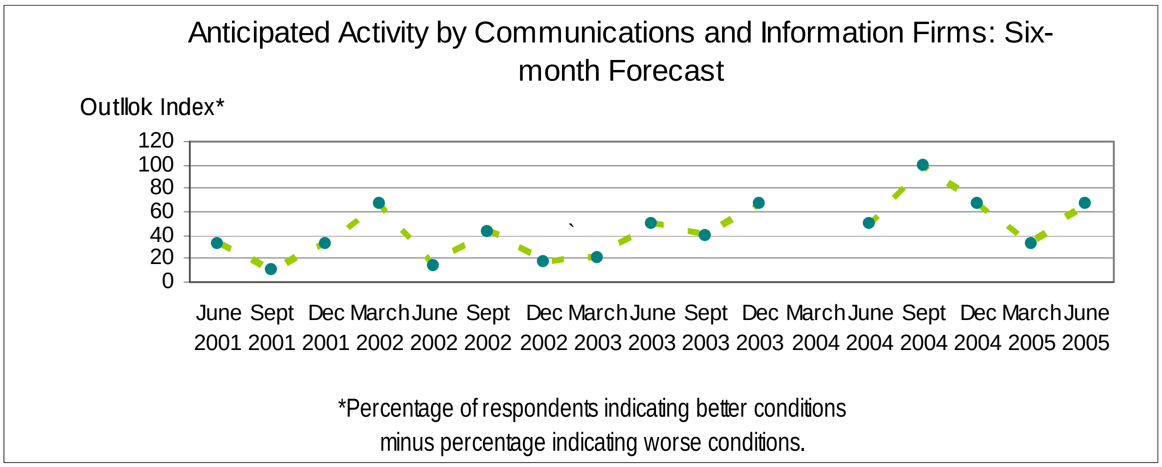


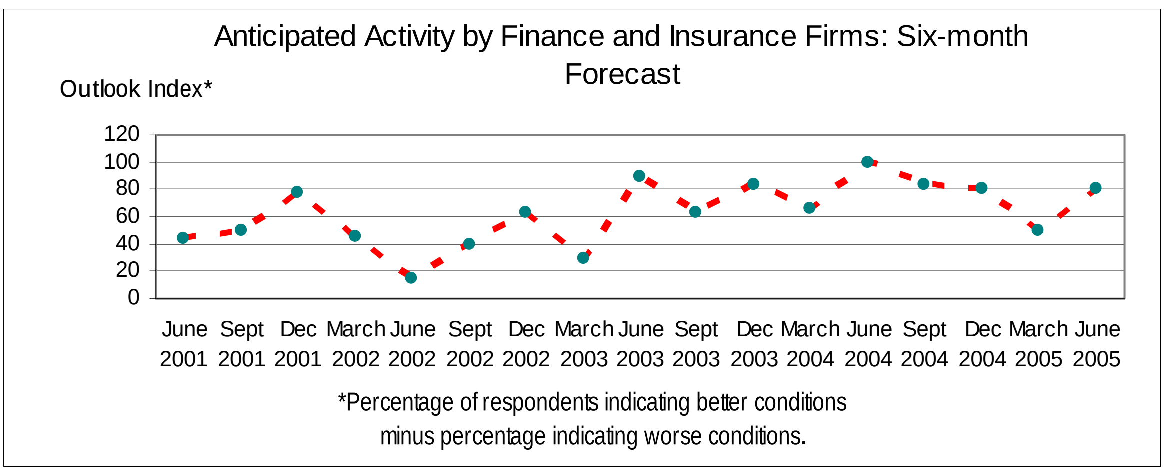

Anticipated Activity by Firms in Retail and Wholesale Trade: Six-month Forecast
Outlook Index*
100
80
60
40
20
0
June 2001
Sept 2001
Dec 2001
March 2002
June 2002
Sept 2002
Dec 2002
March 2003
June 2003
Sept 2003
Dec 2003
March 2004
June 2004
Sept 2004
Dec 2004
March 2005
June 2005
*Percentage of respondents indicating better conditions minus percentage indicating worse conditions.


Anticipated Activity by Professional And Scientific Services Firms: Six-month Forecast
Outlook Index*
80
60
40
20
0
June 2001
Sept 2001
Dec 2001
March 2002
June 2002
Sept 2002
Dec 2002
March 2003
June 2003
Sept 2003
Dec 2003
March 2004
June 2004
Sept 2004
Dec 2004
March 2005
June 2005
*Percentage of respondents indicating better conditions minus percentage indicating worse conditions.


Anticipated Activity by Health Care Firms: Six-month Forecast
Outlook Index*
80
60
40
20
0
June 2001
Sept 2001
Dec 2001
March 2002
June 2002
Sept 2002
Dec 2002
March 2003
June 2003
Sept 2003
Dec 2003
March 2004
June 2004
Sept 2004
Dec 2004
March 2005
June 2005
*Percentage of respondents indicating better conditions minus percentage indicating worse conditions.


Anticipated Activity by Personal Services Firms: Six-month Forecast
Outlook Index*
100
80
60
40
20
0
June 2001
Sept 2001
Dec 2001
March 2002
June 2002
Sept 2002
Dec 2002
March 2003
June 2003
Sept 2003
Dec 2003
March 2004
June 2004
Sept 2004
Dec 2004
March 2005
June 2005
*Percentage of respondents indicating better conditions
minus percentage indicating w orse conditions.


Anticipated Activity by Communications and Information Firms: Six-month Forecast
Outllok Index*
120
100
80
60
40
20
0
June 2001
Sept 2001
Dec 2001
March 2002
June 2002
Sept 2002
Dec 2002
March 2003
June 2003
Sept 2003
Dec 2003
March 2004
June 2004
Sept 2004
Dec 2004
March 2005
June 2005
*Percentage of respondents indicating better conditions
minus percentage indicating worse conditions.


Anticipated Activity by Finance and Insurance Firms: Six-month Forecast
Outlook Index*
120
100
80
60
40
20
0
June 2001
Sept 2001
Dec 2001
March 2002
June 2002
Sept 2002
Dec 2002
March 2003
June 2003
Sept 2003
Dec 2003
March 2004
June 2004
Sept 2004
Dec 2004
March 2005
June 2005
*Percentage of respondents indicating better conditions
minus percentage indicating worse conditions.