Phoenix Management Services
"Lending Climate in America" Survey

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1st Quarter 2021
Summary, Trends, and Implications

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"LENDING CLIMATE IN AMERICA"
1st Quarter 2021

SUMMARY, TRENDS AND IMPLICATIONS

(Survey results were tabulated on March 3rd, 2021)

1. **Congressional Democrats are pushing ahead with passing President Biden's nearly $2 trillion coronavirus relief package, paving the way for a $1,400 stimulus check for millions of Americans. Since this is the third government stimulus package that puts money in the hands of millions of Americans, should the United States prepare for inflationary pressures going forward?**

   The majority of lenders, (77%), agree that the proposed $2 trillion coronavirus relief package will cause inflationary pressures going forward. Twenty-three percent of the lenders surveyed agree that the U.S. economy will be able to sustain the infusion of money and inflation will be subdued.

2. **The efficacy of several coronavirus vaccines offer hope for the end of the pandemic, but experts are uncertain when wearing masks and employing other guidelines, like social distancing, will come to an end. Many parts of the economy are struggling amid the restrictions which is hampering a full economic recovery. Will the COVID-19 restrictions come to an end within a year and allow for a normal economic environment or will there be restrictions imposed for years to come?**

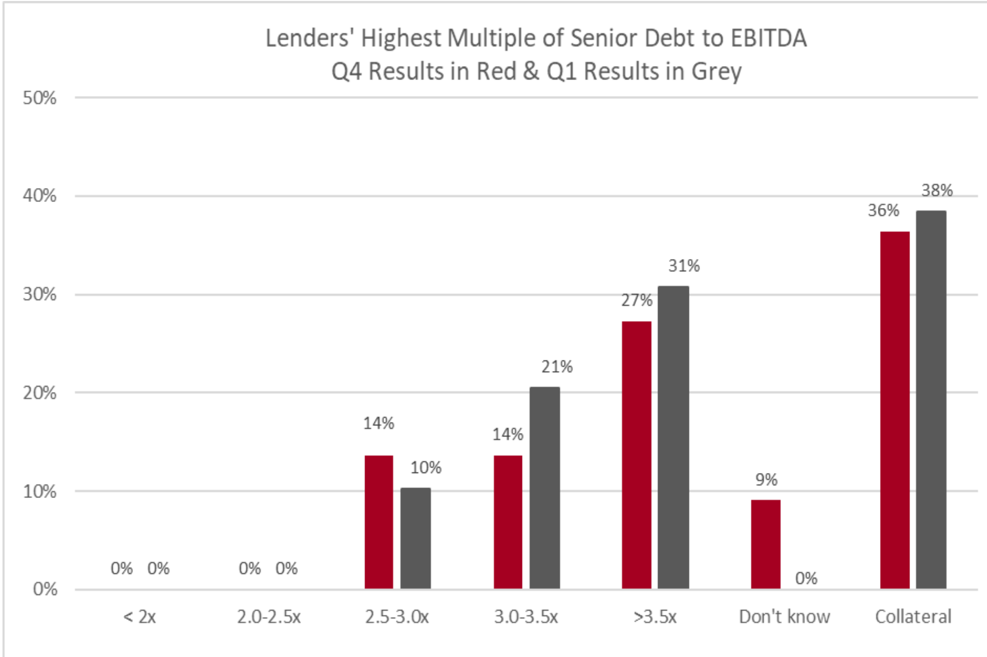
   The answer that received the highest percentage response, 51%, were the lenders that believe that despite the ongoing rollout of COVID-19 vaccines, there will be restrictions imposed in the United States for years to come. Of the lenders surveyed, 49% of respondents believe that the success of vaccine administration will allow the United States to end all coronavirus related restrictions within the coming year.

3. **What is your biggest concern for 1H 2021?**

   Lenders garnering 69% of responses, noted that their biggest concern for 1H 2021 is vaccine distribution and virus mutation. Of the lenders surveyed, 26% selected softer economic growth as their biggest concern for the first half of 2021, while 5% of lender's biggest concern for 1H 2021 is strengthening of the dollar.

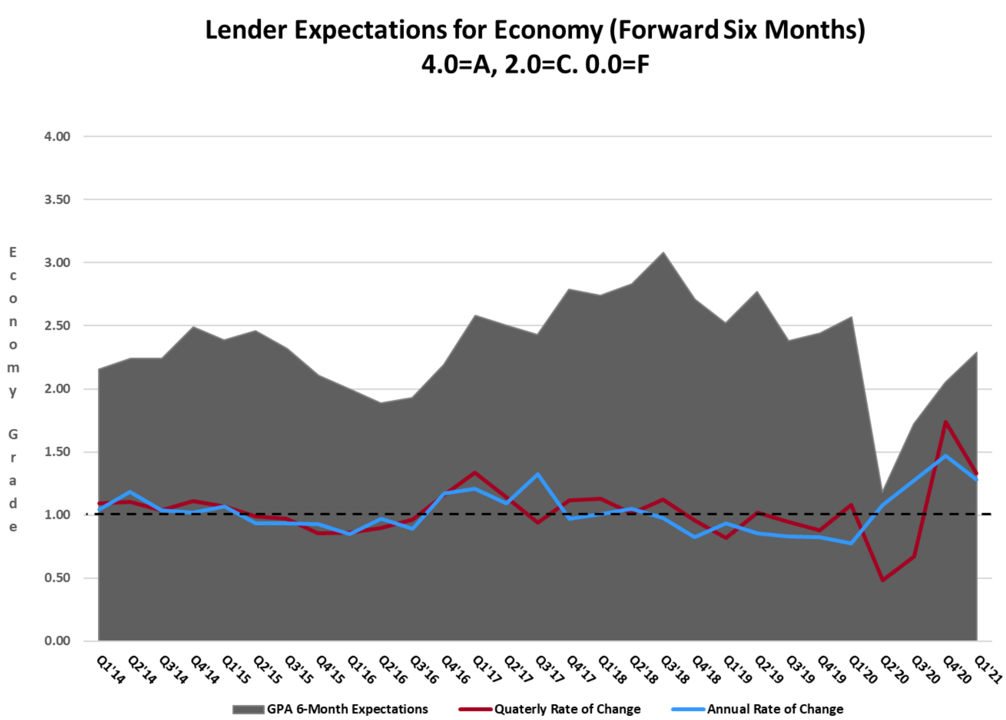
4. **Leverage multiples slightly shifted in Q4 2020.**

   Leverage multiples slightly shifted in Q4 2020 with 27% of lenders indicating that the >3.5x range would be the highest EBITDA ratio they would consider versus 24% in Q3 2020. The percentage of respondents who would consider a debt to EBITDA ratio of 3.0-3.5x increased to 14% from the previous quarter's results of 12%. Thirty-six percent of lenders responded that they were collateral lenders and therefore do not make decisions based on cash flow/leverage multiples.



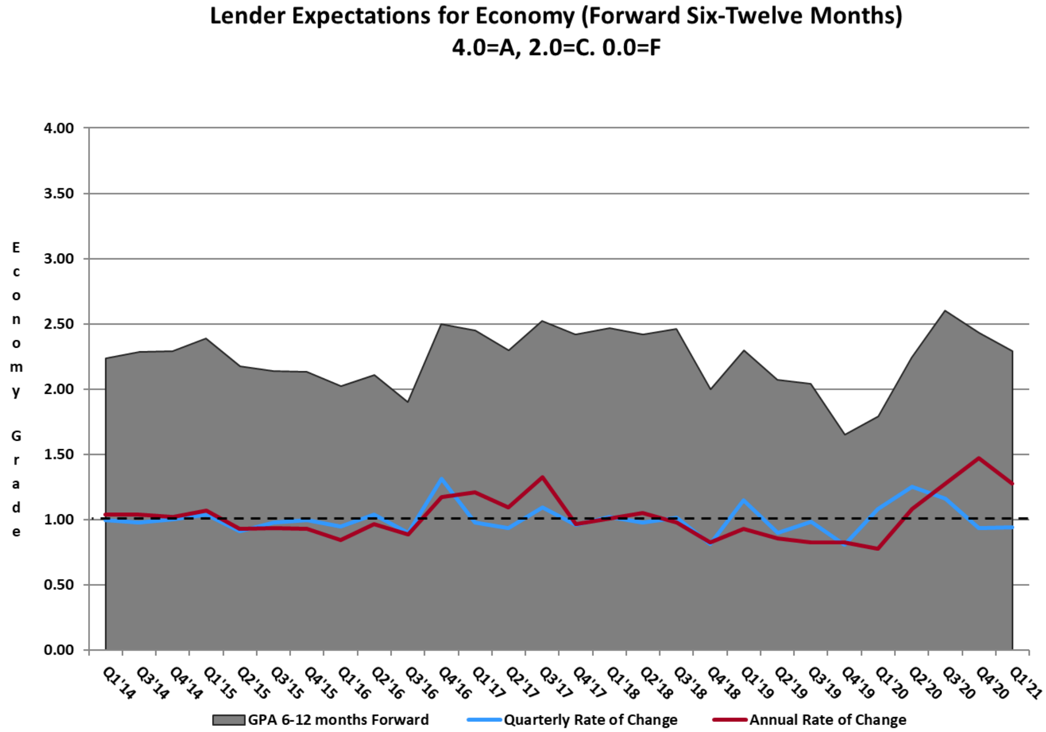
5. **Near-term and long-term economic performance expectations increase in this quarter's survey.**

Lenders optimism in the U.S. economy for the near-term increased this quarter to a GPA of 2.29 from the Q4 2020 results of 2.05. Fifty percent of the lenders believe the economy will perform at a "C" level over the next six months, and 39% believe the economy will perform at a 'B' level. Of the lenders surveyed, 11% expect the U.S. economy to perform at a "D" grade.



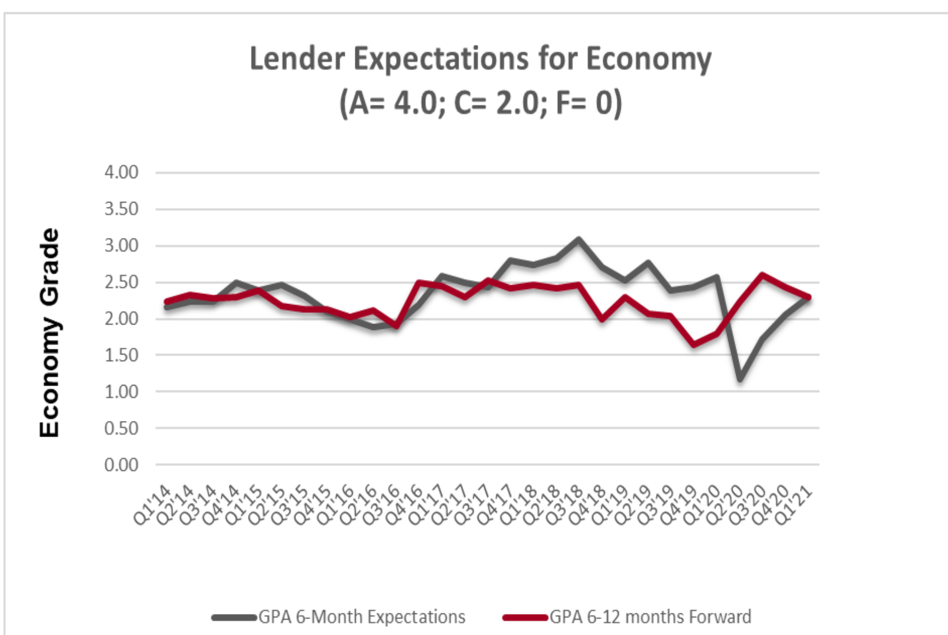
*** Rate of Change of 1.0 is at equilibrium and signifies "no change" from the corresponding prior period of comparison.***

Lenders growth expectations for the U.S. economy beyond six months slightly decreased this quarter to a 2.29 GPA from 2.43 the previous quarter. 42% of lenders believe the economy will perform at a "C" level in the next six to twelve months which represents a decrease of 9-percentage points from the Q4 2020 results of 48%. The percent of lenders (34%) that believe the economy will perform at a "B" level decreased 18-percentage points from Q4 2020. The lenders (8%) who believe the economy will perform at an "A" over the next twelve months increased 3-percentage points. Of the lenders surveyed, 11% believe that economy will perform at a 'F' over the next twelve months.



** Rate of Change of 1.0 is at equilibrium and signifies "no change" from the corresponding prior period of comparison.*

Although lenders are still quite pessimistic about the U.S. economy due to COVID-19, they are becoming increasingly optimistic about the U.S. economy in the near-term.



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Survey Results

(Survey results were tabulated on March 3rd, 2021)

1. The majority of lenders agree that a third stimulus package will cause inflationary pressure in the United States.

Lenders were asked: Congressional Democrats are pushing ahead with passing President Biden's nearly $2 trillion coronavirus relief package, paving the way for a $1,400 stimulus check for millions of Americans. Since this is the third government stimulus package that puts money in the hands of millions of Americans, should the United States prepare for inflationary pressures going forward?

Agree - These historic economic stimulus packages will cause inflationary pressure in the economy.	77%
Disagree - The economy will be able to sustain the infusion of money and inflation will be subdued.	23%

2. The majority of lenders believe that despite the ongoing rollout of COVID-19 vaccines, there will be restrictions imposed for years to come.

Lenders were asked: The efficacy of several coronavirus vaccines offer hope for the end of the pandemic, but experts are uncertain when wearing masks and employing other guidelines, like social distancing, will come to an end. Many parts of the economy are struggling amid the restrictions which is hampering a full economic recovery. Will the COVID-19 restrictions come to an end within a year and allow for a normal economic environment or will there be restrictions imposed for years to come?

Despite the ongoing rollout of the vaccines, there will be restrictions imposed for years to come.	51%
The success of vaccine administration will allow the United States to end all coronavirus related restrictions within the coming year.	49%

3. The majority of lenders noted their biggest concern for the first half of 2021 is vaccine distribution and mutation of the virus.

Lenders were asked: What is your biggest concern for 1H 2021?

Vaccine distribution / virus mutation	69%
Softer economic growth	26%
Dollar strengthens	5%
Oil trades down again	0%

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.

EBITDA Level	4Q 2020	1Q 2021
Greater than 3.5x	27%	31%
Between 3.01x and 3.50x	14%	21%
Between 2.51x and 3.00x	14%	10%
Between 2.01x and 2.50x	0%	0%
Less than 2.0x	0%	0%
Collateral lenders	36%	38%
N/A	9%	0%

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.

Change in Senior Debt to EBITDA Level	4Q 2020	1Q 2021
Increase greater than 0.5x	9%	7%
Increase less than 0.5x	5%	5%
Decrease less than 0.5x	5%	7%
Decrease greater than 0.5x	4%	0%
No change	41%	39%
Collateral lenders	36%	39%
N/A	0%	3%

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.

Factors Affecting Near-Term Economy	4Q 2020	1Q 2021
Stability of Stock Market	36%	64%
Unstable Energy Prices	9%	36%
Other	59%	31%
U.S. Budget Deficit	32%	31%
Constrained Liquidity in Capital Markets	23%	18%
Sluggish Housing Market	18%	8%

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.

Industries Experiencing Most Volatility	4Q 2020	1Q 2021
Retail Trade	71%	76%
Accommodation and Food Services	76%	68%
Arts, Entertainment, and Recreation	52%	32%
Real Estate	43%	58%
Educational Services	10%	11%
Mining	14%	11%

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

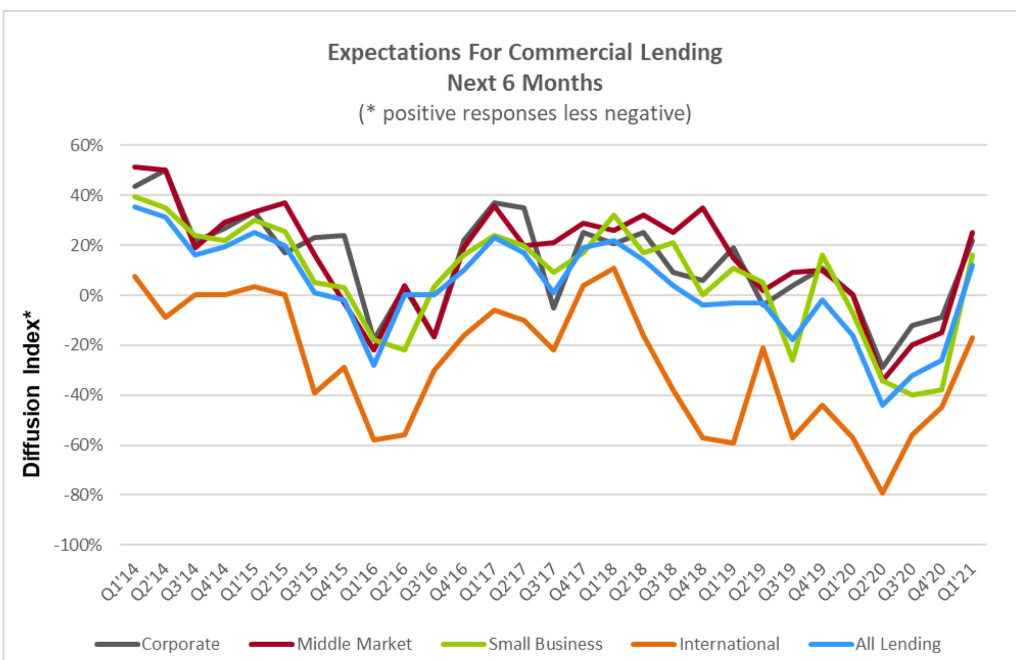
Respondents were asked which of the following actions their customers planned in the next six to twelve months. Lenders were asked to designate all potential customer actions that applied.

Customers' Plans	4Q 2020	1Q 2021
Making an Acquisition	53%	56%
Raising Additional Capital	53%	50%
Capital Improvements	53%	50%
Hiring New Employees	32%	44%
Introducing New Products or Services	47%	32%
Entering New Markets	37%	29%
"Other" Initiatives	5%	0%

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.

- In Q1 2021, lenders optimism slightly increased in large corporate (22%), middle market (25%), small business lending (16%), and international lending (-17%). The diffusion index for the average for all lending increased to 12% from -26% in Q4 2020.



4Q/2020	Up	Down	Same	Diffusion Index
Corporate Lending	10%	19%	71%	-9%
Middle Market Lending	14%	29%	57%	-15%
Small Business Lending	10%	48%	42%	-38%
International Lending	5%	50%	45%	-45%

1Q/2021	Up	Down	Same	Diffusion Index
Corporate Lending	40%	18%	42%	22%
Middle Market Lending	38%	13%	49%	25%
Small Business Lending	42%	26%	32%	16%
International Lending	11%	28%	61%	-17%

- In Q1 2021, there was a decrease in the bankruptcies diffusion index from 85% in Q4 2020 to 57%. The unemployment diffusion index decreased to -47% in Q1 2021 compared to -43% in Q4 2020. In addition, the loan losses diffusion index decreased to 44% compared to 76% in Q4 2020, and the bank failures diffusion index decreased from 14% in Q4 2020 to -10%.

4Q/2020	Up	Down	Same	Diffusion Index
Loan Losses	81%	5%	14%	76%
Bankruptcies	90%	5%	5%	85%
Interest Rates	10%	10%	80%	0%
Unemployment	14%	57%	29%	-43%
Bank Failures	19%	5%	76%	14%

1Q/2021	Up	Down	Same	Diffusion Index
Loan Losses	57%	13%	30%	44%
Bankruptcies	68%	11%	21%	57%
Interest Rates	43%	0%	57%	43%
Unemployment	13%	60%	27%	-47%
Bank Failures	3%	13%	84%	-10%

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.

- Lenders optimism on the U.S. economy increased in points this quarter from 2.05 in Q4 2020 to 2.29 in Q1 2021. In this current quarter, the majority of lenders (50%) believe the economy will perform at a “C” level during the next six months. This represents a decrease of 26 points from the previous quarter. Of the lenders surveyed, 39% believe the economy will perform at a “B” level which represents an increase of 25 points from the previous quarter.

Grade	4Q/2020	1Q/2021
A	0%	0%
B	14%	39%
C	76%	50%
D	10%	11%
F	0%	0%
Weighted Average Grade	2.05	2.29

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 slightly decreased from the prior quarter. The weighted average GPA decreased 14 points from a 2.43 in Q4 2020 to 2.29 in Q1 2021. Of the lenders surveyed, 42% feel as though the U.S. economy will perform at a "C" level beyond the next six months, while 34% expect the economy to perform at a "B" level, a decrease of 18 percentage points from Q4 2020. In addition, the lenders who believe the economy will perform at an "A" over the next twelve months increased 3 percentage points.

Grade	4Q/2020	1Q/2021
A	5%	8%
B	52%	34%
C	33%	42%
D	0%	11%
F	10%	5%
Weighted Average Grade	2.43	2.29

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 increased 3 percentage points to 79%. In Q1 2021, there was also an increase in the percentage of lenders that ascribed to very strong growth (3%) and strong growth (15%).

Indication	4Q/2020	1Q/2021
Very Strong	0%	3%
Strong	5%	15%
Moderate	76%	79%
No Growth	19%	3%

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.

Many lenders (74%) plan to maintain their current loan structure. In Q1 2021, 15% of lenders plan to tighten their loan structure, while 11% of the lenders surveyed plan to relax maintain their current loan structure.

	4Q/2020			1Q/2021		
	Tighten	Maintain	Relax	Tighten	Maintain	Relax
Loans> $25 million	26%	63%	11%	15%	70%	15%
$15 – 25 million	26%	63%	11%	12%	76%	12%
$5-15 million	5%	95%	0%	14%	77%	9%
Under $5 million	24%	76%	0%	19%	73%	8%
Overall Average	20%	74%	5%	15%	74%	11%

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 lenders (75%) plan to maintain their interest rate spreads and fee structures. In Q1 2021, the percentage of lenders that plan to tighten their interest rate spreads decreased to 12%, while 13% plan to reduce their interest rate spreads.

	4Q/2020			1Q/2021		
	Reduce	Maintain	Increase	Reduce	Maintain	Increase
Loans > $25 million	11%	68%	21%	24%	70%	6%
$15 – 25	11%	68%	21%	18%	76%	6%
$5-15 million	0%	79%	21%	9%	77%	14%
Under $5 million	0%	62%	38%	3%	74%	23%
Overall Average	5%	69%	25%	13%	75%	12%

15. The Fed and Interest Rates

Respondents were asked in what direction they thought the Fed would move interest rates and by how much in the coming six months.

76% of respondents in Q1 2021 believe the Fed will leave interest rates unchanged in the next six months. Of the lenders surveyed, 3% of respondents favor a decrease of -1/4 points, while 16% favor an increase of +1/4 points.

Bps Change	4Q/2020	1Q/2021
+ 1/2 point or more	5%	5%
+ 1/4 point	0%	16%
Unchanged	90%	76%
- 1/4 point	5%	3%
- 1/2 point or more	0%	0%
Weighted Average	0.01 bps	0.06 bps

16. Current Competition

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

- Regional Banks and Commercial Finance Co. continue to place at the top of the survey, garnering 68% of responses. Local Community/Commercial Bank saw an increase with 16% of respondents, and Money Center Banks saw an increase of respondents with 13% in Q1 2021.

	4Q/2020	**1Q/2021**
Regional Bank	29%	39%
Commercial Finance Co.	43%	29%
Local Community/Commercial Bank	14%	16%
Money Center Banks	10%	13%
Other	5%	3%
Factors	0%	0%