ALSO IN THIS ISSUE: SFNET NATIONAL MEMBER DIRECTORY

THE SECURED Lender

JULY/AUGUST 2023 WWW.SFNET.COM

Putting Capital To Work

TSL COVER STORY

The Secured Finance Data Issue

PROFILES OF SFNET MEMBERS WHO ARE PUTTING CAPITAL TO WORK

A publication of: Secured Finance Network

TOUCHING BASE

TSL DATA ISSUE

Expanding Our Reach

Welcome to *The Secured Lender's* second Data Issue. When the idea for this issue was conceived in 2022, our intent was to enhance our data offerings to members and raise the profile of the secured finance industry. In this iteration, we've added bonus content aimed at educating prospective borrowers on the industry.

This issue will be distributed at events attended by the company executives you want to reach, including at the International Housewares Association CHESS conference in October. SFNet is working on partnering with trade associations representing lenders' prospective clients who may not be familiar with the opportunities our members can offer.

I would like to thank the participants in this issue who are profiled highlighting relevant statistics, such as growth trends, industry and product focus and deal characteristics. I urge every member to participate in our recurring ABL and/or Factoring Surveys. Please contact Aydan Savaser at asavaser@sfnet.com to participate in future reports and/or data issues or if you have any questions.

In May, SFNet published an update to its 2019 Secured Finance Market Sizing and Impact Study, its comprehensive assessment of the secured finance ecosystem and its impact on the U.S. economy. Highlights of the study can be found on page 28. Members can access the full report at sfnet.com.

On page 32, we present the 2023 Q2 SFNet Market Pulse, an economic report that highlights emerging macroeconomic trends likely to affect secured finance and asset-based lending over the near term. The report, underwritten by a grant from the Secured Finance Foundation, is designed to help lenders stay up-to-date on the most important macro-level economic and policy trends driving commercial credit demand, credit supply, portfolio performance, and financial stress and how these impact our served markets. This report is produced by Keybridge, a boutique economic research consultancy comprised of economists and public policy experts based in Washington, D.C.

This issue includes additional relevant data resources, including Refinitiv's 2022 full syndicated bookrunner list on page 46. Also, from Refinitiv, on page 42, Maria Dikeos updates readers on 1Q23 U.S. ABL loan volume.

Going beyond data, to other relevant and timely content, don't miss *Unleashing the Power of AI in the Secured Finance Industry: A Journey into Change and Evolution* by Ryan Jaskiewicz of 12Five Capital. Everyone is talking about ChatGPT and its capabilities (and risks). Ryan spoke about this topic at SFNet's Independent Finance Roundtable and offers up his knowledge on the topic on page 64.

RICHARD D. GUMBRECHT
SFNet Chief Executive Officer

When it comes to lender due diligence and documentation, organizations are well versed in modeling, credit procedures and deal structures; however, there is another area that lenders cannot afford to ignore: *Cybersecurity. In Mitigating Borrowers' Cybersecurity Risk* on page 68, Brian Resutek of Rosenthal & Rosenthal alerts lenders to what they need to know.

As mentioned above, we've included educational "primers" for those who may be in search of working capital (these articles could also be valuable to new hires). On page 48, Mark Fagnani of PKF Clear Thinking and Jason Schumacher of Valley National Business Capital break down why asset-based lending can be the perfect source of capital for many businesses. On page 52, Martin Efron of While Oak Commercial Finance explains how factoring provides access to critical working capital, credit protection and more.

By the time this issue is published, registration will be open to SFNet's Annual Convention in Orlando, November 15-17. Our theme this year is **"Built for the Moment. Agility. Patience. Opportunity."** The secured finance industry is known for its ability to adapt and thrive—no matter the challenge, we are **built for the moment** we are in. When the situation calls for **agility**, we have the tools to respond. We have the **patience** to assess the risks and experience to find the **opportunity** that others might not see. Plans are well underway to make this our best event yet, with dynamic speakers, thought-provoking content and unparalleled networking opportunities. So please join us at the biggest and most impactful gathering in secured finance. Until then, I wish the SFNet community a safe and enjoyable remainder of the summer!

THE SECURED Lender
A PUBLICATION OF SECURED FINANCE NETWORK

COVER STORY

PROFILES OF SFNET MEMBERS WHO ARE PUTTING CAPITAL TO WORK: P18

Profiles of SFNet Members Who Are Putting Capital to Work

On the following pages, we highlight secured lenders who deploy capital to small-to-medium-to-large businesses that fuels growth in the greater economy. Their businesses make up part of the $4.9 trillion in yearly lending volume that is the secured finance ecosystem: the industry that deploys capital that powers the greater U.S. economy and keeps its engines of commerce running. 18

FEATURE STORIES

Overview of the Update to the 2019 Secured Finance Market Sizing and Impact Study - The Authoritative Resource for the Secured Finance Industry

The Secured Finance Foundation, with oversight from the Study's Steering Committee, has updated the 2019 Secured Finance Industry Market Sizing and Impact Study for the purpose of benchmarking, strategic planning, attracting capital and assisting in advocacy efforts on behalf of the industry. 28

FEATURED STORY

SFNET MARKET PULSE 2023 Q2 P.32

SFNet Market Pulse 2023 Q2

The SFNet Market Pulse is an economic report that highlights emerging macroeconomic trends likely to affect secured finance and asset-based lending over the near term. The report, underwritten by a grant from the Secured Finance Foundation, is designed to help lenders stay up to date on the most important macro-level economic and policy trends driving commercial credit demand, credit supply, portfolio performance, and financial stress. 32

LIBOR Transition Deals Skew 1Q23 US ABL Loan Totals Amidst Souring Market Sentiment

Refinitiv's Maria Dikeos provides highlight of Q1 syndicated ABL market. 42

BY MARIA C. DIKEOS

Refinitiv LPC U.S. Syndicated Asset-Based Lending (ABL) Bookrunner
2022 continued record breaking pace for asset-based lending. **46**
BY DAVID MIAO

Asset-Based Lending: A Primer for Borrowers and New Hires
Asset-based lending offers many benefits to borrowers in need of capital, not the least of which is the partnership built between client and lender. **48**
BY MARK FAGNANI AND JASON SCHUMACHER

Factoring for Success in 2023 and Beyond
Today's factoring provides access to critical working capital, credit protection and more. **52**
BY MARTIN EFRON

Directory of SFNet Members
A listing of SFNet National members Including lenders, factors, and industry service providers. **54**

Unleashing the Power of AI in the Secured Finance Industry: A Journey into Change and Evolution
Change is the great shapeshifter of existence. It is the unseen artist who paints the landscape of our lives with broad strokes of innovation and evolution. **64**
BY RYAN JASKIEWICZ

Mitigating Borrowers' Cybersecurity Risk
There is a continually growing blind spot that lenders cannot afford to ignore: Cybersecurity. **68**
BY BRIAN RESUTEK

Articles

What Would You Do?
In the hopes of locking down an attractive prospect, which is also shopping for term loan financing, Overadvance Bank considers whether it should agree to limit its security interest to accounts receivable and inventory. **72**
BY NNEOMA MADUIKE AND MICHAEL REGINA

PUTTING CAPITAL TO WORK

Patrick Ta Beauty: SG Credit Partners' Consumer Products Division Helps Company Flourish
Earlier this year, SG Credit Partners' Consumer Products division extended a revolving line of credit to Patrick Ta Beauty, creating a debt facility tailored to the brand's intentional growth. **75**
BY CHARLIE PERER

SFNET COMMITTEE SPOTLIGHT

Data Committee
This column highlights the hard work and dedication of SFNet committee volunteers. Here we speak with Lawrence Chua, managing director, Ares Management, and chair of SFNet's Data Committee. **77**
BY EILEEN WUBBE

Departments
TOUCHING BASE 1

NETWORK NOTES 4

INDUSTRY DEALS 8

Secured Finance Network

An association of professionals putting capital to work

The Secured Finance Network is the trade group for the asset-based lending arms of domestic and foreign commercial banks, small and large independent finance companies, floor plan financing organizations, factoring organizations and financing subsidiaries of major industrial corporations.

The objectives of the Association are to provide, through discussion and publication, a forum for the consideration of inter- and intra-industry ideas and opportunities; to make available current information on legislation and court decisions relating to asset-based financial services; to improve legal and operational procedures employed by the industry; to furnish to the general public information on the function and significance of the industry in the credit structure of the country; to encourage the Association's members, and their personnel, in the performance of their social and community responsibilities; and to promote, through education, the sound development of asset-based financial services.

The Secured Lender, magazine of the asset-based financial services industry (ISSN 0888-255X), is published 8 times per year (Jan/Feb, March, April, May, June, September, October and November) $65 per year non-member rate, and $105 for two years non-member rate. SFNet members are complimentary.

Secured Finance Network
370 Seventh Avenue, Suite 1801,
New York, NY 10001.
(212) 792-9390 Email: tsl@sfnet.com
www.SFNet.com

Periodicals postage paid at New York, NY, and at additional mailing offices. Postmaster, send address changes to *The Secured Lender,* c/o Secured Finance Network, 370 Seventh Avenue, Suite 1801, New York, NY 10001

Editorial Staff
Michele Ocejo
Editor-in-Chief and SFNet Communications Director
mocejo@sfnet.com

Eileen Wubbe
Senior Editor
ewubbe@sfnet.com

Aydan Savaser
Art Director
asavaser@sfnet.com

Advertising Contact:
James Kravitz
Business Development Director
T: 646-839-6080
jkravitz@sfnet.com

Access Capital, Inc. Announces Jacob Hamilton as Vice President, Business Development Officer

Jacob Hamilton will serve as a business development officer covering territory in the Midwest. Before joining Access Capital, Hamilton began his career providing working capital solutions to staffing firms of all sizes and forging connections with staffing industry experts and advisors at Advance Partners.

Accord Financial Adds to U.S. Business Development Team with Ira Almond and Sahil Sharma

Accord Financial Corp. added to its U.S. business development team with the hiring of Ira Almond as director of Business Development, US Asset Based Finance, Southeast and **Sahil Sharma** as director of Business Development, US Equipment Finance, Northeast.

Assembled Brands Welcomes Dave Warga as Director of Underwriting

Assembled Brands, the leader in financing top consumer brands in the U.S., is pleased to announce the appointment of **Dave Warga** as its new director of Underwriting. Warga brings extensive experience and expertise to the company and will play a crucial role in driving the business forward.

Citizens Financial Group Announces Risk Organization Succession Plan

Citizens Financial Group, Inc. announced that **Richard Stein** will assume the role of chief risk officer upon the retirement of Malcolm Griggs in the first quarter of 2024. Upon assuming the CRO role, Stein will report to Bruce Van Saun, Chairman and CEO, and serve on the bank's Executive Committee.

eCapital Expands with Two Senior Hires

eCapital Corp. appointed two accomplished business development officers to its team. These new hires bring a wealth of experience to eCapital, as they serve clients across a variety of industries.

The two new hires, **Matthew DeBernardo**, SVP, business development officer, and **Bret Aaron Meuschke,** SVP, business development officer, will be involved in managing factoring and asset-based lending transactions as part of the company's Commercial Finance division.

Postlethwaite & Netterville Combines with EisnerAmper

Global business advisory firm EisnerAmper announced that the directors and colleagues of Louisiana-based accounting, assurance, tax, consulting and technology firm Postlethwaite & Netterville (P&N) will be joining EisnerAmper in a transaction anticipated to close by the summer of 2023. Founded in 1949, P&N has more than 575 team members across the U.S. and nine offices in Louisiana, Texas and Mississippi.

Encina Lender Finance Bolsters Senior Leadership Team with Addition of Carbery, Connorton and Stroup

Encina Lender Finance, LLC (ELF) announced continued expansion of its senior leadership team with the addition of industry veterans **Jeff Carbery** as managing director, **Ryan Connorton** as managing director, and **Latonya Whitfield Stroup** as director.

Most recently, Carbery led Texas Capital Bank's Commercial Lender Finance group. Carbery will be opening a new office for ELF in Dallas, TX.

Connorton most recently was a director at BMO's Financial Institutions Group, where he oversaw a portfolio of consumer and commercial lender finance clients. He will be based in Baltimore, MD.

Stroup previously led operations at Wells Fargo Capital Finance's lender finance team. Most recently, she oversaw loan administration at WaFd Bank. Stroup will be based in ELF's new Dallas office.

Additionally, **Harrison Hodges** and **Lee Schuessler** joined ELF as associates. Hodges and Schuessler are based in Atlanta and were most recently with Truist's corporate and investment bank.

Encina Private Credit Announces Two Strategic Hires to Accelerate Growth

Encina Private Credit (EPC) announced the appointment of two key executives who will significantly contribute to the company's growth and expansion. **Ian Nalitt** has joined the company as managing director of Originations, and **Brian White** has been appointed as senior vice president of Capital Markets.

FGI Grows Business Development Team with Addition of Kasey Fagan (Krum) as an Associate Director of Business Development

Based out of the Chicago office, **Kasey Fagan (Krum)** is responsible for originating new business opportunities for FGI's asset-based lending business by cultivating relationships throughout the Midwest marketplace.

Getzler Henrich & Associates Expands its Automotive Industry Practice with the Addition of Jonathan Vukanovich as Director

Jonathan Vukanovich, CPA will be based in Detroit, MI and brings 17 years of experience in finance and restructuring to Getzler Henrich. He specializes in providing accounting and financial reporting turnaround and restructuring support services to distressed and underperforming companies, as well as advising boards, management, and creditors.

Gordon Brothers Names Samantha Schackman Director, Business Development

Samantha Schackman works with asset-based lending, investment banking and private equity professionals in Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island and Vermont to identify valuation, disposition and lending opportunities for Gordon Brothers and will expand the firm's presence in the Northeast.

Hilco Performance Solutions Expands its Advisory Practice with the Addition of New Associate Director Susan L. Stanley

Susan Stanley has been named associate director of Hilco Performance Solutions (HPS), a management consulting firm that consists of operational and financial experts in the areas of manufacturing, supply chain, sales & customer experience, organizational design, and M&A.

Hilco Corporate Finance Expands Its Special Situation and Restructuring Investment Banking Services with the Addition of Senior Managing Director, Richard S. Klein

Hilco Corporate Finance (HCF) named **Richard S. Klein** a senior managing director in its New York office. Klein will further expand the range and experience of HCF's Special Situation and Restructuring Investment Banking services.

Christian Corts Named Regional Banking Director for Huntington National Bank

Huntington National Bank has selected **Christian Corts** as its new director, overseeing its regional banking teams across Huntington's 11-state footprint. Most recently, Corts served as the North Texas regional president at Truist Financial Corporation.

IDB Bank Announces Michal Miron as Executive Vice President and California Region Manager

In this role, **Michal Miron** will lead the Bank's West Coast operations and strategic growth agenda across the region. As a member of the senior management team, Miron will report directly to Ziv Biron, IDB Bank President & CEO.

Legacy Corporate Lending, New Asset-based Lending Company, Launches With Investment From Bain Capital Credit

Legacy Corporate Lending ("Legacy") a new asset-based lending (ABL) company, announced its launch as an independent lender focused on serving the needs of middle market companies across North America. Legacy is launching with a significant equity investment from funds managed by a subsidiary of Bain Capital Credit, L.P., a leading global credit specialist.

Based in the Dallas-Fort Worth area, Legacy Corporate Lending will provide revolving credit facilities and term loans ranging in size from $10 to $40 million to companies in an array of industries that seek to access capital outside of traditional bank lending or the syndicated lending market.

Legacy Corporate Lending is led by CEO **Clark Griffith**, a 25-year commercial finance industry veteran with significant experience leading and establishing ABL lending businesses. The founding leadership team includes **Paul Martin**, chief investment officer, who brings more than 30 years of commercial lending experience, and **Lawrence Ridgway**, chief operating officer, who has more than 25 years of ABL experience.

Milbank LLP Expands Financial Restructuring Practice with Addition of Partner Nick Dunstone in Asia

Nicholas Dunstone has joined the firm's Singapore office as a partner in the Financial Restructuring Group. Dunstone joins Milbank with 25 years of experience as a restructuring specialist in multiple jurisdictions across the globe.

New York Law Firm Moritt Hock & Hamroff Expands Florida Footprint

Moritt Hock & Hamroff announced the opening of a new office in the Fort Lauderdale, FL metro area serving the Southeast Florida market. The office will be supported by four attorneys from the Florida-based law firm of Ritter & Chusid including one of its founders, **Gregory J. Ritter** who will be a partner. Joining with Greg are **Gary Rosner** as partner, **Evan Rosenberg** as counsel, and **Olivia Retenauer** as an associate.

MUFG Expands Technology Banking Coverage Team

Mitsubishi UFJ Financial Group (MUFG) announced the hiring of five senior executives, and a total of at least 20 new team members, to significantly expand the capabilities of its Technology, Media and Telecom (TMT) Banking group to support the pre-IPO growth and middle-market public companies in the innovation ecosystem.

Bob Blee has joined MUFG as managing director and head of Growth and Middle Market Technology Banking for the Americas, reporting to Bill Davidson, global head of TMT Banking. Blee will be based in the Bay Area.

Reporting to Blee and also joining MUFG as managing directors are **Brian Boatman** as head of Sales, **Brian Fitzpatrick** as head of Venture Capital Relationship Management and the Northern California Region, and Mike Shuhy as head of Credit Solutions.

Additionally, **John Atanasoff** will be joining the bank as a managing director and dedicated credit partner reporting to Larry Bressler, MUFG's chief credit officer.

Parker Hudson Expands its Litigation Capabilities into Chicago with the Addition of Todd C. Jacobs and John E. Bucheit

Parker Hudson, a mid-sized law firm with an integrated collection of high value boutique business practices, is excited to announce its entry into the Chicago market. The firm is expanding its litigation capabilities with the addition of two highly regarded and experienced trial lawyers, **Todd C. Jacobs** and **John E. Bucheit**.

Pathward Earns 2023 Great Place to Work Certification™

Pathward®, N.A. is proud to be Certified™ by Great Place to Work® for the first time. The prestigious award is based entirely on what current employees say about their experience working at Pathward. This year, 78% of employees said it's a great place to work – 21 points higher than the average U.S. company*. Visit Pathward's certification profile at GreatPlacetoWork.com.

Paul Hastings Expands Market-Leading Structured Credit Practice

Further solidifying its Band 1 ranking and dominant market share in collateralized loan obligations, Paul Hastings LLP announced that preeminent lawyer **Nicholas (Nick) Robinson** leads a group who has joined the firm. Robinson joins as a partner alongside fellow partner **Tracy Feng** and a team of associates, all based in New York.

Norton Rose Fulbright Enhances US Corporate Insurance and Technology Transactions Practices With Six New Partners

Global law firm Norton Rose Fulbright added six partners to significantly strengthen its US offering in two of the firm's key sectors: Financial Institutions (including Insurance) and Technology.

Joining from Bryan Cave Leighton Paisner (BCLP), the six-partner group is made up of: a four-partner Transactional and Regulatory Insurance team consisting of **Kevin Fischer** and **Bruce Baty**, who served as the two co-leaders of BCLP's global Insurance practice, as well as **Jodi Adolf** and **Michael Schwartz**. Fischer and Schwartz are also highly regarded M&A and private equity lawyers with experience across a wide range of sectors.

A two-partner Technology Transactions team based in Atlanta includes **Sean Christy** and **Chuck Hollis**, who served as the two United States co-leaders of BCLP's global Technology & Commercial Transactions practice.

Regions Bank Taps Veteran Banking Leader to Serve San Antonio

Regions Bank announced veteran commercial banking leader **Mark Evans** will serve as the company's first market executive focused exclusively on San Antonio and surrounding areas as Regions builds on its Texas presence yet again.

Quasar Capital Names Veteran Business Leader Sam Tork as Partner

Sam Tork transitioned from board member to partner at Quasar Capital, a provider of invoice factoring, asset-based lending and cash flow solutions based in Austin, TX which aims to support the growth of small businesses across the U.S and Canada.

Texas Capital Bank Appoints David A. Youngberg Jr. to Serve as Chief Credit Officer

David A. Youngberg Jr. has joined the firm as managing director and chief credit officer. Youngberg brings more than two decades of credit risk and enterprise risk management experience to Texas Capital Bank.

US Capital Global Launches Global M&A Division for the Emerging Growth and Middle Market Arena

US Capital Global is pleased to announce the launch of its newly formed Mergers and Acquisitions (M&A) division, headed by investment banking veterans Jeffrey Sweeney (chairman and CEO), Charles Towle (COO and managing partner), Mitchell R. Cohen (senior vice president and partner), Frank Villarreal (senior vice president), and David Reinikanien (vice president). US Capital Global now provides a complete suite of M&A services from inception to post-close liquidity, including in-house financing for transactions and a range of SPV and fund structures for clients.

U.S. Bank Announces Key Leadership Team Changes

U.S. Bank announced several changes to its executive leadership team to succeed two leaders who are leaving the company this summer. **Kate Quinn**, vice chair and chief administrative officer, and Jim Kelligrew, vice chair of corporate and commercial banking, have retired from their positions in the company June 30 after making significant contributions to the bank during their tenures.

Terry Dolan is expected to take on a broader role as vice chair and chief administration officer, succeeding Quinn, in addition to his current responsibilities as chief financial officer.

John Stern will be promoted to senior executive vice president and head of finance in May and is expected to become CFO September 1.

Gunjan Kedia will assume an expanded leadership role, overseeing a combined wealth management and investment services and corporate and commercial banking organization.

Also joining the company's managing committee as senior executive vice presidents will be **Reba Dominski** and **Stephen Philipson**. Dominski is executive vice president and chief corporate social responsibility officer. She will report to Dolan. Philipson is executive vice president and head of commercial product groups.


ASSET BASED LENDING
C O N S U L T A N T S
OFF
MRC
M–
AC
ON
CE·C

Lender/Participant	Lender Type	Amount	Borrower	Industry	Structure
i80 Group	Non-bank	**$75 Million**	Cardless, Inc., a credit card company, San Francisco, CA	Credit card	Three-year credit facility
Abacus Finance Group, LLC	Non-bank	**N/A**	To support the acquisition of Workplace Modular Systems LLC, a vertically integrated group of manufacturing companies serving the data center, electric vehicle and robotic markets, by Accelevation LLC, an LFM Capital portfolio company	Manufacturing	Senior secured credit facilities
Abacus Finance Group, LLC	Non-bank	**N/A**	To support the leveraged buyout of RBW Logistics, an asset-light third-party logistics company providing contract warehousing and fulfillment and related transportation services to blue-chip customers in the consumer staple and fiber-based product industries, by LongueVue Capital, a New Orleans, LA-based equity investment firm	Logistics	Senior secured credit facilities
Abacus Finance Group, LLC	Non-bank	**N/A**	To support the Ad-On of I&I Sling, Inc. and Slingmax, Inc. by Yale Cordage, a River Associates Investments, LP portfolio company	Manufacturing	Senior secured credit facilities
Abacus Finance Group, LLC	Non-bank	**N/A**	To support the growth recapitalization of Triple Crown Consulting, a leading provider for software, hardware, and mechanical engineer consultants, by WestView Capital Partners	Software	Senior secured credit facilities
Access Capital	Non-bank	**$6 Million**	Staffing firm in the light industrial space with a focus on the gas, energy, and mining industries	Staffing	Tailored credit solution
Aiga Capital	Non-bank	**$200 Million**	US battery energy storage systems (BESS) company, Spearmint Energy	Energy	Financing
Alleon Healthcare Capital	Non-bank	**$1.3 Million**	Health network in Florida	Healthcare	Medical accounts receivable financing facility
Alleon Healthcare Capital	Non-bank	**$1 Million**	A Durable Medical Equipment company, specializing in diabetes care, Pennsylvania	Healthcare	Medical accounts receivable factoring facility
Alleon Healthcare Capital	Non-bank	**$500,000**	A management service organization, that provides enhanced care management and community support under CalAIM's new program for Medi-Cal recipients, California	Healthcare	Medical accounts receivable factoring facility
Amerisource Business Capital	Non-bank	**$3 Million**	Information technology services provider serving the construction industry, Texas	Technology	Senior credit facility
Amerisource Business Capital	Non-bank	**$2 Million**	Commercial bakery, providing private-label baked goods to retail and institutional users, New York	Food	Senior credit facility
Aequum Capital Financial	Non-bank	**$7.5 Million**	Retailer of household appliances, Midwest	Retail	Credit facility

Lender/Participant	Lender Type	Amount	Borrower	Industry	Structure
Aurous Financial	Non-bank	**$500,000**	Food and beverage company, Midwest	Food and beverage	PO Financing
Austin Financial Services, Inc. (AFS)	Non-bank	**$10 Million**	Large contract beverage manufacturer with a state-of-the-art production and packing facility	Manufacturing	ABL facility, which included an AR and inventory revolver
Bank of America, N.A.	Bank	**$150 Million**	Verdant Commercial Capital, LLC, the nation's sixth largest independent equipment finance company	Equipment finance	Warehouse line of credit
Bank of America and JPMorgan Chase & Co. and a $65 million term loan from TCW Private Credit Group	Bank and Non-Bank	**$315 Million**	Corcentric, a leading global provider of best-in-class procurement and finance solutions	Finance	Consisting of a $250 million senior secured asset-based loan revolver from Bank of America and JPMorgan Chase & Co. and a $65 million term loan from TCW Private Credit Group
BofA Securities, Inc. [Lead Arranger], Wells Fargo, J.P. Morgan, Goldman Sachs, Fifth Third, PNC, Truist, New York Community Bank, BMO, Credit Suisse, MUFG, Regions, Capital One, Barclays, Huntington, ING, U.S. Bank, RBC and First Citizens	Bank	**$150 Million**	Cleveland-Cliffs, the largest flat-rolled steel producer in North America	Steel	Amended and extended asset-based lending credit facility (ABL)
Barclays [Agent], JPMorgan Chase, Bank of America, and Goldman Sachs	Bank	**$225 Million**	ProPetro Holding Corp., an oilfield services company providing premium completions services to leading upstream oil and gas companies engaged in the exploration and production of North American unconventional oil and natural gas resources, Midland, TX	Oil and gas	Expansion and extension of its existing asset-based loan facility to a new five-year term and an expansion of commitments from $150 million to $225 million
BHI	Bank	**$20 Million**	Lendbuzz, a leading AI-based financial technology company that is disrupting the auto lending industry, Boston, MA	FinTech	Credit facility
BHI	Bank	**$29.25 Million**	ZDJ Jamaica LLC, to finance the construction of 138-45 Jamaica Avenue, located in Jamaica, Queens, NY	Construction	Financing
BOK Financial	Bank	**$40 Million**	Kolibri Global Energy Inc.'s indirect wholly owned subsidiary BNK Petroleum (US) Inc.	Energy	Borrowing base increase from $25 million to $40 million
BMO Commercial Banking	Bank	**$10 Million**	Cannara Biotech Inc., a vertically integrated producer of premium-grade cannabis	Cannabis	Consisted of a $5 million increase in its term loan facility and a $5 million increase in its revolving line of credit

Lender/Participant	Lender Type	Amount	Borrower	Industry	Structure
Briar Capital Real Estate Fund	Non-bank	**$4.35 Million**	Contract manufacturer in North Carolina providing utility enclosures/shelters and metal finishings for the automotive and HVAC industries to customers across North America	Manufacturing	Real estate term loan
Briar Capital Real Estate Fund	Non-bank	**$8.95 Million**	Family-owned OEM of drivetrain and powertrain assemblies, Michigan	Manufacturing	Real estate loan
Cadence Bank	Bank	**$10 Million**	Stabilis Solutions, Inc., a vertically integrated energy transition company	Energy	Secured revolving credit facility
California Bank & Trust (CB&T), a division of Zions Bancorporation, CIBC Bank USA, and Manufacturers Bank	Bank	**$100 Million**	Tide Rock's investment vehicle, Tide Rock YieldCo, LLC, an unlevered buyout firm that acquires companies with strong free cash flow and grows them to scale	Finance	Syndicated revolving loan facility
Capital One Bank [Leader Arranger and Administrative Agent]	Bank	**$3 Billion**	EquipmentShare, a nationwide construction solutions provider, Columbia, MO	Construction	Increase to senior secured asset-based revolving credit facility from $2.1 billion
Capital One, National Association	Bank	**$800 Million**	ARKO subsidiary, GPM Petroleum LP	Retail	$300 million revolving credit facility increase
Celtic Capital Corporation	Non-bank	**$616,000**	Precision machine shop using the latest technology to deliver high-value machining, assembly, and brazing services, Massachusetts	Machinery	Equipment loan
Celtic Capital Corporation	Non-bank	**$2.23 Million**	Manufacturer of tortillas, wraps and flat bread, California	Manufacturing	Accounts receivable line of credit and an equipment loan
CIT, a division of First Citizens Bank	Bank	**$40 Million**	J. Jill, Inc., Quincy, MA	Retail	Refinancing of its Asset-Based Revolving Credit Facility (ABL)
CIT Northbridge Credit	Bank	**$40 Million**	Tronair, a leader in the manufacturing of ground support equipment, aftermarket replacement parts and services for the global aviation market	Manufacturing	Credit facility
Citizens [Left Arranger, Lead Bookrunner and Administrative Agent}	Bank	**$750 Million**	Hexcel Corporation, a leading advanced composites company specializing in the development, manufacturing, and marketing of lightweight, high-performance materials, including carbon fibers, Stamford, CT	Advanced composites technology	Senior credit facility
Citizens	Bank	**N/A**	Belknap White Group, one of the largest floor covering distribution companies in the United States, Mansfield, MA	Flooring	Asset-backed credit facility
Commercial Finance Partners (CFP)	Bank	**$15 Million**	To support the acquisition of a metal stamping and plating company, Texas	Industrial	Consisting of a $5,235,000 conventional term loan and $4 million revolving AR line of credit

Lender/Participant	Lender Type	Amount	Borrower	Industry	Structure
Comvest Credit Partners	Non-bank	**$185 Million**	Firebirds Wood Fired Grill, a Charlotte, NC-based restaurant chain operator	Restaurant	Senior secured credit facility
Comvest Credit Partners	Non-bank	**$153 Million**	Oak Dental Partners, an Atlanta, GA-based dental service organization (DSO)	Healthcare	Senior credit facility
Comvest Credit Partners	Non-bank	**$220 Million**	Above Lending, a national provider of consumer loans that has been part of Comvest's Direct Lending portfolio since 2021, Houston, TX	Lending	Senior secured credit facility
Corre Management Partners, LLC	Non-bank	**$57.5 Million**	Team, Inc., a global, leading provider of specialty industrial services offering clients access to a full suite of conventional, specialized, and proprietary mechanical, heat-treating, and inspection services, Sugar Land, TX	Industrial	Senior secured first lien term loan
Decathlon Capital Partners	Non-bank	**$7.5 Million**	Pineapple Energy Inc., a leading provider of solar power	Energy	Debt deal
Deutsche Bank AG New York Branch	Bank	**N/A**	Clear Channel Outdoor Holdings, Inc.	Advertising	Receivables-based credit facility and revolving credit facility
Eastern Bank	Bank	**N/A**	Grace by Nia, a modern-day supper club in Boston's Seaport District	Restaurant	Term loan
Eclipse Business Capital LLC	Non-bank	**$27.4 Million**	Team, Inc., a global, leading provider of specialty industrial services offering clients access to a full suite of conventional, specialized, and proprietary mechanical, heat-treating, and inspection services, Sugar Land, TX	Industrial	Term loan
Entrepreneur Growth Capital LLC	Non-bank	**$1 Million**	Wholesale distributor of horticultural products	Horticulture	Asset-based facility
Export Development Canada, ING Capital LLC and Société Generale S.A. [Mandated Lead Arrangers]	Bank	**$400 Million**	Generation Mining Limited, Toronto, Canada	Mining	Senior debt facility
FirstBank	Bank	**$25 Million**	UMH Properties, Inc.	Real estate	Term loan
First Citizens Bank	Bank	**$30 Million**	To refinance the Amavida Living Community, Fort Myers, FL	Real estate	Financing
First Citizens Bank	Bank	**N/A**	Signature Brands, a leading provider of dessert decoration and seasonal celebration products under beloved household brands such as Betty Crocker, Cake Mate, Brand Castle, PAAS, Pumpkin Masters, and GiftPop, Ocala, FL	Consumer products	Revolving credit facility
Flatbay Capital	Non-bank	**$2.2 Million**	Central Texas-based automotive organization	Automotive	Commercial real estate loan
Fortress Investment Group affiliates	Non-bank	**$25 Million**	Airspan Networks Holdings Inc. a provider of ground-breaking, disruptive software and hardware for 5G networks and a pioneer in end-to-end Open RAN solutions	Software	Delayed draw term loan

Lender/Participant	Lender Type	Amount	Borrower	Industry	Structure
Franklin Capital	Non-bank	**$1 Million**	UK headquartered construction consultant	Construction	Factoring facility
Gateway Trade Funding	Non-bank	**$600,000**	Manufacturing and source packaging company	Manufacturing	Stretch finance facility
Gateway Trade Funding	Non-bank	**$1.5 Million**	Maintenance, fabrication, engineering and construction company	Construction	Stretch finance facility
Gateway Trade Funding	Non-bank	**$10,000**	Beverage company	Beverage	Stretch finance facility
Gateway Trade Funding	Non-bank	**$675,000**	Computer networking center	Technology	Stretch finance facility
Gateway Trade Funding	Non-bank	**$200,000**	Solar roofing company	Roofing	Stretch finance facility
Gateway Trade Funding	Non-bank	**$90,000**	Federal HVAC project	HVAC	Stretch finance facility
Goldman Sachs	Bank	**$150 Million**	MPOWER Financing, a mission-driven fintech firm and a leading provider of non-cosigned loans to promising students from around the world	FinTech	Revolving asset-backed warehouse facility
Growth Lending	Non-bank	**$2.5 Million**	Manufacturer of baby blankets and swaddling products	Manufacturing	Working capital facility
Horizon Technology Finance Corporation	Non-bank	**$20 Million**	Viken Detection Corp., a provider of enabling security imaging and material identification solutions that help law enforcement and safety inspection professionals keep the public safe from drug trafficking, counterterrorism, human trafficking and other hazardous threats	Security	Venture loan facility
Iron Horse Credit	Non-bank	**$1 Million**	Marble and granite slab distributor, Georgia	Stone	Stand-alone inventory revolving line of credit
J D Factors	Non-bank	**$250,000**	Staffing company, California	Staffing	Factoring facility
J D Factors	Non-bank	**$15 Million**	Utility restoration company, Louisiana	Utility restoration	Factoring facility
J D Factors	Non-bank	**$300,000**	Transportation company, Maryland	Transportation	Factoring facility
J D Factors	Non-bank	**$500,000**	Manufacturing company, Ontario	Manufacturing	Factoring facility
J D Factors	Non-bank	**$400,000**	Electrical systems installation company, California	Industrial	Factoring facility
J D Factors	Non-bank	**$250,000**	Transportation company, Manitoba	Transportation	Factoring facility
J D Factors	Non-bank	**$250,000**	Fiberoptic installation company, North Carolina	Technology	Factoring facility
J D Factors	Non-bank	**$1.5 Million**	Transportation company, Illinois	Transportation	Factoring facility
JPMorgan Chase	Bank	**$75 Million**	Daktronics, the world's largest supplier of, large-screen video displays, electronic scoreboards, LED text and graphics displays, and related control systems	Electronics	Three-year senior secured credit facility
J.P. Morgan and Wells Fargo Bank [Joint Lead Arrangers]	Bank	**$475 Million**	Golden West Food Group Inc., a manufacturer and distributor of premium food products	Manufacturing	Refinancing comprised of a $355 million revolving credit facility, a $45 million term loan and a $75 million accordion

Lender/Participant	Lender Type	Amount	Borrower	Industry	Structure
JP Morgan Chase Bank, N.A. [Lead Arranger and Administrative Agent], Bank of America, Citigroup, Goldman Sachs, U.S. Bank, Credit Suisse, and Northern Trust	Bank	**$150 Million**	Getty Images Holdings, Inc. a preeminent global visual content creator and marketplace	Media	Upsized five-year revolving credit facility
J.P. Morgan and Barclays	Bank	**$55 Million**	wefox, the Berlin-based insurtech	Technology	Credit facility
J.P. Morgan [Administrative Agent and Joint Lead Arranger], BofA Securities, Inc., Barclays Bank PLC, Truist Securities, Inc. and HSBC Securities (USA) Inc. [Joint Lead Arrangers]	Bank	**$350 Million**	TTM Technologies, Inc., a leading global manufacturer of technology solutions including mission systems, radio frequency components and RF microwave/microelectronic assemblies	Manufacturing	New term loan facility
JPMorgan Chase Bank, N.A. [Administrative Agent, Sustainability Structuring Agent, Lead Arranger and Bookrunner], Bank of America, N.A., Barclays Bank PLC, Citibank, N.A., Morgan Stanley Bank, N.A., RBC Capital Markets, Sumitomo Mitsui Banking Corporation and Wells Fargo Bank, N.A. [Documentation Agents]	Bank	**$840 Million**	HASI, a leading climate positive investment firm that actively partners with clients to deploy real assets that facilitate the energy transition	Energy	Amended revolving credit facility
KeyBank National Association [Administrative Agent and Lender], BMO Harris Bank N.A. and Regions Bank [Joint Lead Arrangers and Lenders], Bank of America, N.A. and Credit Agricole Corporate and Investment Bank [Documentation Agents and Lenders] and Raymond James Bank and Associated Bank, N.A. [Lenders]	Bank	**$400 Million**	Physicians Realty Trust, a self-managed health care real estate company	Real estate	Five-year term loan
KeyBank Community Development Financial Institutions (CDFI) Group	Bank	**$20 Million**	Lendistry Core SPV I, LLC a newly formed Special Purpose Entity (SPE) established by B.S.D. Capital, Inc. dba Lendistry (Lendistry), a minority-led fintech that provides innovative lending products and access to grant programs for small businesses nationwide	Finance	Line of credit (LOC)
KeyBank National Association	Bank	**$450 Million**	Great Rock Capital, an asset-focused commercial finance company specializing in middle market lending	Commercial lending	Leverage facility
LO3 Capital	Non-bank	**N/A**	To support the Santmyer Companies, Inc.'s, a leading full-service petroleum marketer in northeast and central Ohio, Wooster, OH, acquisition of Cole Distributing, Inc.	Petroleum	Senior subordinated debt investment

Lender/Participant	Lender Type	Amount	Borrower	Industry	Structure
LSQ	Non-bank	**$7.5 Million**	Telecom field services firm, Florida	Telecommunications	Credit facility
Main Street Bank	Bank	**$750,000**	Precision Optics Corporation, Inc. a leading designer and manufacturer of advanced optical instruments for the medical and defense, industries	Manufacturing	Term
MidCap Business Credit	Non-bank	**$6.5 Million**	New England-based distributor of licensed pharmaceutical products	Pharmaceutical	Asset-based credit facility
MidCap Financial	Non-bank	**N/A**	SCCI National Holdings, Inc. (Shimmick), a market leader in heavy civil infrastructure, focusing on water, transportation, and transit projects	Construction	Senior revolving credit facility
MidCap Financial	Non-bank	**$20 Million**	ABD Group Inc. (Village Fertility Pharmacy), a leading independent provider of women's fertility services and drugs, servicing all 50 states in the United States	Healthcare	Senior revolving credit facility
MidCap Financial	Non-bank	**$325 Million**	Revlon Intermediate Holdings IV LLC, a leading global beauty company dealing in cosmetics, skin care, fragrance, and personal care	Beauty and cosmetics	Senior revolving credit facility
Mountain Ridge Capital	Non-bank	**$6 Million**	Southeast commercial bakery operation	Bakery	Credit facility, consisting of a $3 million revolving line of credit and a $3 million term loan
MUFG Bank, Ltd. and Natixis, New York Branch [Joint Lead Arrangers and Joint Bookrunners]	Bank	**$2.5 Billion**	Freepoint Commodities LLC, a global commodities merchant of physical commodities providing customers with physical supply and logistics chain management and services, together with eco-friendly products and solutions	Logistics	Facility consists of a $1.5 billion three-year committed tranche and a $1 Billion one-year uncommitted tranche. Additionally, the Facility has a $700 million accordion feature
Natixis Corporate & Investment Banking (Natixis CIB)	Bank	**$364 Million**	Portfolio of a solar photovoltaic utility-scale and PMGD plants in Chile, owned and operated by Solek Holding SE	Electricity	Financing
Oaktree Capital Management, L.P.	Non-bank	**$250 Million**	Seres Therapeutics, Inc., a leading microbiome therapeutics company	Biotechnology	Senior secured debt facility
Ocean Bank	Bank	**$10 Million**	Expansion plans of a leading provider of offshore deep-water oil rig repairs	Oil	Factoring facility
Oxford Commercial Finance	Bank	**$2.5 Million**	Yerbaé Brands Corp., a maker of flavored plant-based energy drinks and seltzers	Beverage	Accounts receivable and inventory line of credit

Lender/Participant	Lender Type	Amount	Borrower	Industry	Structure
PNC Bank, National Association [Joint Lead Arranger] and JPMorgan Chase Bank, N.A.	Bank	**$225 Million**	Concrete Pumping Holdings, Inc., a leading provider of concrete pumping and waste management services in the U.S. and U.K.	Concrete	Amended and restated existing ABL credit agreement (to provide up to $225 million (previously $160 million) of commitments and extend the maturity of the ABL Facility to June 1, 2028. The $50 million in incremental commitments was provided by PNC Bank, National Association, who joins the facility as a joint lead arranger, and $15 million in incremental commitments
Pinnacle Capital Finance	Non-bank	**$2 Million**	Central California-based building restoration business	Industrial	AR line of credit
Rabobank [Administrative Agent, Book Runner and Lead Arranger]	Bank	**$110 Million**	ARM Energy Services, LLC (AES), a private energy marketing firm and one of the leading North American physical natural gas marketers, Houston, TX	Energy	Senior secured revolving credit facility
Royal Bank of Canada	Bank	**$125 Million**	Lendbuzz, the AI-based fintech company that is transforming the automotive finance market	FinTech	Credit facility
Royal Bank of Canada, The Toronto-Dominion Bank and Export Development Canada	Bank	**$97.5 Million**	FirstLight Powe, a leading clean power producer, developer, and energy storage company serving North America	Energy	Revolving corporate credit and letters of credit facilities
Sallyport Commercial Finance	Non-bank	**$500,000**	To support an innovative staffing startup in achieving their growth ambitions	Staffing	Accounts receivable financing
Sallyport Commercial Finance	Non-bank	**$250,000**	Growing Canadian B2B tech company	Technology	Accounts receivable finance
Sallyport Commercial Finance	Non-bank	**$250,000**	Growing Canadian B2B tech company	Technology	Accounts receivable finance
Sandton Credit Solutions Master Fund V, LP [Lender], an affiliate of Sandton Capital Partners, L.P.	Non-bank	**$25 Million**	Wildpack Beverage Inc.	Beverage	Non-revolving term credit facility
SG Credit Partners	Non-bank	**N/A**	Patrick Ta Beauty, one of the fastest growing brands of next-generation cosmetics in North America	Cosmetics	Debt facility
SG Credit Partners	Non-bank	**$15 Million**	Emporos, a Pharmacy Commerce System, including a cloud-based Point of Sale (POS), that enables pharmacy access to patients in store, at bedside, at home, and online	Technology	Credit facility

Lender/Participant	Lender Type	Amount	Borrower	Industry	Structure
SG Credit Partners	Non-bank	**N/A**	Bulletproof 360, a coffee and functional nutrition brand	Food	Debt financing
Siena Lending Group LLC	Non-bank	**$35 Million**	Functional footwear and accessory company, Milwaukee, WI	Footwear	Credit facility
SLR Credit Solutions and Wells Fargo	Non-bank and bank	**N/A**	Skullcandy, the original lifestyle audio brand, born in 2003 on a chairlift in Park City, Utah	Audio equipment	Consisting of a secured first lien term loan in concert with a new revolving line of credit
SLR Digital Finance LLC	Non-bank	**$10 Million**	Minority-owned media business	Media	Credit facility
SLR Healthcare ABL	Non-bank	**$8 Million**	Clinical lab	Healthcare	Asset-based revolving line of credit
SLR Healthcare ABL	Non-bank	**$10 Million**	Medical device company	Healthcare	Asset-based revolving line of credit
Stellus Capital Management, LLC and City National Bank	Non-bank and bank	**N/A**	In support of Intuitive Health, a portfolio company of Altamont Capital Partners, on its acquisition of Premier ER & Urgent Care a Texas-based hybrid emergency room (ER) and urgent care (UC) clinic	Healthcare	Senior debt financing
Stellus Capital Management, LLC	Non-bank	**N/A**	Bishop Lifting Products, Inc., a portfolio company of Altamont Capital Partners, on its acquisition of General Work Products, which provides customers with timely and cost-competitive access to safety-critical cordage, rope, and fall protection products	Industrial	Senior debt financing and an equity co-investment
Stellus Capital Management, LLC [Administrative Agent]	Non-bank	**N/A**	In support of Eagle Merchant Partners' acquisition of Impact Home Services, LLC, an independent owner and operator of franchises within Neighborly, the world's largest home services company	Home services	Senior debt financing
Stellus Capital Management, LLC	Bank	**N/A**	To support the acquisition of Pink Buckle and Ruby Buckle ("P&R"), a series of prestigious barrel racing competitions, by Equine Network, LLC, a portfolio company of Growth Catalyst Partners	Equine	Senior debt financing
TAB Bank	Bank	**$2 Million**	Geoscience company in Alaska	Environmental services	Asset-based credit facility
Texas Capital Bank	Bank	**$125 Million**	National Partners in Healthcare (NPH), a national healthcare organization delivering best-in-class anesthesiology services and a portfolio company of Assured Healthcare Partners	Healthcare	Senior secured debt facility to support Medstream Anesthesia Solutions' joining NPH
Texas Capital Bank	Bank	**$195 Million**	Wingspire Equipment Finance, a leading provider of equipment finance solutions	Equipment finance	Credit facility
Third Eye Capital Corporation	Non-bank	**$20 Million**	PesoRama, operating under the JOi Dollar Plus brand, is a Mexican value dollar store retailer	Retail	Senior secured credit facility
Transformation Capital and Oxford Finance LLC	Non-bank	**$80 Million**	Amino Health, the leading digital healthcare guidance company	Healthcare	Equity and debt financing

Lender/Participant	Lender Type	Amount	Borrower	Industry	Structure
Truist Securities [Administrative Agent], Goldman Sachs, Morgan Stanley, RBC Bank, Raymond James, Key Bank, TBK Bank, Citizens Bank	Bank	**$500 Million**	RecNation Storage, a leading owner, operator and developer of specialized recreational vehicle and marine storage facilities	Marine	Amended and upsized its revolving credit facility
Victory Park Capital	Non-bank	**$100 Million**	Habi, a leading residential real estate company in Spanish-speaking Latin America on a mission to unlock access to liquidity and information for Latin American families	Technology	Credit facility
Wells Fargo Bank, N.A.	Bank	**$225 Million**	Ranger Energy Services, Inc. a leading provider of well service rigs and associated services to the oil and gas industry	Oil and gas	Asset-based lending facility that includes $75 million of committed liquidity and features an accordion that allows for potential expansion up to $150 million to support future growth opportunities
Wells Fargo Bank, National Association	Bank	**$850 Million**	Merit Medical Systems, Inc., a leading global manufacturer and marketer of healthcare technology	Technology	Consisting of a revolving credit facility in an aggregate principal amount of up to $700 million and a term loan facility in an aggregate principal amount of up to $150 million
White Oak ABL, LLC and White Oak Commercial Finance, LLC	Non-bank	**$103 Million**	Orion Group Holdings, Inc. a leading specialty construction company	Construction	Senior secured asset-based credit facility consisting of a $65 million asset-based revolving credit facility and a $38 million fixed asset term loan
White Oak ABL and White Oak Commercial Finance	Non-bank	**$67 Million**	Leading manufacturer of healthcare and food safety products	Manufacturing	ABL credit facility consisting of a $55 million revolving credit facility and a $12 million fixed asset term loan
Wingspire Capital LLC	Non-bank	**$30 Million**	GTT Communications (GTT), a global provider of managed secure networking services for large enterprise and carrier clients	Security	Senior secured credit facility

Profiles of SFNet Members Who Are *Putting Capital to Work*

On the following pages, we highlight secured lenders who deploy capital to small-to-medium-to-large businesses that fuels growth in the greater economy. Their businesses make up part of the $4.9 trillion in yearly lending volume that is the secured finance ecosystem: the industry that deploys capital that powers the greater U.S. economy and keeps its engines of commerce running.

In the following section, we break out key dimensions of growth in our industry within product segments and peer groups by company. We have highlighted the intrepid lenders who are profiled by relevant statistics, such as growth trends, industry and product focus and deal characteristics. They comprise secured finance firms who provide asset-based and factoring capital to U.S. businesses and have highlighted the industry they support and submitted details on their loan performances to attract relevant borrowers who need capital to run their business.

To that end, SFNet is partnering with trade associations representing lenders' prospective clients who may not be familiar with the opportunities our members can offer. This includes speaking at the International Housewares Association CHESS conference in October. In addition, *The Secured Lender* will expand its marketing outreach to industry verticals from retailers, to wholesalers, to manufacturers and more.

As part of our awareness campaign, we will not only highlight the lenders on the following pages, but also educate borrowers on the benefits of using our form of credit and capital to support the broader economy (see primers on ABL and factoring on pages 48 and 52). These forms of credit include:

Asset-based loans, which have the following attributes:

a) the loan is collateralized by a first priority lien on the borrower's assets;
b) the requirement of a borrowing base, which is reported to the lender monthly or more frequently as needed and is the basis of all advances to borrowers;
c) collateral monitoring through periodic field exams and appraisals; and
d) dominion and control over cash accounts held by the lender.

In addition, ABL includes:

a) loans for which the participating organization was the sole lender;
b) the share of loans for which the participating organization was an originator, but not the sole lender; and
c) loan participations/syndications bought (i.e., the participating organization was not an originator)
d) lender finance transactions

Factoring, which provides cash advances to a client against their accounts receivable. The types of factoring include:

a) recourse and non-recourse
b) notification or non-notification basis.
c) U.S. based and international

Key factoring terms include:

Net Funds Employed:

The balance of outstanding advances on a client's accounts at a given time. Equal to the total of the purchase price of purchased accounts less the amount of the reserve account.

Factoring Volume:

The total face value of the accounts receivable purchased from clients in a given period of time.

The data provided in this issue is directional, but not comprehensive. In addition to the representative subset of companies providing data for this issue, we have augmented these numbers with context from the updated SFNet Market Sizing and Impact Study (see page 32) and Refinitiv LPC data. These building blocks illustrate the evolving understanding of our marketplace and help to validate our findings. Subsequent Data Issues will serve to further dimension our industry as more organizations join our early adapters in participating in future surveys and the picture becomes more complete.

Together, these data sources paint a picture of a secured finance marketplace that is large, diverse, confident, growing and fulfilling its essential purpose of putting capital to work.

Axiom Bank
The Future of Better Banking™

MAIN CONTACT:
MICHAEL HADDAD
President Commercial Finance

Tel: 972-330-75765
Email: mhaddad@axiombanking.com

Axiom Commercial Finance is the trusted partner for businesses seeking to fuel their growth and unlock their full potential. With our experience and expertise, we specialize in providing a wide range of financial solutions to businesses nationwide. Whether you require Factoring, Asset Based Lending, or Equipment Finance, we have the right product to meet your specific needs.

Our client-centric approach ensures that we understand your business and tailor our solutions accordingly. We take pride in building strong client relationships based on trust, reliability, and exceptional customer service, resulting in high levels of satisfaction. Our diverse clientele spans across various industries, including lender finance, staffing, energy, services, manufacturing, distribution, transportation, retail, technology, government, and more.

Dallas-based Axiom Commercial Finance, a division of Axiom Bank, N.A. headquartered in Central Florida, is dedicated to serving businesses across the US and Canada. Our target market consists of businesses with revenues ranging from $25MM to $250MM, and financing needs from $1MM to $10MM. Trust Axiom Commercial Finance to be your strategic financial partner and propel your business forward. Experience the difference of our tailored solutions and unlock new levels of growth and success.

Size of Asset-Based Lending, Lender Finance, and Factoring Facilities ($ in milions):

2022
New ABL Originations: **$** *Axiom ABL started in 2023
ABL Commitments: **$** *Axiom ABL started in 2023
Total ABL Outstandings: **$** *Axiom ABL started in 2023
Total Factoring Volume: **$600.00**
Total Factoring Net Funds in Use: **$35.00**

2023* (as of June 30, 2023)
New ABL Originations: **$100.00***
Total ABL Existing Commitments: **232.00**
Total ABL Outstandings: **$127.00** ▲
Total Factoring Volume: **$250.00**
Total Factoring Net Funds in Use: **25.00**

*2023 mid-year only

Types of financing: All facets of Asset Based Lending & Factoring
Industry specialties: Staffing, Lender Finance, P.O, Capital and M&A for just about any industry
Geographical locations serviced: New England and New York
Geographical locations serviced: Nationwide and Canada
Headquartered in: Dallas, TX

csb Cambridge
SAVINGS BANK

MAIN CONTACT:
KEITH BROYLES
Head of Asset-Based Lending

Tel: 617-441-4235
Email: kbroyles@cambridgesavings.com

Cambridge Savings Bank is a full-service banking institution with over $6 billion in assets. As a mutual bank, CSB is committed to improving the quality of life of our employees, customers, and the communities we serve. One of the oldest and largest community banks in Massachusetts, Cambridge Savings Bank offers a full line of individual and business banking services across a robust Massachusetts-based branch network and through digital banking solutions for commercial, small business and consumer customers.

CSB's Asset-Based Lending product works well for asset-rich companies who may be transitioning due to acquisitions, growth periods during restructuring, or recapitalization processes. Asset-based financing is traditionally structured as a revolving line of credit and may include a term loan depending on the borrower's needs. Our loans range in size from $3 million to $30 million for businesses and strategic partners located in the Northeast. We offer a full complement of Corporate Banking, Lending, Cash Management, and Trade Services solutions that are customized to meet unique business needs—today and in the future. The Asset-Based Lending team at Cambridge Savings Bank has more than 135 years of combined experience, and are empowered to find creative solutions and make quick decisions to do whatever it takes to help businesses succeed.

To learn more, visit us at www.cambridgesavings.com/abl. Member FDIC.

Size of Asset-Based Loans ($ in milions):

2021	2022
New Originations: **$95.60**	New Originations: **$125.70** ▲
Total Existing Commitments: **$195.85**	Total Existing Commitments: **$301.04** ▲
Total Outstandings: **$110.50**	Total Outstandings: **$191.11** ▲

Year Over Year % Change:

Total Commitments	**53.71%** ▲
Total Outstandings	**72.95%** ▲
New Originations	**32.32%** ▲

Utilization:

2021	**56.42%**
2022	**63.48%** ▲

Types of financing: Revolving LOC, Term Loans, Commercial RE
Industry specialties: Manufacturing, Distribution/Wholesale, Service Providers, Retail
Geographical locations serviced: New England and New York
Headquartered in: Waltham, MA

CASH FLOW RESOURCES

CFR provides recourse factoring for small to medium sized businesses, primarily in the gulf south region. CFR was founded in 2003 and has remained focused on this market segment. Business volumes during the pandemic dropped dramatically, but have since rebounded. CFR runs a relatively small shop while providing high touch support for its clients.

MAIN CONTACT:
KEVIN LABORDE
President

Tel: 504-522-6065
Email: kevin@cfrnow.com

Size of Factoring Loans ($ in milions):

2021	2022
Total Factoring Volume: **$8.45**	Total Factoring Volume: **$25.10** ▲
Total Factoring Net Funds in Use: **$0.77**	Total Factoring Net Funds in Use: **$2.05** ▲

Year Over Year % Change:

Total Volume	**197.04%** ▲
Total Net Funds in Use	**166.23%** ▲

Types of financing: General Factoring

Industry specialties: Specialty Contracting, Food & Beverage, Labor Providers, Janitorial, Engineering and Business Services

Geographical locations serviced: Gulf South

Headquartered in: New Orleans, LA

Citizens™

- **MAIN CONTACT:**
  BRENT HAZZARD
  Head of Asset-Based Lending

- Tel: 617-994-7473
- Email: brent.hazzard@citizensbank.com

Citizens has a leading ABL group with a network of offices across the US. We offer flexible capital solutions via revolvers and term loans to support working capital, acquisitions and leveraged buy-outs, dividends and recapitalizations, capital expenditures, and growth capital. We have hold levels of $15.0MM to $150.0MM with the ability to underwrite multi-hundred million dollar tickets with our integrated Capital Markets group. Citizens ABL has a commitment to our clients throughout economic and business cycles proven by strong customer retention. Our team consists of experienced and dedicated ABL origination and credit underwriting teams with a consistent and streamlined credit process. Additionally, Citizens offers a knowledgeable Capital Markets team with the ability to structure, execute, and agent larger syndicated loans and global banking capabilities with access to a full suite of products.

Size of Asset-Based Loans ($ in milions):

2021	2022
New Originations: **$1124.00**	New Originations: **$707.10**
Total Existing Commitments: **$6939.60**	Total Existing Commitments: **$6382.99**
Total Outstandings: **$1939.70**	Total Outstandings: **$2214.30**▲

Year Over Year % Change:

Total Commitments	-8.02%
Total Outstandings	14.15% ▲
New Originations	-37.10%

Utilization:

2021	27.95%
2022	34.69% ▲

Types of financing: RLOCs, FILOs, M&E, Real Estate
Industry specialties: Retail
Geographical locations serviced: United States
Headquartered in: Boston, MA

Eastern Bank

MAIN CONTACT:
DONALD B. LEWIS
Senior Vice President, Head of ABL

Tel: 617-910-8305
Email: d.lewis@easternbank.com

Founded in 1818, Boston-based Eastern Bank has more than 120 locations serving communities in eastern Massachusetts, southern and coastal New Hampshire, and Rhode Island. As of March 31, 2023, Eastern Bank had approximately $23 billion in total assets. Eastern provides banking, investment and insurance products and services for consumers and businesses of all sizes, including through its Eastern Wealth Management division and its Eastern Insurance Group LLC subsidiary. Eastern takes pride in its outspoken advocacy and community support that includes $240 million in charitable giving since 1994. An inclusive company, Eastern employs approximately 2,100 deeply committed professionals who value relationships with their customers, colleagues and communities. Join us for good at www.easternbank.com and follow Eastern on Facebook, LinkedIn, Twitter and Instagram. Eastern Bankshares, Inc. (Nasdaq Global Select Market: EBC) is the stock holding company for Eastern Bank. For investor information, visit investor.easternbank.com.

Size of Asset-Based Loans ($ in milions):

2021	2022
New Originations: **$100.40**	New Originations: **$67.50**
Total Existing Commitments: **$363.92**	Total Existing Commitments: **$418.10** ▲
Total Outstandings: **$224.78**	Total Outstandings: **$209.09**

Year Over Year % Change:

Total Commitments	**14.88%** ▲
Total Outstandings	**-6.98%**
New Originations	**-32.77%**

Utilization:

2021	**61.77%**
2022	**50.00%**

Types of financing: Working Capital Revolving Lines of Credit, Equipment Term Loans, Real Estate Term Loans
Geographical Locations Serviced: Sole Lender, Club - Northeast inclusive of NY & NJ.
Headquartered in: Boston, MA

Gordon Brothers

Since 1903, Gordon Brothers has helped lenders, management teams, advisors and investors move forward through change. The firm brings a powerful combination of expertise and capital to clients, developing customized solutions on an integrated or standalone basis across four services areas: valuations, dispositions, financing and investment. Whether to fuel growth or facilitate strategic consolidation, Gordon Brothers partners with companies in the retail, commercial and industrial sectors to provide maximum liquidity, put assets to their highest and best use and mitigate liabilities. The firm conducts more than $100 billion worth of dispositions and appraisals annually and provides both short- and long-term capital to clients undergoing transformation. Gordon Brothers lends against and invests in brands, real estate, inventory, receivables, machinery, equipment and other assets, both together and individually, to provide clients liquidity solutions beyond its market-leading disposition and appraisal services. The firm is headquartered in Boston, with over 30 offices across five continents.

MAIN CONTACT:
KYLE C. SHONAK
Senior Managing Director, Transaction Team & Head of North America Lending

Tel: 617-275-9950
Email: kshonak@gordonbrothers.com

Size of Asset-Based Loans ($ in milions):

2021	
New Originations:	**$140.20**
Total Existing Commitments:	**$97.50**
Total Outstandings:	**$97.50**

2022	
New Originations:	**$166.50**
Total Existing Commitments:	**$170.40** ▲
Total Outstandings:	**$170.40**

Year Over Year % Change:

New Originations	**18.75%** ▲

Utilization:

2021	**100.00%**
2022	**100.00%**

Types of financing: Senior and Junior Secured Asset-Based Lending; Secured, Hybrid and Stretch-Secured, Term Loans, Delayed Draw Term Loans, Bridge Financing, DIP Financing and Select Revolver-Like Structures.

Industry specialties: Inventory, Brands, Machinery & Equipment, Real Estate, Leaseholds, Furniture, Fixtures & Equipment and Accounts Receivable.

Geographical Locations Serviced: Global reach spanning North America, Europe, Australia and other select countries.

Headquartered in: Boston, MA

PASADENA PRIVATE LENDING

Pasadena Private Lending specializes in financing businesses owned by previously successful and thus, wealthy families. We bridge the gap between banks that often turn down borrowers with "a story" and hard money lenders with their very high rates. We finance businesses that have solid cash flow stories, reasonable asset collateral and strong personal guarantees from the owners. We make $1-10MM senior only, floating rate loans with maximum 5-year maturites but often with 10-year amortization schedules (i.e. having a balloon payment at maturity.) In lieu of full-control ABL structures, we often require guarantees that are several multiples of the amount borrowed allowing us to be more creative in addressing credit requests. See our website, www.pasadenaprivatelending.com.

MAIN CONTACT:
MICHAEL MCADAMS
CEO

Tel: 213-308-5150
Email: mmcadams@pasadena-private.com

Size of Asset-Based Loans ($ in milions):

2021	2022
New Originations: **$20**	New Originations: **$35** ▲
Total Existing Commitments: **$40**	Total Existing Commitments: **$95** ▲
Total Outstandings: **$35**	Total Outstandings: **$85** ▲

Year Over Year % Change:

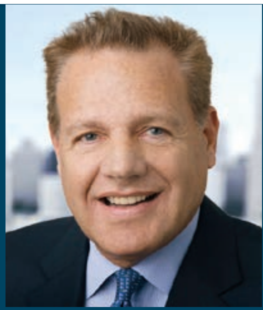
Total Commitments	**137.50%** ▲
Total Outstandings	**142.85%** ▲
New Originations	**75.00%** ▲

Utilization:

2021	**87.50%**
2022	**89.47%** ▲

Types of financing: Cash Flow and ABL for Acquisitions, Expansion, Partner Buyouts, Dividends and Other Purposes.
Industry specialties: Industry specialties: All but Crypto, Cannabis, Raw Land and Real Estate Construction.
Geographical locations serviced: National
Headquartered in: Pasadena, CA

WHITE OAK
COMMERCIAL FINANCE



NEW YORK:
ROBERT P. GRBIC
President & CEO
Tel: 212-887-7902
Email: rgrbic@whiteoakcf.com

CHARLOTTE:
TOM OTTE
Chairman
Tel: 917-922-6840
Email: totte@whiteoakabl.com

ATLANTA:
ANDY MCGHEE
Vice Chairman
Tel: 678-429-7141
Email: amcghee@whiteoakcf.com

White Oak Commercial Finance, LLC is a global financial products and services company providing credit facilities to companies at every stage of their growth. WOCF's solutions include asset-based lending, full-service factoring, lender financing, invoice discounting, government contract financing, account receivables management and credit and collections support. The firm has offices and personnel throughout the US, including New York, Los Angeles, Charlotte, Washington DC, and Florida. WOCF is an affiliate of White Oak Global Advisors, LLC and its institutional clients. More information can be found at www.whiteoaksf.com/commercialfinance.

Size of Asset-Based Lending, Lender Finance, and Factoring Facilities ($ in milions):

2021	2022
New ABL Originations: **$168.80**	New ABL Originations: **$180.40** ▲
Total ABL Existing Commitments: **$588.60**	Total ABL Existing Commitments: **$637.30** ▲
Total ABL Outstandings: **$344.30**	Total ABL Outstandings: **$363.80** ▲
Total Factoring Volume: **$3,367.21**	Total Factoring Volume: **$3,303.10**
Total Factoring Net Funds in Use: **$438.3**	Total Factoring Net Funds in Use: **$378.9**

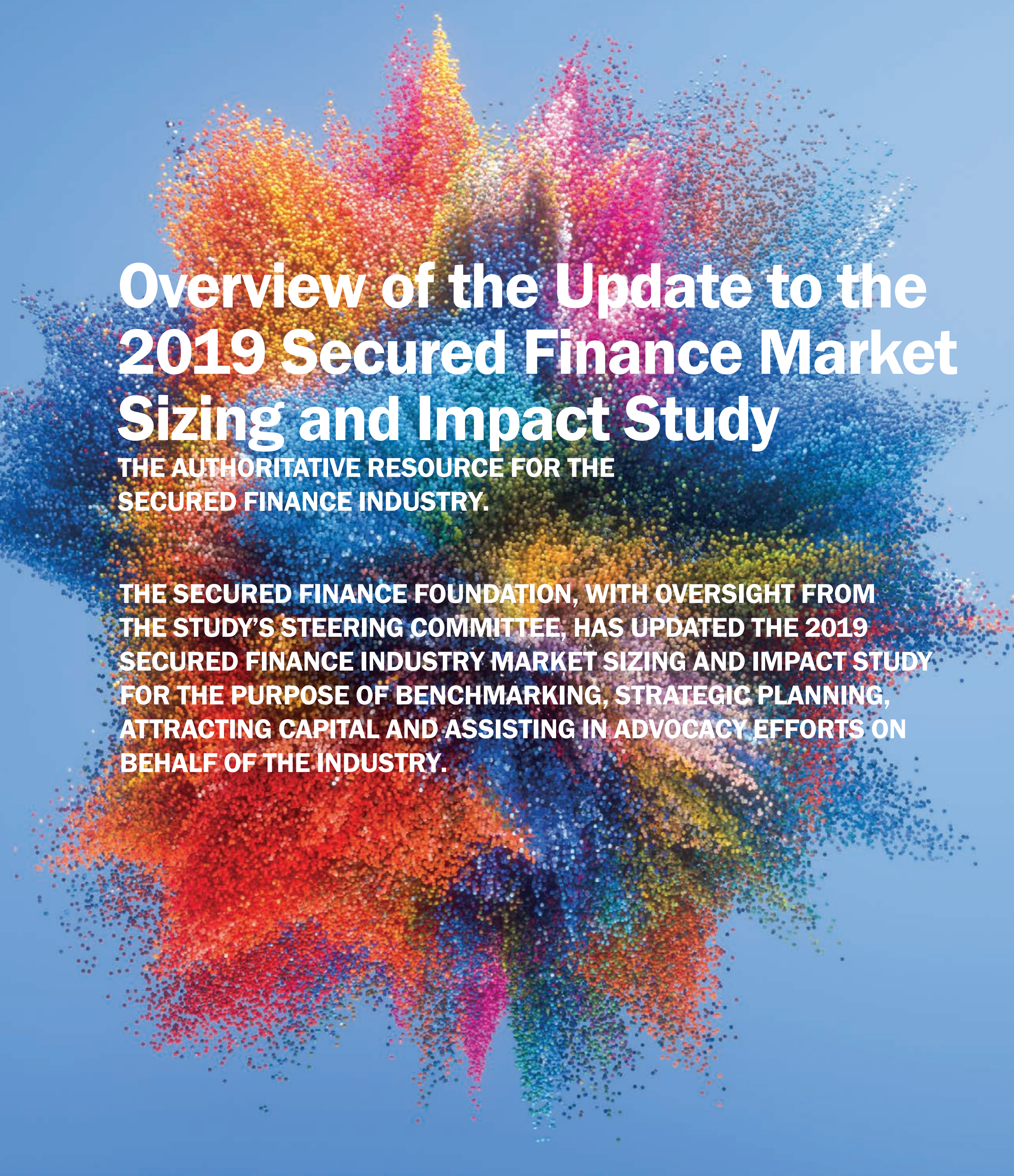
Year Over Year % Change:

Total ABL Commitments	8.27% ▲
Total ABL Oustandings	5.66% ▲
New ABL Originations	6.87% ▲

ABL Utilization:

2021	58.49%
2022	57.08%

Types of financing: Asset-Based Revolvers, Factoring, Lender Finance **Industry specialties:** Apparel, Accessories, Manufacturing, Oil and Gas, Various. **Geographical locations serviced:** United States **Headquartered in:** New York, NY



Overview of the Update to the 2019 Secured Finance Market Sizing and Impact Study

THE AUTHORITATIVE RESOURCE FOR THE SECURED FINANCE INDUSTRY.

THE SECURED FINANCE FOUNDATION, WITH OVERSIGHT FROM THE STUDY'S STEERING COMMITTEE, HAS UPDATED THE 2019 SECURED FINANCE INDUSTRY MARKET SIZING AND IMPACT STUDY FOR THE PURPOSE OF BENCHMARKING, STRATEGIC PLANNING, ATTRACTING CAPITAL AND ASSISTING IN ADVOCACY EFFORTS ON BEHALF OF THE INDUSTRY.

The Secured Finance Network refreshed the 2019 Secured Finance Market Sizing and Impact Study, its comprehensive assessment of the secured finance ecosystem and its impact on the U.S. economy, in May 2023. SFNet is the global network of lenders, finance companies, service providers and related parties who, together, deploy the capital that fuels our nations' economies whose purpose is to shape a dynamic and inclusive system of interconnected and indispensable relationships, resources and ideas as the essential community of organizations and professionals who deliver secured financing to businesses.

The Secured Finance Market Sizing and Impact Study is an essential resource made possible by a grant from the Secured Finance Foundation, a nonprofit affiliate of SFNet dedicated to the betterment of the secured finance community through information, education, and development of its next generation of leaders.

Part primer, part data compilation and part analytical assessment, the Study provides the reader with a view into the highly interconnected components of the secured finance network and their collective impact on capital deployment and economic development. The findings dimension an industry that is far-reaching, influential, and thriving, and one that presents significant growth opportunities for its participants to expand their served and available markets.

KEY MARKET THEMES

Drivers of U.S. secured finance market growth

- Sector-specific economic expansion
- Elevated interest rates and recessionary pressures drive cyclical asset rotation
- Banking sector related credit tightening may increase growth of non-bank lenders
- Credit conditions within historical norms
- Innovative usage of data and technology by both banks and non-banks
- Persistently high inflation and corresponding interest rates
- Continued growth of private credit

Risks in the next three to five years

- Prolonged slow growth or recession
- Persistently high interest rates resulting from a continuation or return of high inflation
- Sub-scale players being squeezed by growth of private credit
- Pressure on mid-sized banks from increased regulation

Top trends in U.S. secured finance market

- Widening product variations – particularly in supply chain finance
- Wider understanding and applications of factoring, ABL and supply chain finance
- Smart contracts and AI enabled transaction activity
- Higher need for regulatory-driven reporting
- Private credit gaining share of the broadly syndicated market

Regulatory framework expectations over the coming three to five years

- Focus on enforcement controls, quality of deposits and liquidity
- Increased pressure for licensing, disclosures and other controls on non-banks
- Moral hazard risks mitigate scope of potential policy actions

Overview: Study objectives

The Secured Finance Market Sizing and Impact Study is SFNet's most comprehensive estimate of secured financing volumes to commercial enterprises in the U.S. The Study aids financing principals (lenders), borrowers (debtors), financing service providers, investors, researchers, analysts and regulators. The objectives of the Study include:

a) Providing sizes of U.S. secured lending markets for commercial enterprises for benchmarking and attracting capital; while helping readers understand market changes, drivers of change, dynamics and economic impacts;

b) Highlighting nuanced and difficult to quantify aspects of the secured finance ecosystem that may be unseen in higher frequency (quarterly and annual) market reviews and,

c) Serving as a primer for those who may be entering the secured finance arena and want to learn its terminology and intricacies.

Scope: Seven financing types

Secured financing is a large and vibrant portion of the overall lending market, providing necessary financing to over one million US commercial entities ranging from small businesses to large corporate enterprises.

Unlike unsecured financing, secured financing universally involves a security interest (a lien) on a debtor's assets. Such assets commonly include one or more of: accounts receivable, inventory, equipment, purchase orders, fixed assets, or intangibles. The Study covers seven major financing types: asset-based lending (ABL), factoring, supply chain finance, equipment finance and leasing, leveraged lending, cash flow lending and asset-backed securitization. Few, if any, reports attempt to cover such a wide swath of the commercial finance market.

Approach

The Study's sections on ABL, factoring and supply chain finance were sized based on SFNet's market analysis, utilizing leading providers of market coverage (Refinitv and S&P Capital IQ Pro), surveys conducted by Keybridge, a Washington, D.C.-based macroeconomic and policy research firm, and consultation with leaders in the secured finance field.

For the areas of equipment finance and leasing, leveraged lending, cash flow lending and asset-backed securitization, market analysis of available data was used to provide broad views and aid readers in gaining perspectives of these forms of secured finance.

Summary dimensions of the secured finance market

Exhibits 1 and 1a (following pages) summarize this Study's estimates of secured financing volumes for 2022, the 2022 growth rates of these volumes and amounts outstanding as of year-end (YE) 2022. The volume of transaction flow across each category tallies to nearly $4.9 trillion, which means the business of secured finance underpins, either directly or indirectly, over one-fifth of the transaction volumes that make up the $23 trillion in US gross domestic product (GDP).

Exhibit 1: Secured finance market sizing:

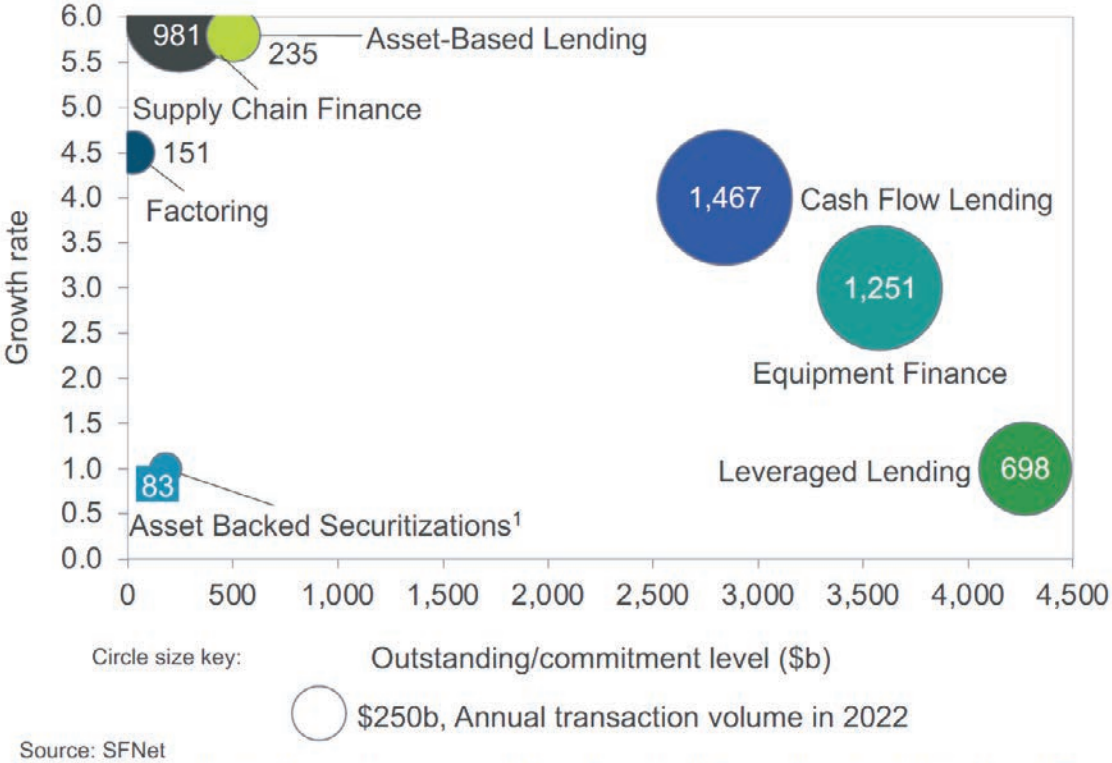
U.S. secured finance market dimensions for commercial-focused borrowings

Secured finance segment	2022 annual transaction volumes ($b)	Description	2022 levels[1] ($b)	Measured amount
Asset-based lending (ABL)	$253	Structured, mostly revolving loans on eligible receivables and inventory	$502	Revolving and term commitments
Factoring	151	Purchases of receivables	25	Net funds outstanding
Supply chain finance (SCF)	981	Arrangements commonly led by buyers for providing payment flexibility to suppliers	245	Net funds outstanding
Equipment finance and leasing	1,251	Loans and leases secured by equipment	3,578	Loans, leases and lines of credit
Leveraged lending	698	Loans to borrowers with generally higher risks, where debt service and repayment are earnings-based	4,271	Funded loans
Cash-flow lending	1,467	Predominantly revolving loans, limited security terms and generally to investment-grade borrowers	2,840	Revolving and term commitments
Asset backed securitizations (ABS) of commercial loans[2]	83	Securities sold in tranches by credit strength, collateralized by commercial loan assets	180	Asset-back securitizations
Totals	**$4,866**		**$11,642**	

Source: SFNet. All levels are estimates and include contributions from non-bank and private credit sources.
1 – Includes undrawn commitments.
2 – Includes only securitizations backed by commercial loans. Excludes CLOs, credit card and student loan ABS.

Exhibit 1a: U.S. secured finance market: $4,866b of transaction volume circles:

2022 transaction volume ($b) X-axis: total outstanding ($b) Y-axis: near-term growth estimate (%)



Source: SFNet
1 – Includes securitizations backed by commercial loans. Excludes CLOs, credit card and student loan ABS.

Secured finance is a vast market

Secured financings provide cash and liquidity to over one million U.S. commercial entities, ranging from single-employee firms to large corporate and public enterprises. Roughly one-third of the approximately 4.6 million firms in the US with at least two employees utilize secured financing. The benefits affect not only the enterprises, but their employees, customers, communities and the overall economy. Persons directly employed in either providing or supporting secured financing activity is around 60,000.

Secured finance contributes to confidence in the financial system

The current banking sector stresses occurring at the time of publication are reminders of the role that confidence plays in the financial system. Secured finance cannot solve the current banking strain, but it's linkage to legally binding agreements makes it one of the safer forms of lending. Since the Great Financial Crisis, credit conditions have healed, been tested, and could be materially tested again . Secured finance will have an essential role in continuing to deploy capital while containing potential losses.

Secured finance drives productivity for large and small borrowers alike

Secured finance plays an especially important role when either the confidence in a borrower is low or other factors leave the borrower with little to show for credit strength. Small companies especially may benefit from secured lending. The expectation of structuring a credit agreement inherent to secured finance provides room for terms that instill both discipline and flexibility for borrowers.

Interreelatedness fuels solutions that evolve with the borrower

The Study demonstrates one overarching characteristic of secured financing activity is interrelatedness, with products and structures that may be complementary, interchangeable or transitional depending on borrower profile and stage of life cycle.

This is important because it underpins the options that are available to borrowers in choosing the most appropriate, or most cost-efficient, financing solution. It also provides the opportunities for lenders to grow and expand.

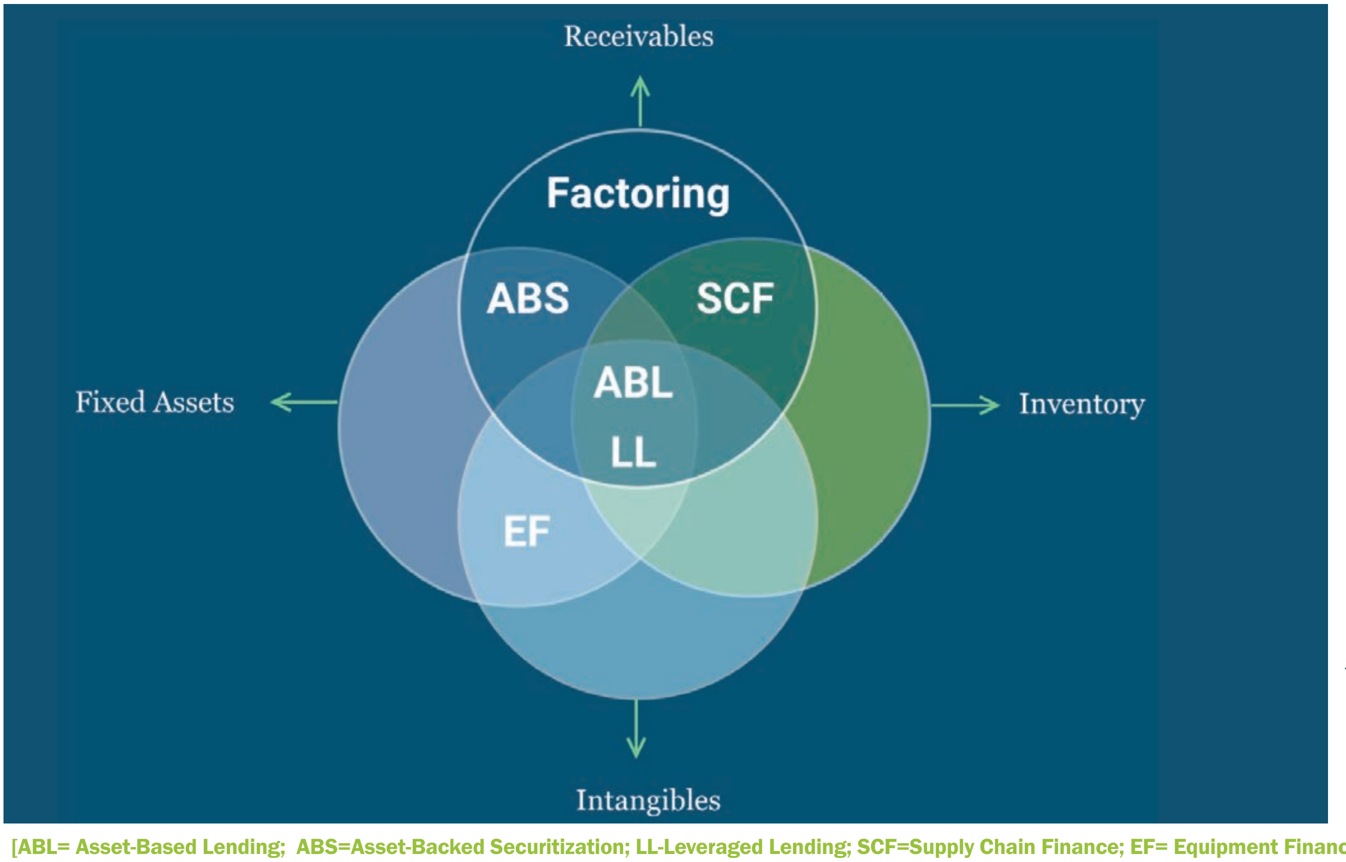
For firms offering secured financings, understanding interrelationships can be critical to their marketing efforts and may translate to greater wallet share of the customer's financing needs. As an example, a lender may bundle an equipment lease with an ABL facility where the ability to take cash dominion reduces the lender's overall risk.

Interrelationships occur between collateral forms, product types (see Exhibit 2) and contractual terms. Products may be combined in bespoke solutions throughout the capital stack. Interrelationships also occur between financing and service providers, who can be the drivers behind a single borrower utilizing several financing forms and multiple lenders. Borrowers can grow into different or more advanced product types, or shrink and fall back on financing forms better suited for smaller or weaker borrowers. As discussed in the report, supply chain finance is probably the best example of complex interrelationships.

In order to access your full copy of the the 2023 Secured Finance Market Sizing and Impact Study please visit: https://www.sfnet.com/home/industry-data-publications/industry-insights-trends/market-sizing-impact-study.

Exhibit 2: Interrelationships in secured finance

Collateral & Product Overlaps in the Secured Finance Universe



[ABL= Asset-Based Lending; ABS=Asset-Backed Securitization; LL-Leveraged Lending; SCF=Supply Chain Finance; EF= Equipment Finance]

DATA &
INSIGHTS

SFNet Market Pulse

2023 Q2

The SFNet Market Pulse is an economic report that highlights emerging macroeconomic trends likely to affect secured finance and asset-based lending over the near term. The report, underwritten by a grant from the Secured Finance Foundation, is designed to help lenders stay up-to-date on the most important macro-level economic and policy trends driving commercial credit demand, credit supply, portfolio performance, and financial stress. The SFNet Market Pulse is produced by Keybridge, a boutique economic research consultancy comprised of economists and public policy experts based in Washington, D.C.

The U.S. economy recorded a third consecutive quarter of GDP growth heading into spring 2023. Businesses are still adding jobs and consumers keep spending. Inflation, however, is well above the Fed's 2% target and price increases in the services sector remain a challenge. As a result, the Fed's job may not be over, even as high interest rates have contributed to slowdowns in rate-sensitive sectors and the global economy begins to weaken. Instability in the financial sector has prompted tighter lending standards, while demand for credit has also softened. The 2023 Q1 SFNet Survey finds that lenders have a mixed outlook for the industry (see below). On one hand, mounting economic headwinds and declining portfolio performance are reasons for pessimism. On the other, secured finance is an "all-weather" industry, performing well during periods of economic turbulence, and lenders expect demand for secured lending to remain solid.

50.3 ▼-5.3

2023 Q1 SFNet Composite Confidence Index

Overall Score

Expectations over the next 3 months*

Responses are converted to a 100-point scale where a "0" indicates a decrease/decline, a "50" indicates that things are expected to stay the same, and a "100" indicates an increase/improvement.

U.S. ECONOMIC OUTLOOK

Economy Expands, Even as Economic Stress Starts to Build

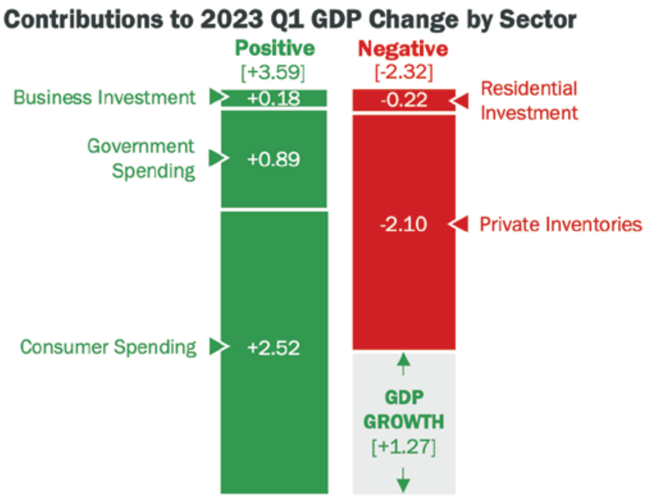
The U.S. economy started 2023 on a positive note, with GDP expanding by 1.3% in Q1. A historically tight labor market has been a driving force behind the growth, as businesses have kept adding to payrolls and unemployment has held at a historically low level. Buoyed by solid job prospects and leftover savings from pandemic-era stimulus checks, consumers so far have demonstrated remarkable resilience in the face of high inflation and rising interest rates. However, there are signs that the economy may soon run out of steam.

Inflation has proven stickier than expected and, its recent pause notwithstanding, the Federal Reserve has indicated that it will continue to raise interest rates until inflation is under control. Meanwhile, households are growing more dependent on credit card debt to support spending and delinquencies are rising for consumers, approaching pre-pandemic levels for some loan categories. The manufacturing sector also has cooled and small businesses are becoming more pessimistic due to inflation worries.

With these storm clouds gathering, the odds that U.S. economy enters a recession are on the rise. Three themes are worth watching over the next six months:.

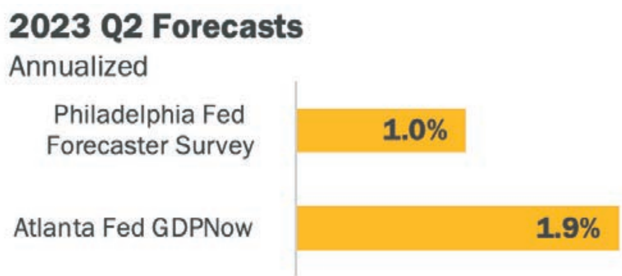
A Look Back: US Q1 2023 Economic Activity

The U.S. economy expanded at a 1.3% annual pace in Q1 2023. Consumer spending drove the growth, but high interest rates caused residential investment and inventory investment to drop. persistent price growth in the services sector. The Fed says it is committed to raising rates further to bring inflation to heel.



Source: Bureau of Economic Analysis

Looking forward: U.S. Real GDP Forecasts



Persistent Inflation. Inflation still exceeds the Fed's target of 2%, with April's headline consumption price deflator rising 4.4% Y/Y. Core inflation has been particularly stubborn due to persistent price growth in the services sector. The Fed says it is committed to raising rates further to bring inflation to heel.

Financial System Instability. Rising interest rates were a key factor in the failures of several regional banks this spring. The financial system has stabilized for now, but banks are tightening lending standards which is likely to constrain access to credit and hamper growth. A tighter lending environment will also force borrowers to consider new lending sources — perhaps creating growth opportunities for secured lenders.

Weakness in the commercial real estate sector is another risk for the financial system, with high interest rates and shifting work patterns challenging the sector. Commercial mortgages comprise over a third of loan holdings at the median U.S. bank, so a significant downturn in commercial real estate could have a negative impact on the financial system.

Recession Risks. Congress managed to avert a global financial catastrophe by lifting the debt ceiling in June, but other economic headwinds are mounting. In addition to slumping manufacturing and small business pessimism, a slowing global economy will pose another headwind by reducing demand for U.S. exports. The upcoming end to the pause on student loan repayments could also exacerbate existing consumer stress and drag on spending.

RECESSION MONITOR

U.S. Avoids Recession For Now

After three consecutive quarters of positive, but slowing economic growth, the U.S. economy appears to be at an inflection point. With the labor market adding over 300,00 jobs a month and solid consumer spending, the U.S. economy is not currently in a recession. But mounting economic headwinds raise the question: is a recession around the corner?

The Business Cycle Dating Committee of the National Bureau of Economic Research (NBER) officially dates recessions by evaluating data on employment, industrial production, real personal income, real consumer spending, and real wholesale and retail sales. Keybridge has developed a monitor to evaluate the likelihood of a near-term recession by assessing a variety of data that align with NBER's recession criteria.

Keybridge's recession monitor features ten industry-relevant indicators that have a reliable record of predicting a recession with varying lead times (see top right). While there is no hard-and-fast rule for identifying the onset of a recession, our research indicates that when half or more of the indicators are in the red, the risk of a recession occurring in the next 6–12 months is high.

As of June, half of the indicators are "red," passing the thresholds that Keybridge consider to be recessionary, while five "green" indicators are currently below their recession thresholds. Notably, the red indicators have the longest lead times for signaling a recession, whereas the green indicators are more short-term. The recession monitor remains on the cusp of "recession warning" territory (see bottom right) – the same position it held in last December's Market Pulse.

The U.S. economy is at a crossroads and developments over the next few months will determine whether the economy continues to muddle along or experiences a recession. Many of the green indicators reflect labor market conditions or consumer spending. So, if the labor market were to cool or consumers began to pull back, the shorter-term indicators could begin to signal that a recession is imminent. Consumer financial stress is another important factor to watch, particularly as the pause on student loan repayments ends in the coming weeks and a sizeable group of consumers face new debt obligations. If financial stress were to continue to rise, consumers may have no choice but to curtail spending. At this point, one small economic shift could be the straw that tips the U.S. economy into recession.

1 Keybridge's Recession Monitor

Indicator readings sorted by typical lead time [1]

Indicator	Lead	Value
Consumer Expectations – Present Situation Index Spread	1–3 years	-77.1
10-year – 2-year Yield Curve	1–2 years	-0.81
NAHB Housing Market Index	6–18 months	-27.5%
Elkhart Indiana Employment	6–12 months	-5.0%
Leading Economic Index[2]	6–12 months	-8.0%
Corporate Profits	2–4 quarters	4.2%
C&I Loan Delinquency Rate	0–3 quarters	-5.0%
Consumer Confidence ÷ Unemployment (UE) Rate	0–6 months	-1.0%
Household Durable Purchasing Sentiment Index[3]	0–3 months	10.5%
Real Manufacturing & Trade Inventories ÷ UE Rate	0–3 Months	6.9%

[1] See Appendix for details on indicator selection and lead times
[2] Conference Board
[3] University of Michigan

2 Critical Mass

Number of recession indicators flashing red

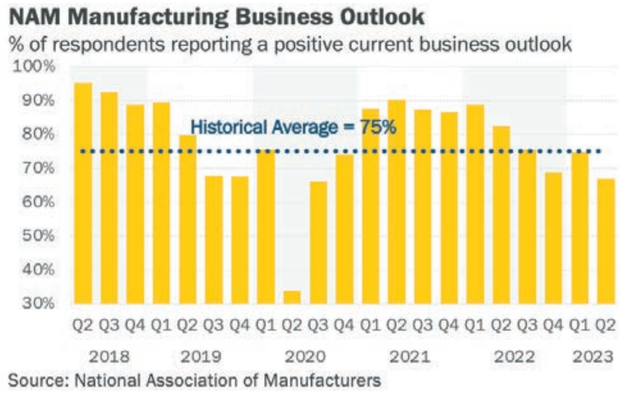
SECTOR ACTIVITY

Weak Retail Sales Growth Shows No Signs of Improving

Retail sales growth has slowed in recent months, as consumer spending shifts from goods to services and inflation weighs on real growth. Nominal retail sales remain above pre-pandemic levels due to historically strong growth in 2021 and 2022, but the figures from May are virtually unchanged from a year ago (see bottom left) and have declined when accounting for inflation. Sales have been particularly weak at stores selling furniture and home furnishings, electronics and appliances, and sporting and hobby goods. The National Retail Federation expects weaker annual growth in 2023 at 4-6%, down from 7% in 2022, but above the pre-pandemic average of 3.6%. Meanwhile, consumer confidence has trended downward since peaking last June (see bottom right). The downward trend in consumer confidence has coincided with slowing sales growth and could signal continued challenges for the retail sector.

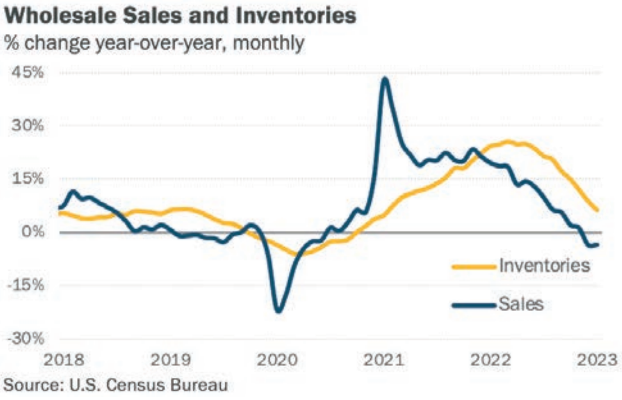
Manufacturing Sector Cools and Outlooks Dampen

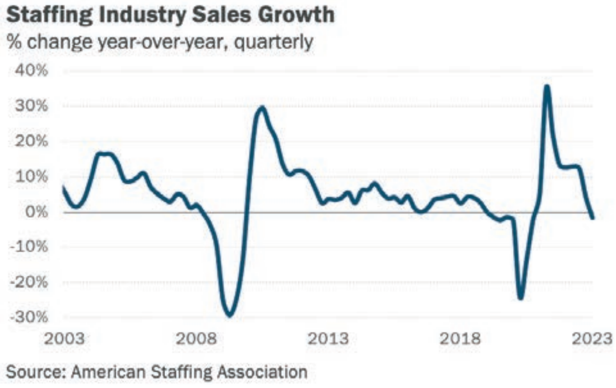
With consumer spending shifting to services, the manufacturing sector has cooled in recent months. The Manufacturing Purchasing Managers' Index has fallen steadily from its multi-decade peak in Mach 2021 and has been in contractionary territory since November 2022 (see bottom left). Similarly, only 67% of manufacturers were positive about their company's outlook in the Q2 2023 Manufacturers' Outlook Survey from the National Association of Manufacturers (NAM). This was the weakest outlook since the early stages of the pandemic and well below the historical average (see bottom right). The top two challenges facing manufacturers were "attracting and retaining a quality workforce" and a "weaker domestic economy and sales," with 74% and 56% of respondents identifying these as primary business challenges, respectively. With weaker demand, the hiring outlook for manufacturers also dropped. Indeed, manufacturing was one of the weakest sectors in an otherwise strong jobs report for May.

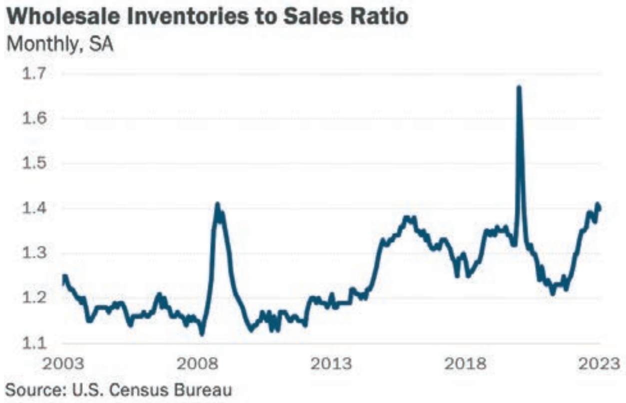


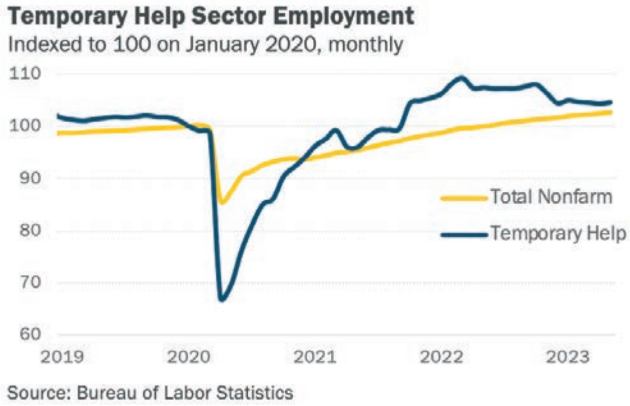
Wholesale Inventories Accumulate as Sales Fall

The wholesale trade industry also has cooled in recent months as consumer demand shifts. Sales growth has declined for the past year, falling below zero in March and April. Meanwhile, after recovering from supply chain bottlenecks, inventory growth has slowed in recent months but remains well above sales growth (see bottom left). With inventories outgrowing sales, the ratio of inventories to sales has risen steadily over the past year and now exceeds pre-pandemic levels (see bottom right). The rise in inventories relative to sales indicates that wholesalers are experiencing an "inventory bullwhip," accumulating excess inventories after weathering shortages in 2021 and 2022. In other signs of cooling for the sector, growth in selling prices has dropped dramatically in recent months, dipping to 3.2% year-over-year in May, and job growth has steadily declined, with the industry only adding about a thousand jobs in May.









Staffing Industry Growth Stalls After Strong Recovery

The staffing industry has slumped in recent months, with sales in Q1 2023 falling by 1.5% compared to the same quarter last year (see bottom left). This first sales drop in two years may mark the end of the robust recovery from the significant decline during the early stages of the pandemic. Employment in the temporary help sector has followed a similar trend, sputtering in recent months after recovering faster than the broader labor market and peaking in early 2022 (see bottom right). The level of temporary help employment in May still exceeds pre-pandemic levels but is down 2.6% on a year-over-year basis. The slowdown in the staffing industry stands in contrast to an otherwise resilient labor market, as the industry copes with many of the same headwinds that are weighing on other sectors, such as high inflation and rising interest rates. Despite the sales dip in Q1, the American Staffing Association reports that staffing companies still expect positive revenue growth in 2023, with sales increasing by 2.1% compared to 2022.

GLOBAL ECONOMIC TRENDS

IMF Predicts Weaker Global Growth

The IMF cut its global growth forecast for 2023 to 2.8% in its latest World Economic Outlook, 0.1 percentage points below its previous estimate. The IMF also forecasts the slowest medium-term period of growth in over 30 years, expecting global growth to hit 3.0% by 2028.

Several headwinds contributed to the IMF's outlook for sluggish growth. Stubbornly high inflation has led to a new era of tighter monetary policy and a stark departure from the decade of low interest rates that fueled growth after the Great Recession. The rapid rise in interest rates has exposed areas of economic weakness, with the recent episode of financial system instability as one prominent example. Indeed, the IMF has flagged a severe tightening in financial conditions as a prominent risk to growth. Elevated debt levels, and rising interest payments, will also limit the ability of policymakers to address new growth challenges with fiscal interventions.

Though supply chain disruptions have largely eased, geopolitical tensions remain and will also weigh on growth. The war in Ukraine could escalate further and geoeconomic fragmentation will hamper cooperation and lead to less efficient production. Finally, slower growth in China will have global ramifications, reducing demand for exports.

Is Globalization Finished?

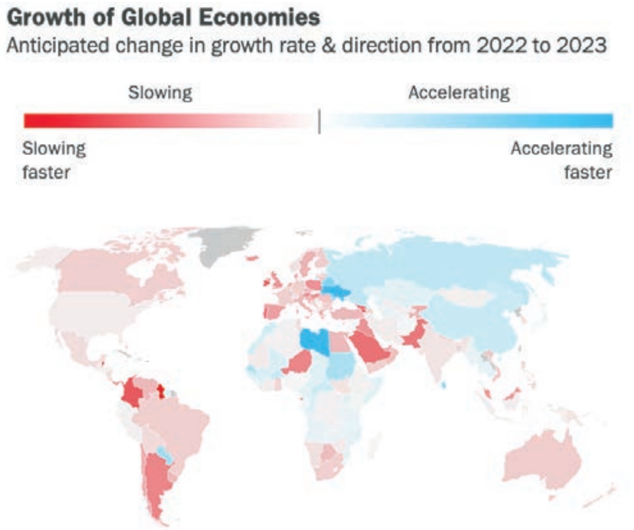
Nearly thirty-five years ago, the Berlin Wall crumbled, ushering in a golden era for globalization. However, public sentiment began to shift in the 2010s, with growing skepticism around the benefits of trade leading to the Brexit vote in 2016 and the U.S. withdrawal from the Trans-Pacific Partnership in 2017. Since then, COVID-related lockdowns shuttered supply chains, Russia invaded Ukraine, and tensions between the U.S. and China have flared.

This series of shocks has forced policymakers and firms to rethink global trade. Corporations now mention “friend-shoring” and “reshoring” on earnings calls and investor conferences far more frequently than they had before 2020. Many are shifting investments to nearer or “friendlier” countries. Several Western governments are implementing protectionist policies that incentivize domestic production or trade with like-minded trading partners and aim to isolate rivals, like Russia and China. The IMF expects that global growth will slow over the next decade, as countries and firms prioritize reliability and security over efficiency. Globalization may not be finished, but it will look very different.

A Slowing European Economy

As China has expanded its share of world GDP over the past 30 years, the U.S. has held its own but Western Europe has steadily fallen behind. In particular, the European Union has experienced relatively low per capita income growth, a shrinking labor pool, middling productivity growth, and sub-par research and development spending. European performance could deteriorate further as the continent struggles to secure reliable and affordable energy.

Energy prices pose a major obstacle for Europe as it attempts to reverse its relative decline. Several key European industries, such as chemicals, primary metals, cement, and food and beverage, are energy-intensive or rely on energy-intensive inputs. Energy prices in Europe are far higher than those in the U.S. and other markets, putting the continent at a comparative disadvantage. While several European countries have implemented support measures to ease energy costs and facilitate business operations, some major firms have shuttered plants. Without a sustainable solution to Europe’s energy woes, energy-intensive sectors are likely to lose market share and European growth may slow further.



Source: IMF World Economic Outlook (April 2023)

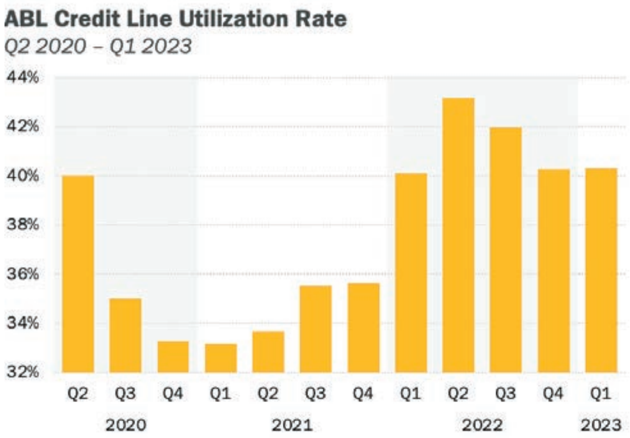
CREDIT DEMAND & GROWTH

Demand for Credit Weakens Further

As the economy shows signs of slowing, businesses have adopted a more cautious stance toward borrowing. The Federal Reserve’s April 2023 Senior Loan Officer Opinion Survey indicates that demand for business loans from both large and small firms fell. A net 56% of banks reported weaker demand from large and medium firms for commercial and industrial (C&I) loans—a significant increase from the net 9% reporting weaker demand in October 2022. Demand for C&I loans from small firms also fell sharply, with a net 53% reporting weaker demand (see top right). As another sign of weaker demand, a net 39% of banks reported decreased inquiries from potential borrowers seeking new or expanded credit lines over the past three months. This is the third consecutive quarter where banks have reported weaker demand, signaling a persistent drop in demand for C&I loans.

Top reasons given for weaker customer demand for C&I loans include: decreased needs to finance investment in plants or equipment, fewer mergers or acquisitions, and lower desired levels of inventories (see top right). Among the few banks noting stronger demand for C&I loads, 86% reported that demand increased due to customers shifting borrowing from other banks and non-bank sources that became less attractive. In a C&I loan market with cooling demand, competition for customers appears to be heating up.

For asset-based lenders, demand has been relatively strong in recent quarters. Respondents to SFNet’s Q1 Asset-Based Lending survey reported similar expectations for demand as they did in Q4 2023 (see above left). A score of 75.7 suggests that respondents



Source: SFNet Q1 2023 Asset-Based Lending Survey. Values represent lenders that have reported on the referenced field in all quarters shown.

generally expect demand to improve over the next three months, but expectations are below where they were in Q3 2022, when the index hit a multi-year high of 91.4. Nonetheless, solid demand for asset-based lending suggests that the ABL industry is competitive as demand for other loans soften and economic conditions worsen.

Asset-based lenders also reported that utilization rates levelled off in Q1 2023 after declining for two quarters from a peak in Q2 2022 (see left). Expectations for utilization rates showed a similar trend, dipping slightly in recent quarters after peaking in late 2021 (see above right). As with demand, responses for utilization suggest that lenders generally expect utilization to improve over the next quarter and believe the industry is on solid footing.

CREDIT SUPPLY

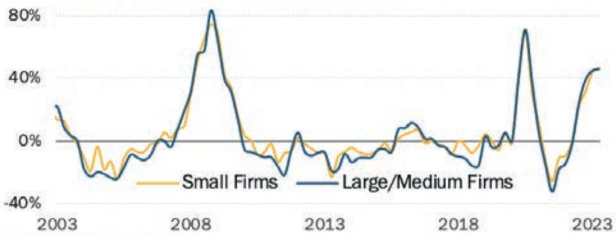
Lending Standards Continue to Tighten

Banks reported tighter lending standards for the seventh consecutive quarter in the latest Senior Loan Officer Opinion Survey. A net 46% of banks reported tighter lending standards for large and medium firms, while a similar net 47% reported tighter standards for small firms (see right). Remarkably, no respondents eased standards for large and medium firms and only one eased standards for small firms. Among banks that tightened standards, 94% cited a more uncertain or less favorable economic outlook as an important reason for tightening. Reduced tolerance for risk was also a leading cause of tighter standards, with 74% of respondents citing it as important. The terms of C&I loans also tightened, with 63% of banks reporting higher premiums for riskier loans to large and medium firms and 59% for small firms.

Meanwhile, respondents to SFNet's Asset-Based Lending Survey reported steady growth in commitments (see right). In Q1 2023, Commitments grew by 2.1% compared to Q4 2022 and by 10.5% compared to the same quarter last year. New commitments helped drive the growth, increasing by 3.6% in Q1 compared to the previous quarter and by 34.4% compared to the same quarter last year. This solid growth indicates that even as lending standards for C&I loans become tighter, asset-based lending remains a viable and attractive source for working capital.

C&I Lending Standards, April 2023

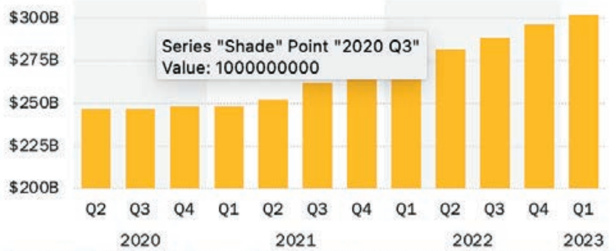
Net % of banks reporting tighter standards by size of firm seeking loans, higher percentage = tighter standards



Source: Federal Reserve

ABL Commitments Trend

Q2 2020 – Q1 2023, billions

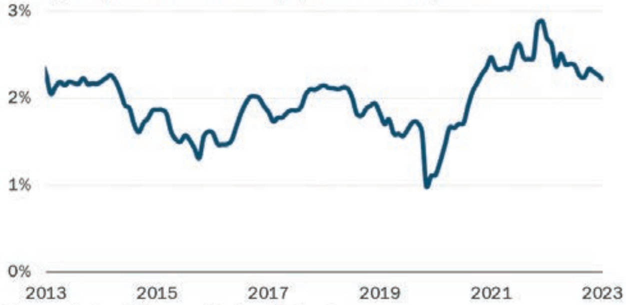


Source: SFNet Q1 ABL Survey. Values above cover lenders that have reported on the referenced field in all quarters shown.

FOMC Pauses Hikes Amid Economic

10-Year Breakeven Inflation Rate

Average implied inflation rate (%) over next 10 years



Source: Federal Reserve Bank of St. Louis

Uncertainty

After 10 consecutive interest rates hikes, the Federal Open Market Committee (FOMC) voted unanimously to leave rates unchanged at its June meeting. Commenting on the decision to skip an interest rate hike, Chairman Powell acknowledged "the uncertain lags with which monetary policy affects the economy, and potential headwinds from credit tightening."

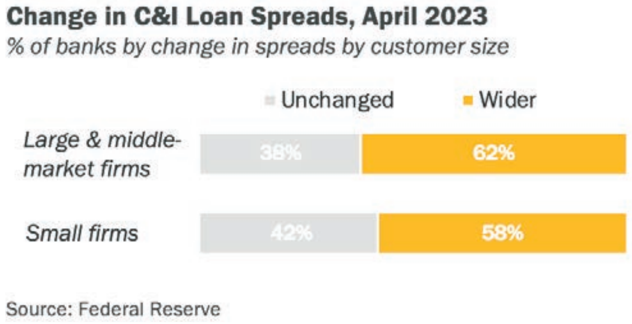
Powell also reiterated the FOMC's commitment to bringing inflation to its 2 percent goal and noted that further rate increases are likely necessary. Indeed, CME Group's analysis of pricing data for 30-day Fed Funds futures currently indicates that there is a roughly 74% chance that the FOMC will raises rates by 25 basis points in July.

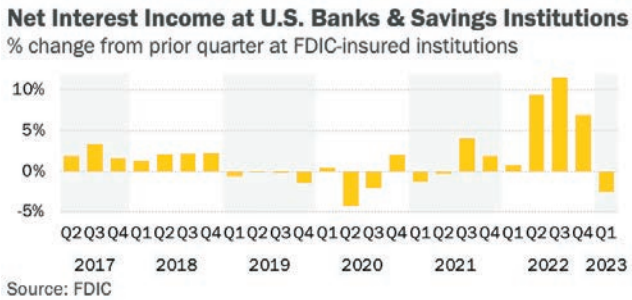
As the FOMC considers future rate decisions, it will be closely watching for shifts in inflation, the labor market, and financial conditions. Headline CPI inflation fell to 4.0% in May, but core inflation has been a bit stickier and remains an area of concern. The labor market also has remained remarkably tight and likely needs to weaken for inflation to fall closer to the 2% target. These factors may convince the FOMC to resume its campaign of rate hikes in July, but they will also be watching the financial system, since tighter credit conditions contributed to their decision to pause in June. The FOMC may continue to hike rates beyond July but, with economic headwinds mounting and the economy at an inflection point, their campaign appears to be nearing its end.

LENDER PROFITABILITY

Lending Profits Dip After a Year of Growth

Banks reported wider loan spreads for both large and medium and small firms in the latest Senior Loan Officer Opinion Survey (see below left). This marked the fifth consecutive quarter that both firm groupings reported increased spreads, with no banks reporting narrower spreads this quarter. Meanwhile, net interest income at FDIC-insured commercial banks and savings institutions fell by 2.5% from Q4 2022 to Q1 2023 after six consecutive quarters of increases but rose by 27.2% compared to the same quarter last year (see below





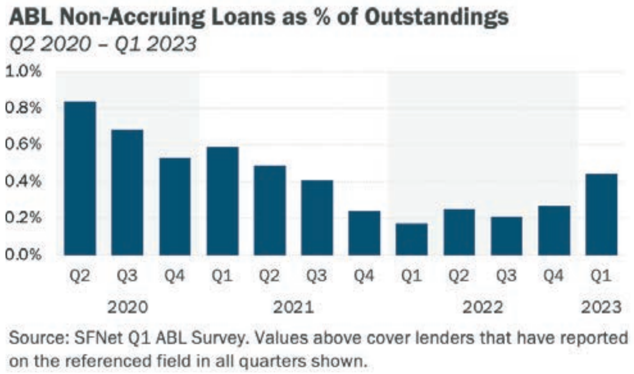
right). Reflecting on the Q1 results, FDIC Chairman Martin Gruenberg noted that the "banking industry has proven to be quite resilient during this period of stress." He cited historically high net income, favorable asset quality metrics, and solid capitalization as reasons for optimism, but warned about downside risks from inflation, rising interest rates, slowing economic growth and geopolitical uncertainty.

PORTFOLIO PERFORMANCE

Cracks Emerge as the Economy Slows

Portfolio performance is weakening after a historically strong period from 2021 to 2022. In Q1 2023, charge-offs on business loans from commercial banks jumped to 0.28% while delinquencies edged down to 0.97%. Both measures remain

low by historical standards. Respondents to the Q1 SFNet ABL Survey reported that non-accruing loans as a share of outstandings rose to 0.44%, more than double year-ago levels (see bottom right). Expectations for future portfolio performance dropped from last quarter, with respondents generally expecting performance to decline over the next three months (see bottom left). Since the current share of non-accruals is well within the typical historical range the expected decline does not necessarily mean that portfolio performance is going drastically deteriorate. Rather, lender expectations may reflect a U.S. economy that is facing multiple headwinds.



Indeed, asset-based lenders also expect general business conditions in the U.S. to continue to decline over the next quarter (see bottom left). Consumers and small business are similarly pessimistic about the state of the economy, but an economic slowdown may create new opportunities for the secured finance industry. After all, asset-based lending and factoring typically perform well during economic downturns.

RECESSION MONITOR: METHODOLOGY

Indicator selection

Keybridge assessed hundreds of high-frequency indicators from a variety of sources covering all major segments of the economy and identified a set of 10 that have a strong track record of independently anticipating a US economic recession without an excess of false signals. For each indicator, Keybridge identified a threshold that the indicator has historically crossed in the months prior to each of the three most recent pre-COVID US recessions (without false signals). Each indicator is assigned a color based on its recent recent behavior relative to its particular threshold: "green" for when the indicator is safely above (or, for the C&I loan delinquency rate, below) its threshold, "yellow" for when it nears its threshold, and "red" for when it has crossed its threshold at least once within its typical lead time. For example, an indicator with a six-month typical lead time that crossed its threshold one month but rebounded the next month would remain "red" until six months had elapsed without re-crossing the threshold.

Early warning signs

Consumer Expectations – Present Situation Spread

The spread between the two major components of the Conference Board's Consumer Confidence Index. A wider spread between these components has been shown to reliably lead downturns with a long lead.

2-year – 10-year Yield Curve

The spread between short-and long-term government bond yields. Short-term yields rising above long-term yields indicates that investors are increasingly worried about the near-term health of the economy and a recession is likely close.

NAHB Housing Market Index (HMI)

An index that measures homebuilder sentiment. The housing sector has been shown to reliably lead broader downturns in the US economy.

Elkhart, Indiana Employment

Elkhart, Indiana is the US capital of recreational vehicle (RV) manufacturing. Since "big-ticket" items like RVs are among the first goods consumers pull back on, the RV industry is especially sensitive to downturns in consumer health.

Conference Board Leading Economic Index (LEI)

A composite index tracking the entire US economy. This index is a "catch-all" indicator that offers a broad assessment of national economic growth.

Closer signals

Corporate Profits

After-tax profits from non-financial US corporations. Profits historically always fall year-over-year in the quarters immediately prior to recession

Commercial & Industrial (C&I) Loan Delinquencies

An indicator of business financial stress. When delinquencies rise, it signals that businesses are facing a broad deterioration in economic conditions that prevents them from meeting their financial obligations.

Consumer Confidence ÷ Unemployment Rate

Consumer Confidence is a coincident indicator while the unemployment rate is lagging. A coincident-lagging ratio acts as a leading indicator because as an expansion peaks the coincident indicator will be rising more slowly than the lagging

Univ. of Michigan Household Durable Purchasing Sentiment Index

An index measuring consumers' feelings about whether it is a good time to purchase large household durable goods. This is an area of spending that consumers tend to cut first when the economy sours.

Real Manufacturing & Trade Inventories ÷ Unemployment Rate

Real Manufacturing and Trade Inventories is coincident indicator while the unemployment rate is lagging, offering another instructive and industry-relevant coincident-lagging ratio.

THOMPSON COBURN LLP

CELEBRATING 2 YEARS IN NEW YORK

#tclaw

Continuing the **Hahn & Hessen** Legacy

FEATURE STORY

LIBOR Transition Deals Skew 1Q23 US ABL Loan Totals Amidst Souring Market Sentiment

BY MARIA C. DIKEOS

Refinitiv's Maria Dikeos provides highlights of Q1 syndicated ABL market.

The global debt capital markets began the year feeling pretty good – perhaps a bit slower than lenders would have hoped, but absent major concerns. The tone changed dramatically in early March following the collapse of two banks (Silicon Valley Bank and Signature Bank) and wavering confidence in the viability of others. Although one can debate whether initial market reaction to the events was overblown, there is little doubt that lenders, borrowers, and investors were spooked.

MARIA C. DIKEOS
Director of Analytics,
Refinitiv LPC

The speed with which the markets reacted and the combined, if at times mixed, responses by the Federal Reserve, US Treasury, and bank lenders were also notable as real time headlines heightened uncertainty. As one loan arranger noted, with the advancement of social media and various banking apps, "the internet brought new meaning to a bank run."

Although the impact on the equity, bond, and CDS markets was more immediate, the broadly syndicated loan market was not impervious to fallout.

At US$167.25bn 1Q23 US syndicated leveraged loan volume was down 23% year over year (Fig. 1). Coming off the overhang observed in the latter part of 2022, 1Q23 sponsored loan volume edged up quarter over quarter to complete US$75bn of issuance. The results nonetheless marked a 30% drop year over year. More significantly, less than US$3.35bn in LBO loan volume was completed during the quarter, a 92% decline over the same time last and the lowest quarterly total since 3Q09 (Fig. 2).

In practical terms, the stalled loans calendar was less a reflection of any direct pullback as a result of the March bank crisis (although a flurry of deals were postponed or pulled from the market as a result of the crisis) and more of a reaction to protracted inflationary pressures and growing expectations of a looming recession. Nevertheless, the last few weeks of the quarter did present challenges for loan arrangers as well as prospective borrowers.

Although the large corporate loan market took the news of Silicon Valley Bank and Signature Bank's demise in stride, the headlines that followed regarding Credit Suisse and several regional banks were more of a concern. There were,

Fig 1: Leveraged volume

1Q23 U.S. Leveraged volume down 23% y-o-y; Loan volume off 23%

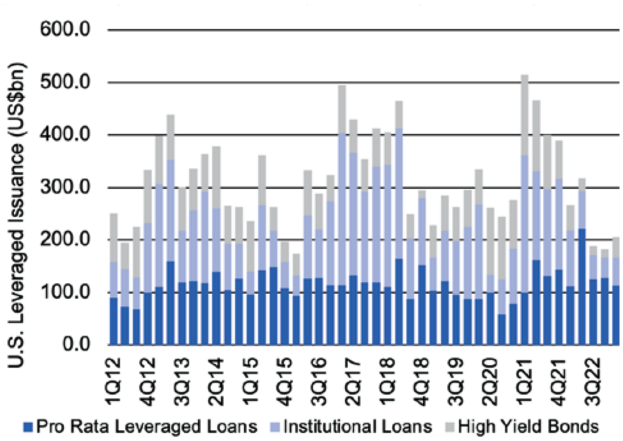


Fig 2: Sponsored Volume

1Q23 Sponsored loan volume down 30% y-o-y; LBO loan volume off 92%

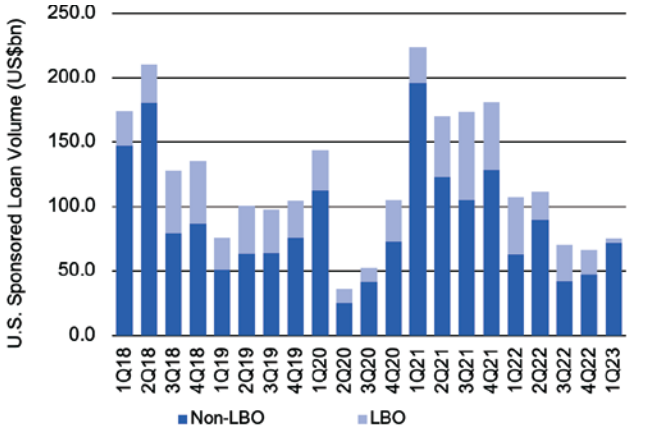
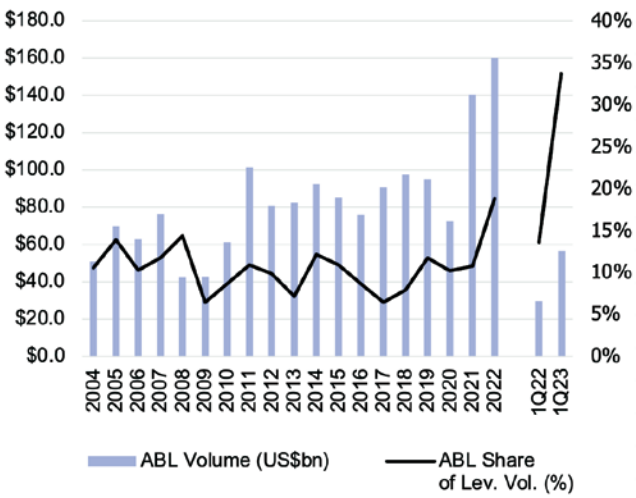


Fig 3: ABL Vol & Lev Mkt Share

1Q23 ABL loan volume sets new record at over US$56bn; Numbers tell an incomplete story....



Source: Refinitiv LPC

Fig 4: ABL Vol by purpose

Event driven financings scarce; GCP lending dominates at 96.5%

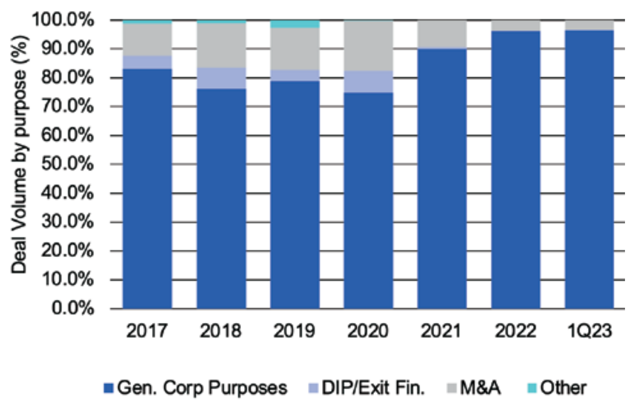


Fig 5: ABL Refi Cliff Hist Comp

Nearly US$187bn of current ABL outstanding commitments issued in last 15 months

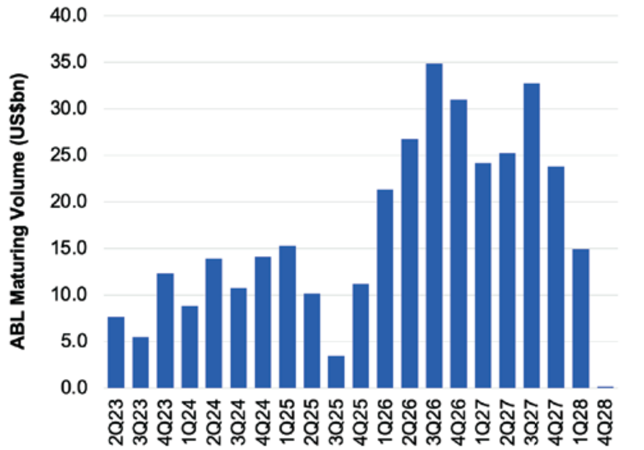
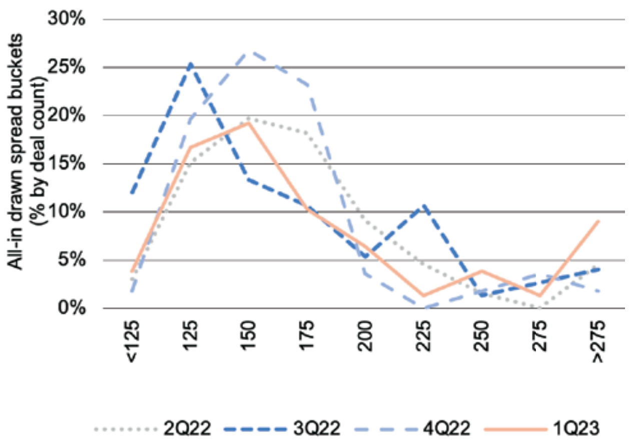


Fig 6: US ABL pricing by bucket

Proportion of deals priced at 125-175bp over TSOFR declines in 1Q23 to lowest level since 2Q21



Source: Refinitiv LPC

unsurprisingly, questions around the risk of contagion. Market unease grew further as lenders grappled with the net effect of possibly not having Credit Suisse (or a combination of Credit Suisse and UBS) play in the broadly syndicated loan market at the same level, expectations of increased regulatory oversight of regional banks, and uncertainty around internal bank funding models (especially if another G-SIB lender were to face difficulties).

By the beginning of 2Q23, there was little to suggest of any near-term market turnaround. In early May, First Republic Bank was seized by regulators and swiftly sold to JP Morgan in a move that was less surprising than the earlier bank failures, but a reminder of market unease nonetheless. This was promptly followed by the announcement of another 25bp rate hike by the Federal Reserve. The increase – the tenth since March 2022 – pushed rates to 5-5.25%, the highest level in six years.

"It is interesting," said one asset-based lender. "There is always something. The next event seems to put a pause on any momentum that you thought you had. That's the hard part. We had a deal that we were launching and [following the First Republic news] lenders may or may not do what they said they would do five days ago."

Against this backdrop, the US asset-based lending (ABL) market pushed over US$56.4bn through retail syndication to make up nearly 34% of total 1Q23 leveraged loan volume (Fig. 3). An additional US$20.7bn was closed by the middle of May.

Digging Into The Numbers

At a cursory level, the 1Q23 results marked the highest quarterly total on record. A deeper dive, however, highlights the skewing effect Libor transition deals had on the pipeline. Roughly 96.5% of 1Q23 ABL volume represented general corporate purpose needs, up slightly from full year 2022 totals but significantly higher than the 75-90% range historically. In contrast, event-driven activity in the form of M&A and DIP/exit financing reached new lows at 3.3% and 0.2% of total issuance respectively (Fig. 4).

"The market feels slow for a couple of reasons," said one lender. "The overall deal environment is slow. There hasn't been LBO activity, new money transactions, or change of control activity. So many companies have already refinanced so no one is coming to the market unless they have to."

Indeed, over US$250bn of current ABL commitments (out of a total of US$348bn) comes due in the second half of 2025 and beyond (Fig. 5).

Another reason for the sluggishness is the rising rate environment.

In fact, quarter over quarter, the volume of asset-based loans priced at 175bp over SOFR tumbled from 23.21% of total 4Q22 issuance to just over 10% of 1Q23 lending. In contrast, asset-based credits priced at 250bp over SOFR jumped to 3.85% of 1Q23 issuance (up from 1.79%) during the same period. Almost 9% of 1Q23 ABL volume had spreads north of 275bp, the highest pro rata share for this bucket group in several years (Fig. 6).

Ultimately, new loan volume was thin at best, garnering less than US$8bn or 13.7% of total 1Q23 loan volume. At just under US$49bn, refinancings dominated the pipeline (Fig. 7). Among these, about US$34.5bn, or 71%, is estimated to be refinancings undertaken with the sole purpose of adopting SOFR provisions (i.e. No tenor extension or changes to existing pricing) as lenders and borrowers positioned themselves ahead of the June 2023 deadline for Libor termination (Fig. 8).

Lenders noted that although demand for higher-quality credits remained in place, it was increasingly tied to overall borrower wallet size.

"There has been a sorting out of banks, what relationships are core and what are not. Some lenders are dropping out of existing deals," said one lender.

In turn, retail syndication strategies often include earlier outreach and market testing.

"For the past six or seven months, we have created a deck which is posted to lenders who may be interested," said one arranger. "They can forward it to their credit committees and we need a read from them within 48 to 72 hours. We don't want to waste time. We are also going out to JLAs earlier."

Despite the increased caution messaged by the market, ABL assets on lender books did increase about 2% compared to year end 2022 levels to close out the quarter just shy of US$350bn (Fig 9). despite the inflationary pressures. And the third is the

Maria C. Dikeos is a director of Analytics and head of Global Loans Contributions at Refinitiv LPC in New York. Maria runs a team of analysts in the US, Europe and Asia who cover analysis of the regional syndicated loan markets. She has a B.A. from Wellesley College and masters in international affairs from Columbia University.

Fig 7: ABL New Money vs Refi Vol

Refinancings make up over 86% of 1Q23 ABL pipeline

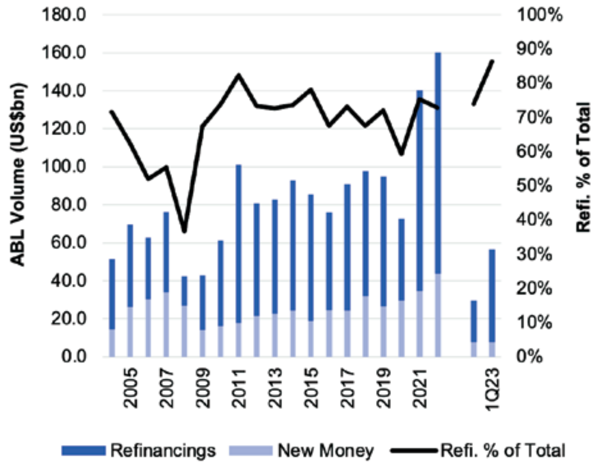


Fig 8: Month by month SOFR adoption

2023 Refinancing activity skews toward SOFR adoption

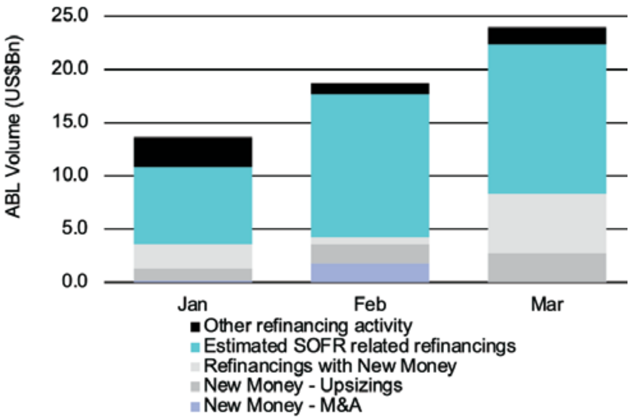
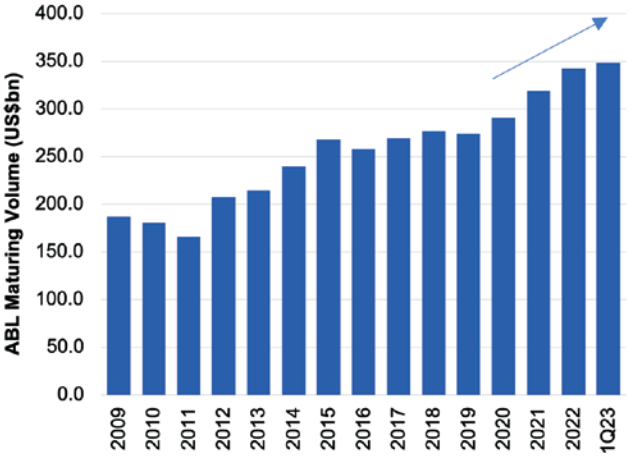


Fig 9: ABL Loan Commitment

Outstanding ABL holdings at nearly US$350bn



Source: Refinitiv LPC

2022 Continued Record-Breaking Pace For Asset-Based Lending

By David Miao

The U.S. asset-based loan market saw another record-breaking year in 2022 after 2021's previous high. Lenders syndicated US$160.2bn in 2022, up 14% compared to 2021 and more than double 2020's low of US$72.4bn seen during the height of the pandemic. In Refinitiv LPC's 2022 U.S. ABL Bookrunner League Table, the top four Bookrunners remain unchanged from 2021. BofA Securities held the top spot for the third consecutive year by arranging US$29.7bn (on a pro-rata basis) across 158 deals. Wells Fargo & Co remained in second, arranging US$28.7bn via 142 deals. JP Morgan ranked third in 2022 for the fifteenth consecutive year with US$17.7bn through 105 deals. PNC Bank arranged US$10.4bn via 67 deals and ranked fourth for the ninth consecutive year. US Bancorp entered the top five for the first time by moving up 5 spots from 2021 to fifth in 2022. They arranged US$8.4bn through 42 deals. Together, the top five bookrunners arranged US$94.9bn in commitments and represented 58% of market share.

The first half of 2023 marked the strongest half year total on record for the ABL market with US$113.8bn in issuance, up 52% year over year. The total also represented the first half-year period with volume over US$100bn. The results require explanation however. A significant portion of the 2023 pipeline has been defined by refinancing activity associated with the market's transition to SOFR base rate. Indeed, roughly 70-80% of refinancing activity during the first six months of 2023 was with the sole purpose of transitioning existing credits to SOFR (as opposed to amending deal terms or extending credit maturity). In Refinitiv LPC's 1H23 U.S. ABL Bookrunner League Table, BofA Securities ranked first with US$20.1bn over 139 deals, moving up from second in 1H22. Wells Fargo & Co arranged US$18.5bn across 107 deals and fell to second. JP Morgan held third in 1H23 with US$11.5bn via 75 deals. Truist Financial moved up 6 spots from 1H22 to fourth in 1H23 with US$7.7bn. PNC Bank fell one rank to fifth and arranged US$4.9bn. The top five bookrunners arranged US$62.7bn and represented 55% of market share during 1H23.

2022 Refinitiv LPC U.S. Syndicated Asset-Based Lending (ABL) Bookrunner

Rank	Bookrunner	Pro Rata Volume (USD)	Deal Count	Market Share (%)
1	BofA Securities	29,713,972,095.68	158	18.13%
2	Wells Fargo & Co	28,735,479,184.80	142	17.54%
3	JP Morgan	17,732,142,467.31	105	10.82%
4	PNC Bank	10,369,356,518.56	67	6.33%
5	US Bancorp	8,383,508,461.70	42	5.12%
6	Truist Financial	6,039,669,862.79	37	3.69%
7	Citi	5,588,279,752.94	29	3.41%
8	Mitsubishi UFJ Financial Group Inc	5,364,640,758.06	28	3.27%
9	BMO Capital Markets Financing Inc	5,351,525,867.93	39	3.27%
10	Fifth Third Bank	4,394,871,489.62	20	2.68%
11	Barclays	4,226,064,673.56	37	2.58%
12	Deutsche Bank AG	2,978,222,754.37	20	1.82%
13	RBC Capital Markets	2,874,296,846.94	21	1.75%
14	ING Group	2,523,903,318.93	13	1.54%
15	BNP Paribas SA	2,353,647,662.80	16	1.44%
16	Regions Bank	2,302,559,523.81	17	1.41%
17	Citizens Financial Group	2,224,444,444.44	20	1.36%
18	Capital One Financial Corp	2,157,844,932.84	11	1.32%
19	Sumitomo Mitsui Financial Group Inc	1,978,735,431.24	9	1.21%
20	Goldman Sachs & Co	1,823,347,213.27	17	1.11%
21	Credit Suisse AG	1,581,610,644.25	13	0.97%

Rank	Bookrunner	Pro Rata Volume (USD)	Deal Count	Market Share (%)
22	**Huntington Bancshares**	**1,367,916,666.67**	**12**	0.83%
23	**Toronto Dominion Bank**	**1,339,345,238.11**	**6**	0.82%
24	**Scotiabank**	**1,189,527,472.52**	**4**	0.73%
25	**Morgan Stanley**	**1,157,500,000.00**	**4**	0.71%
26	**New York Community Bank**	**1,155,649,350.65**	**5**	0.71%
27	**Credit Agricole Corporate & Investment Bank SA [Credit Agricole CIB]**	**1,042,264,652.03**	**5**	0.64%
28	**HSBC Banking Group**	**965,420,168.07**	**6**	0.59%
29	**KeyBank**	**782,916,666.67**	**8**	0.48%
30	**Natixis SA**	**691,440,476.20**	**3**	0.42%
31	**Rabobank**	**684,338,333.34**	**3**	0.42%
32	**Societe Generale SA**	**641,440,476.20**	**2**	0.39%
33	**M&T Bank**	**581,363,636.36**	**3**	0.35%
34	**CIBC**	**545,079,167.00**	**5**	0.33%
35	**CIT Group Inc**	**446,666,666.66**	**4**	0.27%
36	**UBS AG**	**309,479,691.88**	**5**	0.19%
37	**Bank OZK**	**275,000,000.00**	**1**	0.17%
38	**Mizuho Financial Group Inc**	**270,816,993.46**	**3**	0.17%
39	**Banco Santander SA**	**248,717,948.71**	**2**	0.15%
40	**KKR & Co Inc**	**242,205,882.35**	**3**	0.15%
41	**Wintrust Financial Corp**	**205,952,380.96**	**2**	0.13%
42	**Ally Financial Inc**	**200,000,000.00**	**1**	0.12%
43	**First Horizon Bank**	**198,750,000.00**	**2**	0.12%
44	**Zions Bancorporation**	**137,500,000.00**	**3**	0.08%
45	**Standard Chartered Bank Plc [SCB]**	**133,333,333.33**	**1**	0.08%
46	**Jefferies**	**80,488,095.25**	**2**	0.05%
47	**Australia & New Zealand Banking Group Ltd [ANZ]**	**76,005,000.00**	**1**	0.05%
48	**First National Bank**	**60,000,000.00**	**1**	0.04%
49	**National Bank of Canada**	**50,000,000.00**	**1**	0.03%
50	**Pinnacle Bank**	**30,000,000.00**	**1**	0.02%
51	**Nomura Holdings Inc**	**15,000,000.00**	**2**	0.01%
52=	**Comerica Inc**	**12,500,000.00**	**1**	0.01%
52=	**UMB Bank NA**	**12,500,000.00**	**1**	0.01%
52=	**Umpqua Bank**	**12,500,000.00**	**1**	0.01%
55	**Antares Holdings**	**10,000,000.00**	**1**	0.01%
56	**Flagstar Bancorp**	**2,500,000.00**	**1**	0.00%

TSL FEATURE

Asset-Based Lending: A Primer for Borrowers and New Hires

BY MARK FAGNANI AND JASON SCHUMACHER

Asset-based lending offers many benefits to borrowers in need of capital, not the least of which is the partnership built between client and lender.

Asset-based lending is possibly the best type of financing for any sized company. But what is it? Let's describe it here and then talk about why it works so well.

Asset-based lending (ABL) as the name implies, is a form of secured lending. The primary sources of collateral to secure the loan are Accounts Receivable (A/R), Inventory, Machinery and Equipment (M&E), Real Estate and Intellectual Property (IP), typically in that order of preference.

The lender will file UCC financing statements (a type of public notice) over the assets being pledged. That, coupled with a security agreement, will provide a priority lien that adds an additional form of repayment and level of protection for the loan.

Some asset-based lenders are bank-owned entities. Others are non-bank companies. Each has advantages and disadvantages. Bank-owned ABL lenders are regulated and therefore may be subject to certain restrictions. On the other hand, they can offer a variety of bank services, including cash management and letters of credit. Non-bank ABL lenders are not regulated and may have a greater risk appetite and fewer layers of command in the decision-making chain. Prospective borrowers should meet with both types to determine what best suits the needs of your company.

Lenders conduct preliminary due diligence on a prospective borrower's collateral to determine performance metrics – who are the customers, what is the customer concentration, what are their paying habits, what is the normal level of returns or allowances, how is the inventory maintained and accounted for, etc.?

Lenders may retain an appraisal firm to provide a reasonable estimate of the recovery values of the inventory under a variety of assumptions. The same would be true of M&E, Real Estate and/or IP.

Typically, ABL lenders will try to determine recovery values in the event of an orderly liquidation of the business. This is not because they want or intend to liquidate a borrower, but because this provides a realistic picture of exactly how much a lender can lend and still recover the full loan with the assistance of the borrower. This approach focuses entirely on the collateral and not on earnings or cash flow. For this reason, even companies with losses or a history of up and down performance can obtain an ABL loan.

This is not to suggest that financial performance is not important to the lender. No company can lose money indefinitely and hope to survive. A lender will want to satisfy itself as to the viability of their borrowers. However, this emphasis on collateral allows an ABL lender to be patient, to give a borrower time to resolve their performance issues, to listen to and understand their challenges.

Lenders will also determine ineligible categories. These are assets that would not be included in the amounts to be borrowed primarily because they are old (non-paying A/R or slow-moving, stale, dated inventory) or have potential offsets.

Once due diligence is complete, the lender will formulate advance rates for the various assets. These are the percentage amounts the lender will lend up to. Eighty-five to 90 percent of the value of eligible A/R is typical although it could be higher or lower depending upon performance metrics. Key performance indicators (KPIs) for A/R include customer credit quality, repayment history, repayment terms and aging spread.

MARK FAGNANI
PKF Clear Thinking

JASON SCHUMACHER
Valley National
Business Capital

Fifty to 75 percent is typical for eligible inventory although, again, it can vary depending upon many factors. If the inventory has been appraised, a lender might lend up to 85-90% of the appraised value. Alternatively, if the inventory has not been appraised, the lender will determine the advance rate based on their expertise and experience within the specific industry sector. KPIs for inventory include velocity of turnover and gross profit margins.

If the M&E was appraised, a lender might lend up to 85-90% of the appraised value. KPI's for machinery and equipment include market demand and historical auction values. Varying advance rates will apply to each asset.

IP advance rates are determined by a valuation conducted by an appraiser. IP is valued by a market sales comparison, discounted cash flow directly attributed to the IP or both.

Lenders will also establish sub limits to quantify their exposure to each asset class. For example, a lender may indicate that inventory advances must not exceed 50% of the line limit.

Once that is done, the lender and potential borrower can formulate a "Borrowing Base" applying the various advance rates against each class of assets. This represents the maximum amount that can be borrowed up to the line limit.

Since A/R and inventory levels fluctuate continuously, this maximum amount also fluctuates. These changes are captured through borrowing base reporting which could be daily, weekly, monthly, or even quarterly. Many lenders now use software that automates much of the reporting process. Updating the numbers is not onerous and does not necessitate adding personnel to accomplish this task,

Lenders will also either have dominion over A/R cash receipts (that is, receipts go directly to the lender) or they will have a "springing" mechanism that would allow them to have A/R cash receipts redirected to them under certain circumstances (i.e., an Event of Default).

If dominion is in effect from Day 1 of the loan, then the borrower would typically borrow every day and the loan would go up and down depending upon borrowings and receipts. This is why the loans are commonly called revolving loans.

In cases where a borrower maintains cash dominion, they can use their own cash and only borrow if the amount of collections is insufficient to cover cash disbursements. Similarly, if there is excess cash, the borrower may elect to pay down the loan thereby reducing interest expense. In this manner, the loan is still revolving.

As long as the amount of collateral after giving effect to the advance rates (i.e. – the Borrowing Base) exceeds the loan balance, the company can borrow any excess amounts. If the collateral is less than the loan, the lender has the right to ask the borrower to pay down the loan unless this "overadvance" or "out of formula" situation has been agreed to by both parties.

So, now that we understand what ABL is, why is it such a great financing tool? Here are just a few reasons:

It is flexible. For businesses that are growing and have increasing inventory or A/R levels, the borrowing base goes up as asset levels go up.

Improved liquidity. Your cash conversion cycle is funded by the ABL, and you get your cash sooner and repeatedly throughout the business cycle.

Similarly, if a business is seasonal in nature and has a peak season and a low season, the borrowing base and loan will capture that and fluctuate with the seasons.

It is cost effective. Interest is only charged on the amount of the credit line used and as described above that can revolve with the level of assets and seasonality.

It is patient. As noted above, the emphasis on collateral and recovery values allows ABL lenders to work with a borrower and not pull the plug at the first sign of trouble.

Fewer or no covenants. An ABL facility has a frequent reporting cycle (monthly, weekly, or daily) and a reliance on the pledged collateral which makes the covenant package less important to the lender.

ABL is compatible with other forms of debt. If a borrower is looking to add additional debt to their capital structure the ABL is well situated for uni-tranche, split- lien or mezzanine debt structures.

It is well suited for importers. ABL has a long tradition of lending against in- transit assets. Goods in-transit are typically acceptable forms of collateral with proper documentation. Lenders will establish sub-limits and reserves depending on their credit criteria.

Many borrowers appreciate the discipline that an ABL facility can provide. It can help companies focus on their A/R and Inventory performance as optimal performance maximizes borrowing power.

The foregoing is a summary of how asset-based lending works and why it can work for every borrower. Of course, each lender, each borrower and each loan is unique and as such each loan is structured slightly differently to capture both borrower and industry nuances. The Secured Finance Network ("SFNet") has many resources on its website (www.sfnet.com) which you may find helpful if you are interested in learning more or talking to a lender.

Mark Fagnani is senior managing director, PKF Clear Thinking. He has more than 30 years of hands-on experience working with large bank groups, private equity sponsors, turnarounds, workouts and insolvencies. Over the course of his lending career, Fagnani has worked with companies in a multitude of industries including steel and aluminum, coal mining, transportation, plastic injection and blow molding, beverage distribution, retail, lighting, and generic pharmaceuticals.

Fagnani was formerly a managing director and the chief credit officer of Wachovia Capital Finance, a unit of Wachovia Bank. After leaving Wachovia he helped form HVB Capital, a subsidiary of Hudson Valley Bank, and subsequently spearheaded their sale to EverBank resulting in EverBank Business Credit. More recently, Fagnani was recruited to help establish an asset-based lending business for Bank Leumi USA; serving as first senior vice president and group head of Leumi Business Credit.

Fagnani is a frequent lecturer and panelist. Most notably, he spoke on behalf of the World Bank and the Secured Finance Network in China, instructing over 250 bankers on asset-based lending.

Jason Schumacher is a first vice president of Valley National Business Capital, a division of Valley National Bank, with a focus on sustainably growing the credit portfolio. He began his career in commercial finance as an analyst for Keltic Financial Services in 2003 and holds a B.S. from Villanova University and an M.B.A. from Fordham University in finance.

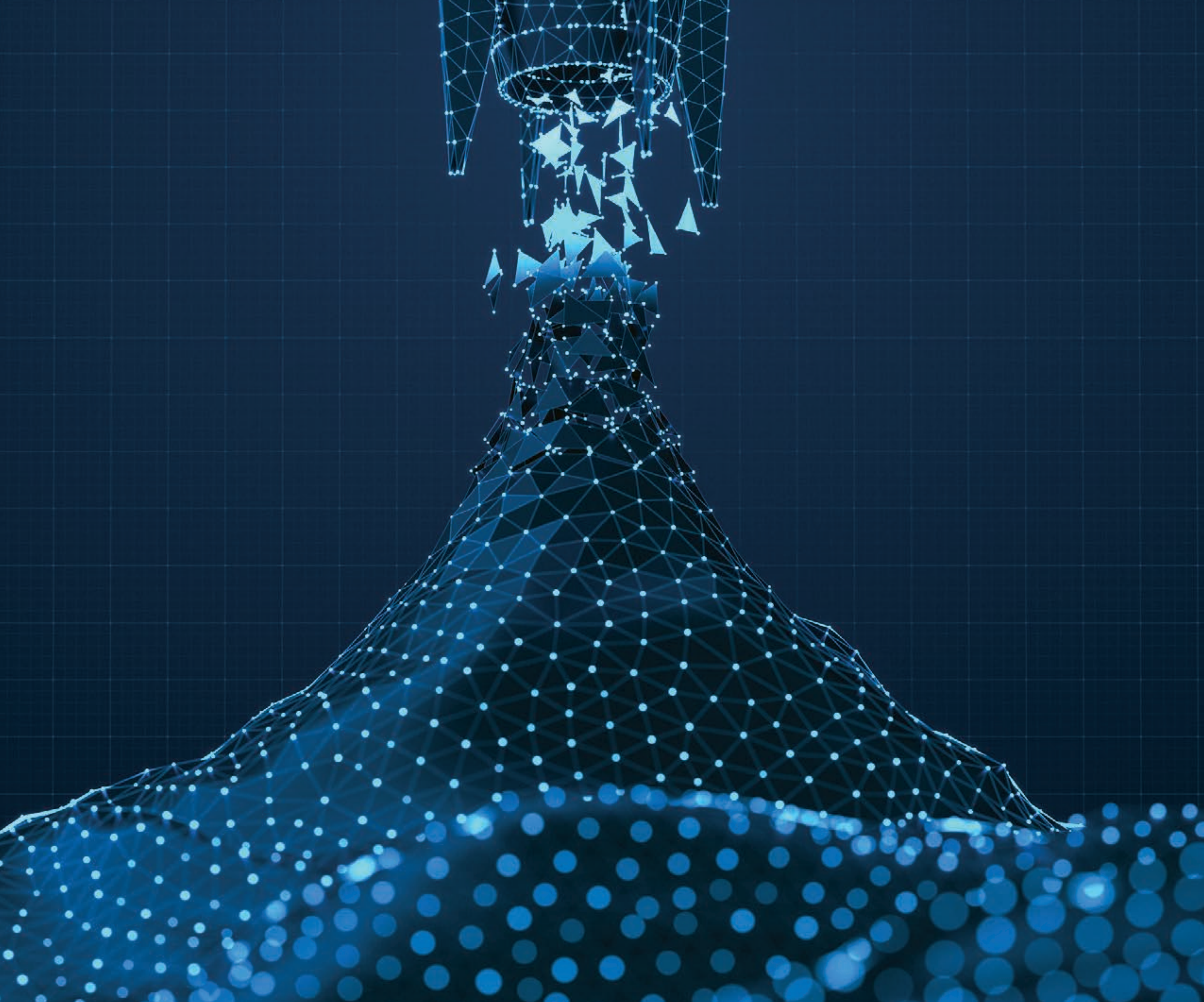
Prior to Valley National Business Capital, Schumacher managed a portfolio of direct loan assets at Bank Leumi USA as a first vice president. He has also held previous roles at Ares Commercial Finance, where he managed a portfolio of direct loans, workouts, and liquidations; The Berkshire Bank, where he reported directly to the Office of the CEO on strategic matters and monitoring a broad range of assets; Laurus Capital Management, where he managed a portfolio of direct loan assets; and Morgan Stanley Businesscape, managing a portfolio of middle-market credits. He is a member of the Secured Finance Network and the Turnaround Management Association New York Chapters.

TSL FEATURE

Factoring for Success in 2023 and Beyond

BY MARTIN EFRON

TODAY'S FACTORING PROVIDES ACCESS TO CRITICAL WORKING CAPITAL, CREDIT PROTECTION AND MORE.



Access to ready working capital is critical to the success of a business, whether it is for maintaining ongoing operations or investing in future growth. Yet, short-term liquidity constraints are common, particularly during uncertain economic times. Factoring can offer a critical lifeline – providing reliable cashflow, credit protection and trusted guidance to help companies navigate the current market challenges.

At its most basic level, factoring is a quick and effective form of financing in which companies sell their accounts receivable (AR) to a third party, called a factor, at a discount in order to quickly access working capital to pay suppliers, fund seasonal production ramp-ups, manage inventory, and meet payroll obligations.

This is an attractive option for businesses that have been turned down by a traditional bank, need access to funds more quickly than a bank can accommodate, or are looking for a more flexible financing partner. For decades, factoring has been the go-to option for timely access to working capital for many industries, including housewares, furniture, apparel, and other types of manufacturing.

Importantly, a factor is not a lender of last resort, but rather a more flexible funding source willing to see opportunity where others don't. Factors serve clients they believe will be in business for a long time, helping them make the most of their assets to accommodate their changing financial needs, in both the short and long term.

Today, major factoring firms are able to offer more than simple "spot financing," or one-off invoice discounting. These factors can now serve as long-term lenders for companies, with the flexibility to provide creative funding structures based not just on receivables, but also other assets like inventory, machinery and equipment, real estate and, in some cases, intellectual property.

This more nuanced, flexible approach to funding is appealing to many companies, having come out of a tough 2022 and facing an uncertain 2023. Traditional banks offer the lowest pricing, but they also look for the lowest risk. They do not like to see losses on the books, even if a company has the potential to perform well despite a rough year or two.

Factoring firms are willing to work with "fallen angels" or companies in turnaround situations, recognizing those with good business models that simply need some adjustments to get back on their feet. Factors are able to go beyond their role as lenders to serve as trusted advisors, helping clients streamline their operations, discreetly control collections and maintain their client relationships.

Credit protection is a tremendous benefit to companies in the current environment, with record-high interest rates, rising costs, shifting consumer demand, and other factors impacting businesses' bottom lines. Factoring firms add considerable value by acting as their clients' credit department, assuming the risk of collections and providing protection against debtor default. They can also offer strategic advice on where companies should focus their efforts, which customers to sell to and how to negotiate with them, in order to help better ensure financial success moving forward.

MARTIN EFRON
White Oak
Commercial Finance

As we move into the second half of 2023, many people are underestimating the impact current market conditions will have on their bottom line. Factoring can be a powerful tool for companies, particularly those subject to cyclicality, to solve any liquidity challenges. By proactively establishing a relationship with a strong factoring partner, companies will be better prepared to navigate these uncertain waters, with a plan to tap the value of their assets into cash if and when they need it.

Martin Efron is managing director of Portfolio Management at White Oak Commercial Finance, an affiliate of White Oak Global Advisors. The firm provides a wide range of flexible financing solutions, including factoring and invoice discounting, asset-based revolvers and term loans, inventory purchase facilities, supply chain finance, structured sale of receivables and more. Additional information is available at https://whiteoaksf.com/commercialfinance/.

SFNET MEMBER DIRECTORY

The below is a full list of organizations that are a member of the Secured Finance Network. Please visit their websites to learn more about how they can assist with your working capital needs. You can also find an interactive search option on sfnet.com. Please reach out to Michele Ocejo (mocejo@sfnet.com) with any questions.

12five Capital, LLC
Ryan Jaskiewicz
Chicago, IL
http://www.12five.com

A/R Funding, Inc.
Brian Keith Holden
Greenville, SC
http://www.arfunding.com

ABN AMRO Asset Based Finance
Arjan de Liefde
Amsterdam, Netherlands
http://www.abnamroabf.com

Access Business Finance, LLC
Douglas L. McDonald
Bellevue, WA
http://www.accessbusinessfinance.com

Access Capital, Inc.
Terry M. Keating
New York, NY
http://www.accesscapital.com

Accord Financial Inc.
Simon Hitzig
Greenville, SC
http://www.accordfinancial.com

Accounts Receivable Insurance (ARI)
Steven Schrull
Tampa, FL
http://www.ariglobal.com

Addleshaw Goddard LLP
Mike Davison
London, UK
http://www.addleshawgoddard.com

Advantage Business Capital
Wayne Coker
Houston, TX
http://www.advantagebusinesscapital.com

Aegis Business Credit, LLC
Mike Fussell
Tampa, FL
http://www.aegisbusinesscredit.com

AeroFund Financial, Inc.
Stephen K. Troy
San Jose, CA
http://www.aerofund.com

AIM Business Capital, LLC
Brent Stolzenthaler
Lafayette, LA
http://www.aimbusinesscap.com

Aird & Berlis LLP
Kyle B. Plunkett
Toronto, ON
https://www.airdberlis.com

Alantes Corporate Finance
Jason Hong
New York, NY
http://www.alantes.com

Alba Wheels Up International LLC
Salvatore J. Stile II
Valley Stream, NY
http://www.albawheelsup.com

Alleon Healthcare Capital
Ben Malyar
Teaneck, NJ
https://www.alleonhealthcare.com

Allied Financial Corporation
Steven C. Gold
Atlanta, GA
http://www.alliedfinancialcorp.com

Alter Domus
Ellen T. Cook
Carmel, IN
http://www.cortlandglobal.com

Alterna Capital Solutions LLC
Stan Carpenter
Winter Park, FL
http://www.alternacs.com

AmeriFactors Financial Group, LLC
Kevin R. Gowen, Sr.
Celebration, FL
https://amerifactors.com

Amerisource Business Capital
Michael Monk
Houston, TX
https://www.amerisource.us.com

Apple Bank
Burt M. Feinberg
New York, NY
https://www.applebank.com

Ares Management LLC
Ryan Cascade
Tarrytown, NY
https://www.aresmgmt.com

Armstrong Teasdale LLP
Jeffrey A. Wurst, Esq.
New York, NY
http://www.atllp.com

Assembled Brands
Michael Lipkin
Sherman Oaks, CA
https://www.assembledbrands.com

Asset Based Lending Consultants, Inc.
Donald Clarke
Hollywood, FL
http://www.ablc.net

Atlantic National Trust, LLC
Ted West
Portland, ME
http://www.atlanticnationaltrust.com

AtlanticRMS
Richard W. Hawkins
London, UK
http://www.atlanticrms.com

Aurous Financial Services
Jeff W. Sirchio
Clark, NJ
http://www.aurousfinancial.com

Austin Financial Services, Inc.
Jason Anish
Los Angeles, CA
http://www.austinfinancial.com

aVeriFact, LLC
Sandra Lovett-Tillman
Hammond, LA
https://www.averifact.com

Axiom Bank, N.A.
Michael D. Haddad
Dallas, TX
https://www.axiombanking.com

Bank of America Business Capital
Seth Benefield
Atlanta, GA
https://www.bofa.com

Bank of the West
Martin Oliver
Los Angeles, CA
https://www.bankofthewest.com

Bank OZK
Michael Sheff
Dallas, TX
https://www.ozk.com

BankFinancial
Carol Apicella
Downers Grove, IL
https://www.bankfinancial.com

Bay View Funding
Glen E. Shu
San Jose, CA
http://www.bayviewfunding.com

BDC Capital Corporation
Kenneth J. Smith
Wakefield, MA
https://www.bdcnewengland.com

BDO USA LLP
Baker A. Smith
Atlanta, GA
https://www.bdo.com

Bennett Jones LLP
Toronto, ON
https://www.bennettjones.com

Berkshire Bank
Mark Foster
Burlington, MA
http://www.berkshirebank.com

Birch Lake Holdings, LP
Bill Welnhofer
Chicago, IL
http://birchlake.com

Blank Rome LLP
Lawrence F. Flick, II
New York, NY
http://www.blankrome.com

Bluewater Transaction Advisors
Robert W. Bowles
Warren, MI
http://consultbluewater.com

BMO Bank of Montreal
Lyla Kanji
Toronto, ON
https://www.bmo.com.en-ca/main/business

BMO Commercial Bank ABL
Michael W. Scolaro
Chicago, IL
https://www.bmo.com

BNP Paribas
Guelay Mese
New York, NY
http://www.bnpparibas.com

Boston Financial & Equity Corp.
Deborah J. Monosson
Brookline, MA
http://www.bfec.com

Breakout Capital, LLC
Ian Bradley
McLean, VA
https://www.breakoutfinance.com

Briar Capital Real Estate Fund
Frank S. Goldberg
Houston, TX
https://briarcapital.com

Bridge Business Credit
Rhett Bartley Rowe
Troy, MI
https://bridgebusinesscredit.com

Buchalter
Robert S. Gillison
Los Angeles, CA
http://www.buchalter.com

Burr & Forman LLP
Erich N. Durlacher
Atlanta, GA
http://www.burr.com

C2FO Capital Finance
Dan Karas
Leawood, KS
https://www.c2fo.com

Cadence Business Finance
Norb Schmidt
Atlanta, GA
https://cadencebusinessfinance.com

Cahill Gordon & Reindel LLP
Jennifer B. Ezring
New York, NY
https://www.cahill.com

Callodine Commercial Finance
Caitlin Sanders
Boston, MA
http://www.callodinefinance.com

Cambridge Savings Bank
Yvonne P. Kizner
Cambridge, MA
http://www.cambridgesavings.com

Camel Financial, Inc.
Helena Sopwith
Riverside, CA
http://www.camelfinancial.com

CapFlow Funding Group
William J. Gallagher
Rutherford, NJ
http://www.capflowfunding.com

Capital Foundry Funding, LLC
John Fox
Pittsburgh, PA
http://www.capfoundry.com

Capital One, N.A.
Timothy Tobin
Stamford, CT
http://www.capitalone.com

CapitalPlus Construction Services, LLC
Scott W. Applegate
Knoxville, TN
http://www.capitalplus.com

Capstone Capital Group, LLC
Joseph F. Ingrassia
New York, NY
http://www.capstonetrade.com

Cash Flow Resources, LLC
Kevin Laborde
New Orleans, LA
http://www.cfrnow.com

Celtic Capital Corporation
Mark A. Hafner
Calabasas, CA
https://www.celticcapital.com

Cerebro Capital
Christopher Dalo
Baltimore, MD
https://www.cerebrocapital.com

Chapman and Cutler LLP
Daniel Baker
Chicago, IL
http://www.chapman.com

Charter Capital
Joel B. Rosenthal
Bellaire, TX
http://www.charcap.com

SFNET MEMBER DIRECTORY

Chiron Financial LLC
Candice Hubert
Houston, TX
http://www.chironfinance.com

Choate Hall & Stewart LLP
John Ventola
Boston, MA
https://www.choate.comthe-firm

CIBC
Bruce Denby
Chicago, IL
https://us.cibc.com

CIT
Marc J. Heller
New York, NY
http://www.cit.com

Citibank, N.A.
Shapleigh Smith
New York, NY
http://www.citi.com

Citizens Bank
Brent P. Hazzard
Boston, MA
http://www.citizensbank.com

CODIX
William Quinn
Atlanta, GA
http://www.codix.us

Cohn & Dussi, LLC
Robert J. Hanna
Boston, MA
http://www.cohnanddussi.com

CohnReznick
Cynthia Romano
New York, NY
https://www.cohnreznick.com

Commercial Finance Partners
Darren Palestine
Boca Raton, FL
http://commercialfinancepartners.com

Commercial Funding Inc.
James Baugh
Salt Lake City, UT
https://www.commercialfund.com

Cost Reduction Solutions
Denise Albanese
Parsippany, NJ
http://www.costreductionsolutions.com

CR3 Partners
James Katchadurian
Dallas, TX
https://www.cr3partners.com

Crescendo Asset Management ACS, LLC
Brian Weiner
New York, NY
http://acsfund.com

Crossroads Financial
Lee Haskin
Boca Raton, FL
http://crossroadsfinancial.com

CSC
Paul Schultz
Chicago, IL
http://www.cscglobal.com

Culain Capital Management LLC
James E Franz
Buffalo, NY
https://culaincapital.com

Dare Capital
Cole Harmonson
Austin, TX
https://darebizcapital.com

Davis Polk & Wardwell LLP
John (JW) Perry
New York, NY
https://www.davispolk.com

Downtown Capital Partners, LLC
Gary Katz
White Plains, NY

Dwight Funding
Ben Brachot
New York, NY
http://www.dwightfunding.com

Eastern Bank
Donald B. Lewis
Boston, MA
https://www.easternbank.comasset-based-lending

eCapital Corp.
Steve McDonald
Aventura, FL
https://ecapital.com

Eclipse Business Capital
Martin Battaglia
Chicago, IL
https://eclipsebuscap.com

Edge Capital
Meredith Leigh Carter
Bala Cynwd, PA
https://edgecl.com

EisnerAmper
Robert D. Katz, CTP, CPA, MBA
Philadelphia, PA
http://www.eisneramper.com

Encina Lender Finance
Edward Chang
Milton, GA
https://www.encinacapital.com

Encore Funding, LLC
Danny Goldstein
Pepper Pike, OH
https://www.encore-funding.com

Entrepreneur Growth Capital, LLC
Dean I. Landis
New York, NY
https://egcap.com

EQ Riskfactor
Melissa Havers
Mendota Heights, MN
https://equiniti.comuk/services/eq-digital/receivables-finance/

Ernst & Young
Matthew Noll
New York, NY
https://www.ey.com

Express Trade Capital
Mark Bienstock
New York, NY
http://www.expresstradecapital.com

Faegre Drinker Biddle & Reath LLP
Jennifer D. Miernicki
Minneapolis, MN
https://www.faegredrinker.com

FGI
Sami Altaher
New York, NY
http://www.fgiww.com

Fifth Third Bank
Gregory Eck
Rosemont, IL
http://www.53.com

First Bank
Michael Maiorino
Hamilton Township, NJ
https://www.firstbanknj.com

CALLODINE | COMMERCIAL FINANCE

Turning asset knowledge into capital for middle market companies.

Loan Structures

- ✓ Asset-based term loans
- ✓ 1st and 2nd liens
- ✓ FILO (first in, last out)
- ✓ Unitranche loans
- ✓ Sole, agented, club or syndicated deals

Collateral

- ✓ Accounts receivable
- ✓ Inventory
- ✓ Equipment
- ✓ Real estate
- ✓ Intellectual property

Investment Parameters

- ✓ Minimum transaction size of $10 million (USD)
- ✓ Underwrite transactions up to $100 million (USD)
- ✓ North America, U.K., and select EU countries
- ✓ Private and public companies
- ✓ Ability to fund in USD, GBP, and Euros

Industry Expertise

- ✓ Retail
- ✓ Apparel
- ✓ IP & Brands
- ✓ Chemicals
- ✓ Industrials
- ✓ Packaging
- ✓ Consumer Products
- ✓ Building Materials
- ✓ Manufacturing

Gene Martin
President & CEO
gmartin@callodinefinance.com

Mark Forti
Senior Managing Director
mforti@callodinefinance.com

David Vega
Head of Credit
dvega@callodinefinance.com

Peter Jaffe
Managing Director
pjaffe@callodinefinance.com

Kathy Dimock
Managing Director
kdimock@callodinefinance.com

Caitlin Sanders
Managing Director
csanders@callodinefinance.com

WWW.CALLODINE.COM

First Business Bank
Peter Lowney
Madison, WI
http://www.firstbusiness.bank

First Eagle Alternative Credit
Lawrence E. Klaff
New York, NY
http://www.feim.com

First Horizon Bank
Kevin Beeson
Memphis, TN
http://firsthorizon.com

Flexent
Kevin S. Wood
Gloucester, VA
https://flexent.com

Focus Management Group
J. Tim Pruban
Chicago, IL
http://www.focusmg.com

Fortress Investment Group
Ian Schnider
New York, NY
http://www.fortress.com

Franklin Capital Network
Susan Duckett
Highland Park, IL
https://www.franklincapitalnetwork.com

FrontWell Capital Partners
John Ho
Toronto, ON
http://www.frontwellcapital.com

Gateway Acceptance Co.
Robert Curtis
Pleasant Hill, CA
http://www.gatewayacceptance.com

Gateway Trade Funding
Thomas Novembrino
Brea, CA
http://www.gatewaytradefunding.com

GemCap Solutions, LLC
David Ellis
San Antonio, TX
http://gemcapsolutions.com

Gibraltar Business Capital, LLC
Scott Winicour
Northbrook, IL
http://www.gibraltarbc.com

Goldberg Kohn Ltd.
Richard M. Kohn
Chicago, IL
http://www.goldbergkohn.com

Goodman Capital Finance
Bret Schuch
Dallas, TX
https://www.goodmancf.com

Gordon Brothers
Frank Grimaldi
Boston, MA
http://www.gordonbrothers.com

Great Elm Specialty Finance
Michael P. Keller
Nashville, TN
http://www.greatelmcc.com

Great Rock Capital
Jenn Cronin
Westport, CT
http://greatrockcapital.com

Greenberg Traurig, LLP
David B. Kurzweil
Atlanta, GA
http://www.gtlaw.com

Greystone Monticello
Kim Gordon
New York, NY
http://monticelloam.com

Gulf Coast Business Credit
Wade Hladky
Covington, LA
http://www.gulfcoastbc.com

Hancock Whitney Bank
Michael P. Knuckles
Kennesaw, GA
http://www.hancockwhitney.com

Harney Partners
James E. Harney
Oak Brook, IL
http://harneypartners.com

Haversine Funding LLC
Stan Vukmer
Naples, FL
http://www.haversinefunding.com

Haynes and Boone, LLP
Timothy Johnston
Dallas, TX
http://www.haynesboone.com

Hedaya Capital
Alfred Hedaya
New York, NY
http://www.hedayacapital.com

Hilco Global
Gary C. Epstein
Northbrook, IL
http://www.hilcoglobal.com

Hilldun Corporation
Joshua W. Kapelman
New York, NY
http://www.hilldun.com

Holland & Knight LLP
James C. Chadwick
Dallas, TX
https://www.hklaw.com

Hovde Group, LLC
Tim Stute
McLean, VA
http://www.hovdegroup.com

HSBC Business Credit Inc.
Thomas A. Getty, Jr.
New York, NY
https://www.us.hsbc.com

Huntington Business Credit
Douglas K. Winget
Cleveland, OH
http://www.huntington.com

HYPERAMS, LLC
Kathleen Parker
Wood Dale, IL
http://www.hyperams.com

IDB Bank
Eric Serenkin
New York, NY
http://www.idbny.com

Infinity ABL Services, LLC
Stephen Savage
Drexel Hill, PA
https://www.infinityabl.com

Infinity Financial Group
Allen E. Frederic, Jr.
Dallas, TX
https://ifgroup.us.com

InterNex Capital
Lin Chua
Harrison, NY
https://internexcapital.com

SFNET MEMBER DIRECTORY

Iron Horse Credit LLC
Vin Saini
Jacksonville, FL
http://ironhorsecredit.com

J & D Financial (West Coast) Corp.
David Carmel
Beverly Hills, CA
http://jdfinancial.com

J D Factors LLC
Matthew Johnson
Palos Verdes, CA
http://www.jdfactors.com

JPalmer Collective
Jennifer Palmer
Lloyd harbor, NY
https://jpalmercollective.com

JPMorgan Chase Bank
Jim Wells
Chicago, IL
https://www.chase.com

JW Kessel & Co.
Jeff W. Kessel
Irving, TX
https://jwkessel.com

KeyBank Business Capital
Michael V. Panichi
Norwalk, CT
https://www.keybank.com

King Trade Capital
Edward P. King
Dallas, TX
http://www.kingtradecapital.com

KPMG LLP
Andrea Pipitone Beirne
Chicago, IL
https://www.kpmg.com

LBC Credit Partners, Inc.
Homyar Choksi
Chicago, IL
http://www.lbccredit.com

Legacy Corporate Lending LLC
Clark Dexter Griffith
Plano, TX
https://legacycorporatelending.com

Lighthouse Financial Corp.
J. Brad Leach
Greensboro, NC
http://www.lighthousefinancialabl.com

Liquid Capital Exchange Inc
Robert Thompson-So
Toronto, ON
https://garringtoncapital.com

LOEB
Howard Newman
Chicago, IL
http://www.loebequipment.com

Loeb & Loeb LLP
Miriam Cohen
New York, NY
http://www.loeb.com

LSQ Funding
Renee Jackson
Orlando, FL
http://www.lsq.com

M&T Bank
Joe Accardi
Iselin, NJ
http://www.mtb.com

Magnolia Financial, Inc.
Marc D. Smith
Spartanburg, SC
http://www.magfinancial.com

Mandelbaum Barrett PC
Roseland, NJ
https://www.mblawfirm.com

Manufactured
Pranay Srinivasan
Culver City, CA
https://manufactured.com

Marco Capital
Peter DeWitt Spradling
Miami, FL
https://www.marcocap.com

Match Factors, Inc.
Eric Belk
Florence, SC
https://www.matchfactors.com

Mazars USA LLP
Gary Litvak, CPA, CFF
New York, NY
http://mazarsusa.com

Mazon Associates, Inc.
Lisa Hultz
Irving, TX
http://www.mazonfactoring.com

McGlinchey Stafford PLLC
Susan VanWingen
New Orleans, LA
http://www.mcglinchey.com

McGuireWoods LLP
Penny Zacharias
Chicago, IL
http://www.mcguirewoods.com

McMillan LLP
Jeff Rogers
Toronto, ON
http://www.mcmillan.ca

Merchant Financial Group
Neville Grusd
New York, NY
https://merchantfinancial.com

MidCap Business Credit, LLC
Steven Samson
W. Hartford, CT
https://midcap.com

MidCap Financial Services, LLC
Bradley S. Kastner
New York, NY
http://www.midcapfinancial.com

MidFirst Business Credit
Dennis Schlesner
Alpharetta, GA
http://www.midfirst.com

Milbank LLP
Gayle Berne
New York, NY
http://www.milbank.com

Mitsubishi HC Capital America
Michael A. Semanco
Auburn Hills, MI
http://www.mhccna.com

Mizuho Securities USA LLC
Teruo Isshiki
New York, NY
https://www.mizuhogroup.com

Monroe Capital LLC
Ted Koenig
Chicago, IL
http://www.monroecap.com

Morgan, Lewis & Bockius LLP
Marshall C. Stoddard, Jr.
Philadelphia, PA
http://www.morganlewis.com

Moritt Hock & Hamroff LLP
Marc L. Hamroff
Garden City, NY
http://www.moritthock.com

Mountain Ridge Capital
Craig Winslow
Frisco, TX
https://mountainridgecap.com

MUFG Bank, LTD
Brian Gingue
New York, NY
https://www.mufgamericas.com

NautaDutilh
Elizabeth van Schilfgaarde
Amsterdam, Netherlands
https://www.nautadutilh.com

NBH Bank
Nichoel Richards
Kansas City, MO
https://www.nbhbank.com

Newpoint Advisors Corporation
Kenneth R. Yager, II
Brentwood, TN
https://newpointadvisors.us

nFusion Capital Finance
Amity Mercado
Austin, TX
https://www.nfusioncapital.com

North American Capital Corp.
Steven W. Roth
Melville, NY
http://www.northamericancapital.com

Norton Rose Fulbright
Michael Black
San Antonio, TX
https://www.nortonrosefulbright.comen-US

Novo Advisors
Sandeep Gupta
Chicago, IL
http://novo-advisors.com

NR Business Credit
Nicole Montrone
Flower Mound, TX
https://www.nrbuscredit.com

Ocean Bank
Ignacio Hernandez
Miami, FL
https://www.oceanbank.com

Octet Finance Pty Ltd.
Clive Isenberg
Sydney, NSA ,
http://www.octetfinance.com

Old National Bank
Neil Prendergast
Chicago, IL
https://www.oldnational.com

Otterbourg P.C.
David W. Morse
New York, NY
http://www.otterbourg.com

Ovation Partners
Kevin S. Faucheaux
Austin, TX
http://www.ovationpartners.com

Oxford Commercial Finance
Robyn Barrett
Phoenix, AZ
http://www.fswfunding.com

Paladin Management Group
Scott Avila
Los Angeles, CA
https://www.paladinmgmt.com

Parker, Hudson, Rainer & Dobbs LLP
Bobbi Acord Noland
Atlanta, GA
https://www.phrd.com

Pasadena Private Lending
Michael P McAdams
Pasadena, NY
https://www.pasadenaprivatelending.com

Pathward
James Farrell
Troy, MI
http://www.pathward.com

Paul Hastings LLP
Katherine Bell
New York, NY
http://www.paulhastings.com

Peapack-Gladstone Bank
Patrick R. Brocker
Bedminster, NJ
http://www.pgbank.com

Pitney Bowes Bank
Christopher Johnson
Stamford, CT
http://www.pb.com

PKF Clear Thinking
Stuart Kessler
Cranford, NJ
https://www.pkfct.com

PNC Business Credit
Paula Currie
Los Angeles, CA
http://www.pnc.com

Prestige Capital
Stuart Rosenthal
Ft. Lee, NJ
https://prestigecapital.com

Prime Business Credit, Inc.
Justin Chae
Los Angeles, CA
http://www.pbcfin.com

Quasar Capital Partners, LLC.
Brian Center
Cedar Park, TX
https://www.quasarfunds.com

Rainstar Capital Group LLC
Kurt Nederveld
Zeeland, MI
http://www.rainstarcapitalgroup.com

Regions Business Capital
Courtney Jeans
Atlanta, GA
https://www.regions.com

RelPro
Shivan Persad
Short Hills, NJ
https://relpro.com

Republic Business Credit
Robert Meyers
New Orleans, LA
http://republicbc.com

REV Capital
Loren Shifrin
Woodbridge, ON
http://www.revinc.com

Riemer & Braunstein LLP
Jaime R. Koff
Boston, MA
http://www.riemerlaw.com

Rise Line Business Credit
Gaurang Vyas
New York, NY
http://www.riselinebc.com

SFNET MEMBER DIRECTORY

Riveron
Richard Hatley
Chicago, IL
https://riveron.com

Rosenthal & Rosenthal, Inc.
Paul D. Schuldiner
New York, NY
http://www.rosenthalinc.com

Sallyport Commercial Finance, LLC
Nick Hart
Sugar Land, TX
http://www.sallyportcf.com

Seacoast Business Funding
Jay B. Atkins
Boynton Beach, FL
http://www.seacoastbf.com

SevenOaks Capital Assoc., LLC
Jeffry Foil
Baton Rouge, LA
http://www.sevenoakscapital.com

SG Credit Partners
Charlie Perer
Santa Monica, CA
https://www.sgcreditpartners.com

Sheppard Mullin
Moorari Shah
Los Angeles, CA
http://www.sheppardmullin.com

Sidley Austin LLP
James A. Snyder
Chicago, IL
http://www.sidley.comdefault.aspx

Siemens Financial Services
Keith Gerding
Iselin, NJ
http://www.siemens.com

Siena Lending Group
David Grende
Stamford, CT
http://www.sienalending.com

SierraConstellation Partners LLC
Robert Riiska
Los Angeles, CA
http://www.scpllc.com

Single Point Capital
Susan B. Leopold
Humble, TX
https://www.singlepointcapital.com

Sky Business Credit, LLC
Gail Reints-Pratl
Downers Grove, IL
http://www.skybusinesscredit.com

SLR Business Credit
Jeffrey K. Goldrich
Princeton, NJ
http://www.slrbusinesscredit.com

SLR Credit Solutions
Cheryl Carner
Boston, MA
https://slrcreditsolutions.com

SLR Healthcare ABL
Mark Roscioli
Philadelphia, PA
https://slrhealthcareabl.com

Solifi
Michelle Lansdowne
Minneapolis, MN
https://www.solifi.com

Sound Point Capital Management, LP
Ms. Asyera Theng
New York, NY
http://www.soundpointcap.com

Southeastern Commercial Finance, a Renasant Bank Company
Patrick B. Trammell
Birmingham, AL
http://www.southeasterncommercial.com

STAT Recovery Services, LLC
Casey Roberts
Bentonville, AZ
https://statrecovery.com

State Financial Corporation
Gary Reiss
Los Angeles, CA
http://statefinancial.com

Stikeman Elliott LLP
Jennifer G. Legge
Toronto, ON
http://www.stikeman.com

Stradley Ronon Stevens & Young, LLP
Michael P. Bonner
New York, NY
http://www.stradley.com

Sumitomo Mitsui Banking Corporation
Salvatore Settineri
New York, NY
https://www.smbc.co.jp/global/

Taylor Wessing LLP
Lerika Le Grange
London, London
https://www.taylorwessing.comen

TBS Factoring Service, LLC
Hailey Benton-Thomas
Oklahoma City, OK
https://www.tbsfactoring.com

TD Bank
Joseph F. Nemia
Wilton, CT
https://www.td.com

Tech Capital, LLC
Hank Noon
San Jose, CA
http://www.techcu.com

Texas Capital Bank
Chris Capriotti
Dallas, TX
https://www.texascapitalbank.com

The Alta Group / Independent Equipment Company
Carl C. Chrappa
Clearwater, FL
http://www.iecvalue.comindex.htm

The Interface Financial Group
George Shapiro
Bethesda, MD
https://www.interfacefinancial.com

ThinkingAhead Executive Search
Trinity Taylor
Nashville, TN
http://thinkingahead.com

Third Eye Capital Corp.
Arif Bhalwani
Toronto, ON
https://thirdeyecapital.com

Thompson Coburn Hahn & Hessen LLP
Leonard Lee Podair
New York, NY
https://www.thompsoncoburn.com

Tiger Capital Group
Michael McGrail
Boston, MA
http://www.tigergroup.com

TradeCap Partners
Bryan Ballowe
Dallas, TX
http://www.tradecappartners.com

Tradecycle Capital LLC
Justin Goheen
Indianapolis, IN
http://tradecyclecapital.com

Tradewind International Inc.
Flavia Coetzee
New York, NY
http://tradewindfinance.com

Travelers Capital Corp.
Warren Miller
Burnaby, BC
http://www.travelerscapital.com

Trimingham
Hugh Larratt-Smith
Las Vegas, NV
http://www.trimingham.com

Triumph
Sam Cirelli
Dallas, TX
https://www.triumphcf.com

Troutman Pepper
Hazen H. Dempster, Esq.
Atlanta, GA
http://www.troutman.com

Truist
Atlanta, GA
https://www.truist.com

UMB Capital Finance
Greg Carasik
Dallas, TX
https://www.umb.com

Umpqua Bank
Christina Hsu
Los Angeles, CA
http://www.umpquabank.com

United Community Bank
David L. Shelnutt
Greenville, SC
http://www.ucbi.com

Univest Bank and Trust Co.
John Erwin
Hatboro, PA
https://www.univest.net

US Bank Asset Based Finance
Samuel S. Philbrick
Boston, MA
http://www.usbank.com

US Capital Global
Charles V. Towle
San Francisco, CA
http://www.uscapglobal.com

Utica Leaseco, LLC
David K. Levy
Rochester Hills, MI
https://uticaleaseco.com

Valley National Business Capital
John M. DePledge
New York, NY
https://www.valley.com

Vion Investments
Stacey J. Schacter
Atlanta, GA
http://www.vioninv.com

Webster Business Credit
Abby Parsonnet
New York, NY
http://www.websterbcc.com

Wells Fargo Capital Finance
Stewart W. Hayes
Dallas, TX
https://www.wellsfargo.com

White Oak Commercial Finance, LLC
Thomas K. Otte
San Francisco, CA
http://www.whiteoakcf.com

WhiteHawk Capital Partners, LP
John Ahn
Los Angeles, CA
https://www.whitehawkcapital.com

Wingspire Capital
John Rosin
Alpharetta, GA
https://wingspirecapital.com

Winstead PC
Jennifer Knapek
Dallas, TX
https://www.winstead.com

Winston & Strawn LLP
William D. Brewer
New York, NY
http://www.winston.com

Wolters Kluwer
Stephen Bradley
Houston, TX
https://www.wolterskluwer.com

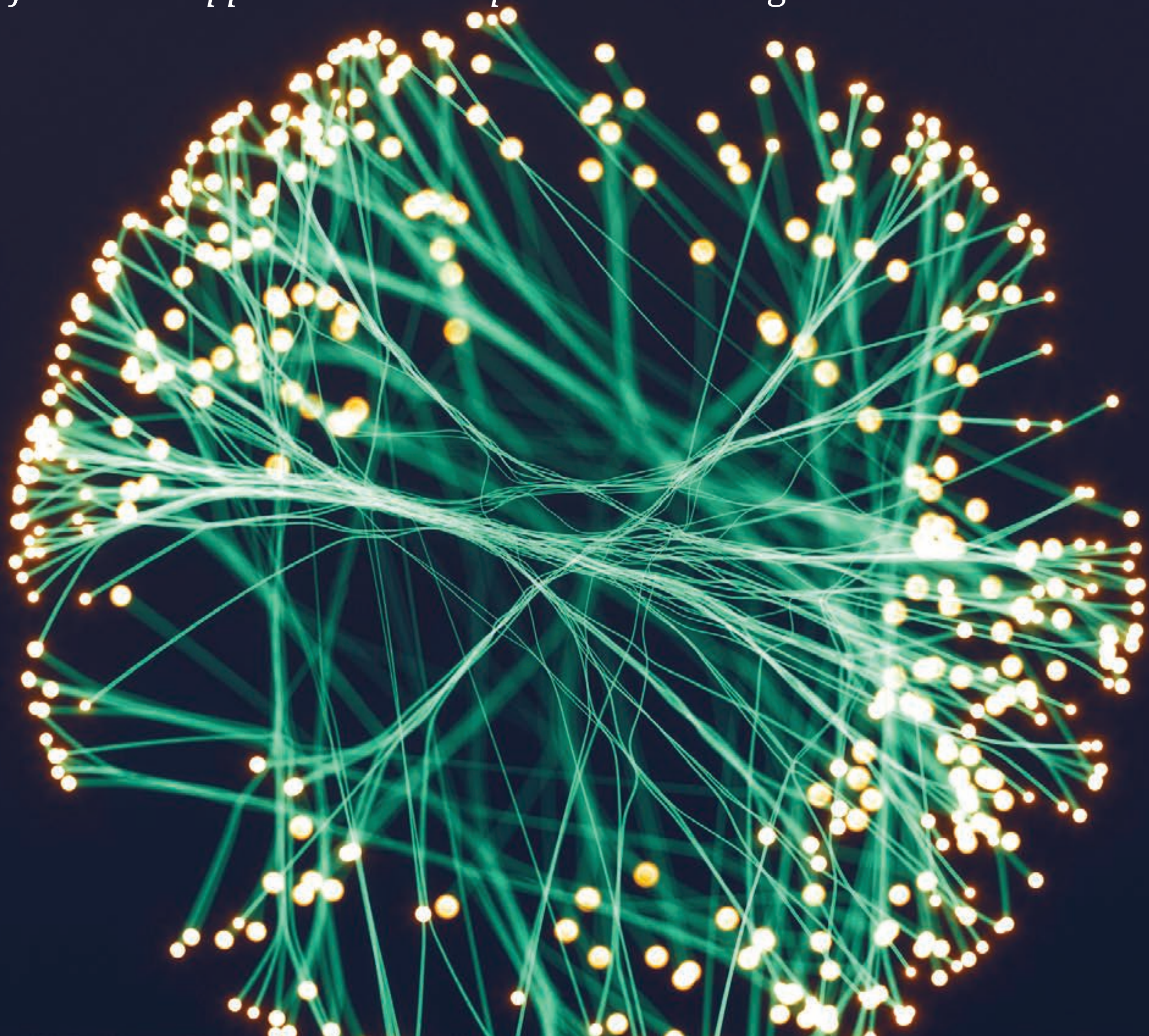
Zions Bancorporation
Todd Eggertsen
Salt Lake City, UT
https://www.zionsbancorp.com

TSL FEATURE

Unleashing the Power of AI in the Secured Finance Industry: A Journey into Change and Evolution

BY RYAN JASKIEWICZ

Change is the great shapeshifter of existence. It is the unseen artist who paints the landscape of our lives with broad strokes of innovation and evolution. In the world of secured finance, change is manifesting through a potent and promising medium—Artificial Intelligence (AI). One particular AI innovation, OpenAI's ChatGPT, is at the frontier of this change, offering a path filled with opportunities and potential challenges.



RYAN JASKIEWICZ
12five Capital, LLC

Embracing the potential of AI is the opening move in our industry's complex choreography with technology. It stands as a candid acknowledgment of AI's transformative power and its potential to redefine the dimensions of secured finance and credit risk management.

Revolutionizing credit risk assessment: AI, through OpenAI's ChatGPT, can enhance accuracy and speed in credit risk assessment. This technology can sift through copious data from various sources, synthesizing it into meaningful information more efficiently than any human could. Moreover, it can operate round-the-clock, increasing productivity and timely decision-making.

Tailoring borrower profiling: AI's ability to analyze natural language—the way we naturally speak and write—allows for nuanced and comprehensive borrower profiling. By understanding the subtleties in a borrower's communication, AI can provide insightful data for crafting customized credit risk models tailored to specific industries or borrowers.

Creating early warning systems: AI's pattern-recognition capabilities far surpass human abilities. It can pore over countless data points, identifying trends that may signify a potential credit risk. As such, AI could enable us to devise early warning systems, improving proactive risk management.

Learning and adapting: AI and ChatGPT, as tools rooted in machine learning, possess the capability for continuous adaptation to changing market conditions. Unlike traditional software systems, AI learns from experience and improves over time. This dynamic nature makes AI a resilient tool in the face of the ever-evolving financial landscape.

AI and ChatGPT, as tools rooted in machine learning, possess the capability for continuous adaptation to changing market conditions. Unlike traditional software systems, AI learns from experience and improves over time. This dynamic nature makes AI a resilient tool in the face of the ever-evolving financial landscape.

Foreseeing Pitfalls

As we embrace the opportunities AI brings, we must also acknowledge the risks and challenges. A crucial part of presence involves foreseeing potential pitfalls and preparing to navigate them.

Fraud through AI-generated fake documents: In the wrong hands, AI can generate convincing, yet wholly fabricated, financial statements and other documents. These can deceive even trained professionals, leading to erroneous credit decisions.

Impersonation risks: With AI, fraudsters can create chatbots capable of impersonating borrowers or financial advisors. This could lead to erroneous information flow, misplaced trust, and potential fraud.

Social engineering attacks: AI can be weaponized to create sophisticated social engineering attacks. By generating persuasive content, AI can trick individuals into revealing confidential information, potentially leading to substantial financial losses.

Manipulating credit risk algorithms: An advanced understanding of AI could enable fraudsters to manipulate credit risk algorithms, leading to incorrect risk assessments.

AI-driven insider threats: The potential misuse of AI tools by insiders poses a risk. Given access to powerful AI tools, unscrupulous individuals within an organization could exploit them for fraudulent activities.

Privacy and data security: AI systems that process vast amounts of data invariably raise privacy and data security concerns. Without robust security measures, sensitive information could be compromised, leading to potential data breaches.

Adaptability

Embracing this change requires adaptability. It entails modifying existing practices to accommodate the new paradigm that AI introduces.

Strengthening verification processes: Implementing robust authentication processes, such as multi-factor authentication, biometric identification, and video-based identification, can help mitigate the risk of AI-generated impersonation attacks.

Investing in advanced fraud detection systems: Fraud detection systems powered by machine learning can identify suspicious patterns and anomalies that may be indicative of fraudulent activities.

Continual training of employees: Ensuring that employees are aware of the potential risks and equipped with the knowledge to identify and report suspicious activities is crucial.

Collaboration with industry peers: By sharing threat intelligence and best practices, organizations can collectively enhance their defense mechanisms. We have an amazing industry and association here. We should be sharing what we are seeing across the board, whether at roundtables or to the association directly to disseminate to our people.

By sharing threat intelligence and best practices, organizations can collectively enhance their defense mechanisms. We have an amazing industry and association here. We should be sharing what we are seeing across the board, whether at roundtables or to the association directly to disseminate to our people.

Layered security approach: A comprehensive security strategy that includes secure data storage, encryption, regular audits, and vulnerability assessments can significantly enhance data security and privacy. Remember, security is all about taking the "Swiss Cheese" approach toward safety.

Engagement with regulators and law enforcement: I know it's hard because it seems like no law enforcement wants to help, but we need to be actively reporting fraud cases, cooperating in investigations, and staying updated on new regulations, which can help prevent fraudulent activities and mitigate their impact when they do occur.

Leading the Innovation Charge: Embracing Change and Redefining Possibilities

In our journey through the vast landscape of secured finance, AI is not a challenge to conquer, but a dynamic partner guiding us towards a new frontier of opportunity, if we are willing to venture beyond our comfort zones. Embracing the transformative potential of AI, we find ourselves not just keeping pace with change, but also leading the innovation charge. By leveraging tools like ChatGPT in credit risk management, and implementing robust strategies to tackle potential risks, we can transform the challenges of the digital age into a symphony of opportunities, driving growth and efficiency in our industry.

Ryan Jaskiewicz is CEO of 12five Capital, LLC. He started 12five Capital in early 2006 at the age of 23. Responsible for overseeing all facets of the business, he focuses his efforts heavily on systems, processes and. He successfully grew the business from zero dollars in revenue or funding to a company of twelve people, topping over $35mm in net funds employed over the last 15 years.

TSL
FEATURE

Mitigating Borrowers' Cybersecurity Risk

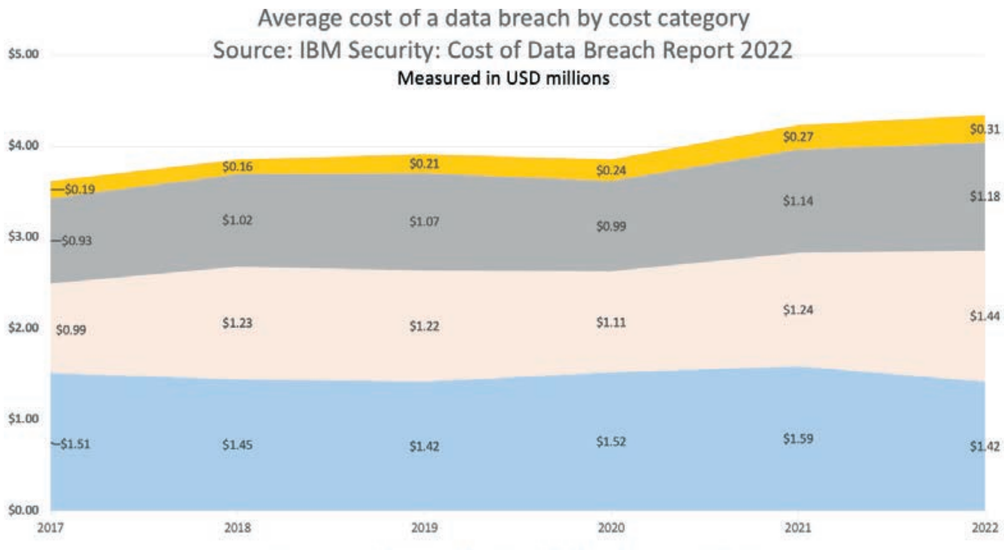
BY BRIAN RESUTEK

Financial and collateral review? Check. Appropriate lender agreements, carveouts and lien perfection? Check. Review of borrower's cybersecurity policies and procedures? Can you repeat that? When it comes to lender due diligence and documentation, organizations are well versed with modeling, credit procedures and deal structures; however, there is a continually growing blind spot that lenders cannot afford to ignore: Cybersecurity.

Simply stated, the cybersecurity risk across a company or borrower should be evaluated by every lender to ensure capable protection levels across computers, networks, programs, and operations at the borrower level. If not evaluated, a cybersecurity breach could severely affect the stability and lifespan of an entity, despite all other underwriting criteria being met. This potential risk of loss is considerable regardless of the size of the business, and unfortunately, the likelihood of an attack is also high adding to the importance.

According to Cybint Solutions, 64% of companies worldwide have experienced at least one form of cyber attack in the past year. While the reasons vary as to why hackers want to attack companies, one fact is certain: The cost to companies is high when a breach occurs. Per IBM's recent 2022 cost of a data breach report, the average cost of a data breach in 2022 was $4.35 million. While companies such as Equifax and Target made major headlines for their massive breaches, a large majority go unreported to the public, with an even larger figure today likely brewing inside companies (and our borrowers); waiting to be exposed.

207 Days. That was the average time it took for a company to just identify a breach in 2022 per the IBM report. Tack on an additional 70 days to contain the breach and the full duration is 277 days from start to finish. Ralph Pasquariello of Snellings Walters Insurance Agency emphasizes this point to his clients. "Cybersecurity is the biggest question and threat on the CFO plate today. You need to know what the effect will be to your business when you are down." Pasquariello further cited the importance of appropriate benchmarking to determine limits and understanding how all of a company's insurance policies, such as crime and property, must work in conjunction with a cyber insurance policy. Additionally, lenders should be asking these questions along with what types of procedures, assessments and protocols are in place, along with the frequency of testing.

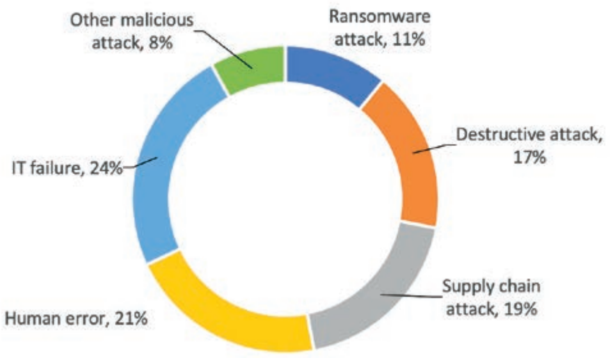


BRIAN RESUTEK
Rosenthal & Rosenthal

Whitney Schickling, area senior vice president at Gallagher, shared similar guidance for lenders in that a lender's contracts and applications should contain questions on cyber risk and require maintaining a cyber risk policy as a condition. "Every company should feel confident that their data is being managed with proper controls and safeguards in place." When specifically asked about how SMBs should be evaluating cyber insurance, given limited company resources, Schickling responded, "Cyber insurance has evolved so that it is not just simply a risk transfer. Rather, it enables insureds to have access to cyber experts including vendors, lawyers, forensic specialists and security consultants. Many insurers have platforms to offer external vulnerability scans, phishing trainings and much more. For a small business, it is important to partner with a broker who is knowledgeable of the cyber market and services that are available." The last statement should not be glossed over as small businesses are, unfortunately, a favorite target. Forbes reported that in 2022, 43% of cyberattacks targeted small businesses and that only 14% of small businesses have proper defenses against such attacks. What should also make lenders nervous is that Forbes reported that 83% of small businesses are not financially prepared to recover from such attacks. A Devolutions 2021/2022 report came to a similar conclusion with a larger SMB data set. This report indicated that 60% of SMBs go out of business within six months of experiencing a serious cyberattack.

The good news is that there is plenty of help and resources already available to both lenders and borrowers. Many companies utilize both internal and external sources to help combat and manage cyber risk. Kevin Yenglin, director of information security at Rehmann Corporate Services, professional advisory firm that provides accounting, assurance, business solutions and specialized consulting among other services, is one of the resources companies engage with, as Rehmann has a specialized group dedicated to cyber risk. Yenglin agreed that companies need

Types of Breaches Experienced by Organizations



Source: IBM Security: Cost of Data Breach Report 2022

to partner with experienced insurance professionals to evaluate their needs. While coverages are specific and vary by company and need, Yenglin outlined the key coverage areas lenders and businesses should consider:

1. *Cyber Liability Insurance* – Insurance designed to protect businesses from liability arising from data breaches, cyber attacks, and other similar incidents. Typically covers costs such as legal fees, notification costs, and credit monitoring for affected individuals.
2. *Ransomware coverage* - Ransomware attacks have become increasingly common in recent years, and the costs associated with these attacks can be significant. Ransomware insurance can cover costs such as ransom payments, lost income, and the cost of restoring data and systems.
3. *Data Breach coverage* – Breach coverage will help cover attorney fees, forensics, hacker damage, notifications, credit monitoring, and regulatory fines.
4. *Loss of Funds* – This coverage will help cover wire fraud, cyber crime, and social engineering fraud.
5. *Third-party coverage* – This coverage will help cover costs that come from clients, vendors, or regulators. Think of it like someone who wants to take money from your business for an incident.

Operating while "under attack" is perhaps one of the scariest scenarios that a business and their lender potentially face, and where the importance of planning and protocols must be understood in advance. Yenglin mentioned the importance of developing a Cyber Incident Response Plan. This plan outlines the steps to be taken in the event of a cyberattack or other security breach. The plan should also include roles and responsibilities of key personnel, protocols for data backup/recovery, and internal communication procedures along with external communication to stakeholders such as customers, suppliers, and regulatory authorities. Additionally, once the plan is in place, it must be regularly tested and updated as well as communicated to the necessary key personnel and stakeholders.

Email Is Still the Primary Gateway

While many of the policy procedures might reside with key management, most of defense or prevention still remains at the employee level, which is why training and education is so important. E-mail entry remains the key gateway of choice of hackers. Pasquariello mentioned that Business Email Compromise (BEC) remains the most popular route with the average time being over 200 days before a company detects the breach. Literally, a non-authorized individual is lingering inside a company's firewalls as the company believes they are operating in a secure and "normal" basis as the hacker gathers data, passwords and critical information as they remain undetected. A recent Deloitte study cited that email is responsible for 91% of all cyber attacks. The reason is that corporations still rely on email as the preferred communication method and email invites human error, which can nullify other cyber defense systems. As a result, lenders and companies should be diligent and cognizant that employee training at all levels is being done on a continual basis.

While no lender can guarantee collateral and cash flow performance with absolute certainty in the underwriting process and no company is completely immune or "fully protected" from cyber risk exposure. Lenders though, should be taking actions on their initial underwriting and in loan review sessions thereafter, to understand and evaluate what risks their borrowers face from cyber risk and how these are being mitigated. Lenders should be prepared to have these same questions asked of their organizations as cyber risk and managing its exposure is of major importance in a lending relationship among all parties.

Brian Resutek is a senior vice president and business development officer for Rosenthal & Rosenthal's Southeast office in Atlanta, GA. He can be reached at bresutek@rosenthalinc.com.

1136386581

ROUSE™ APPRAISALS

Unmatched in Accuracy, Reliability, and Speed of Reporting

Accurate equipment appraisals are the critical for matching financing to construction equipment assets. Unlike generalist firms, machinery & appraisals are our core and specialty.

Uniform standards

USPAP compliant & ASA certified appraisal reports.

Industry leader

$50+ billion in equipment appraised annually.

Extensive transaction database

Unmatched database of $20+ billion in equipment sales transactions annually.

Portfolio monitoring

Monthly mark-to-market valuation.

Comprehensive fleet review

Detailed asset inspections and reporting.

Ball park valuations

Indicative NOLV assessments.

Residual value analysis

Accurate market-based analysis on future equipment values for lease financing.

Market intelligence

Insight on value trends, asset depreciation, useful life, and usage characteristics.

What Would You Do?

In this edition of What Would You Do?, in the hopes of locking down an attractive prospect, which is also shopping for term loan financing, Overadvance Bank considers whether it should agree to limit its security interest to accounts receivable and inventory, and forgo all other collateral security, including traditional ancillary rights associated with those asset classifications

BY NNEOMA MADUIKE AND MICHAEL REGINA

NNEOMA MADUIKE
Otterbourg P.C.

MICHAEL REGINA
Otterbourg P.C.

"Breaking Up (Collateral) Is Hard to Do" or "A Collateral Splitting Headache"?

For months, Overadvance Bank has been courting Trendy Co, the newest designer and distributor of high-end athletic clothing and accessories for men and women. Viewing Trendy Co as the next big disruptive force in the ever-growing athleisure market, Overadvance Bank has aggressively pursued the possibility of providing Trendy Co with a $20,000,000 senior secured, asset-based revolving line of credit. But Trendy Co is being pursued by several competitors and the Chief Credit Officer may have to "bend the rules" if Overadvance Bank is to land this elusive white whale.

Wendy Trendy, the CEO of Trendy Co,

approaches Overadvance Bank with a proposal. Trendy Co will move forward with the bank on the condition that Overadvance Bank agrees to limit its collateral package to accounts receivable and inventory of Trendy Co. Wendy tells the bank that Trendy Co is actively pursuing a term loan facility, in large part based on the substantial value of Trendy Co.'s intellectual property. Wendy explains she is concerned that, if Overadvance Bank has a security interest in anything more than inventory and receivables, let alone a "blanket lien" on all assets of Trendy Co, it might delay the term loan facility or chill interest from potential term loan lenders.

This is not the first time the Chief Credit Officer has received a request for the bank to forgo a security interest, even a junior security interest, in Term Loan Collateral. While certainly an aggressive request, she can understand why it might seem attractive to prospective borrowers and even to prospective term loan lenders.

Trendy Co is without question an attractive prospect. However, Wendy's proposal is a bit outside the box for Overadvance Bank. If you were the Chief Credit Officer, what would you do?

First things first. The Chief Credit Officer is very familiar with so-called "split collateral" intercreditor arrangements. In a typical split collateral intercreditor arrangement, the working capital lender generally has a first priority security interest in inventory, receivables and related assets (the "ABL Collateral"), the term loan lender generally has a first priority security interest in all other assets (the "Term Loan Collateral"), including intellectual property, and each lender generally has a junior priority security interest in the other's priority collateral. Here, not only is Trendy Co seeking to limit the ABL Collateral to only inventory and receivables, and to exclude from the ABL Collateral the related assets and ancillary rights generally associated with inventory and receivables, Trendy Co is also asking the bank to entirely forgo a security interest in the Term Loan Collateral.

This is not the first time the Chief Credit Officer has received a request for the bank to forgo a security interest, even a junior security interest, in Term Loan Collateral. While certainly an aggressive request, she can understand why it might seem attractive to prospective borrowers and even to prospective term loan lenders. For example, a prospective borrower might see the unencumbered assets as a potential way to attract greater interest or better terms from prospective term loan lenders, just as Wendy said she hopes to do here. Similarly, a term loan lender might see the lack of a junior security interest in the Term Loan Collateral as a way to provide it with greater flexibility when dealing with that collateral and with more control in a liquidation or wind-down scenario, particularly if the equipment or intellectual property is of significant value or is integral to the operations of the company.

On the other hand, such a narrow collateral package for the working capital lender leaves the working capital lender without any direct hook into the Term Loan Collateral, such as equipment and intellectual property, that might be necessary or helpful to maximizing the value of the receivables and inventory or that, particularly in the case of valuable intellectual property, might comprise most if not all the enterprise value of the company. A junior priority security interest would give the working capital lender a "seat at the table" with respect to those assets and allow it to secure that seat through negotiation of an intercreditor agreement with the term loan lender.

Here, all of Trendy's inventory is branded. Most, if not all, of the enterprise value of Trendy Co is tied to the Trendy brand, and the value of that brand is rapidly growing. As such, the Chief Credit Officer determines that the bank will require an "all asset" collateral package, although she will permit the bank to subordinate its security interest in the Term Loan Collateral to the security interest of the eventual term loan lender, subject of course to execution of an acceptable intercreditor agreement.

The Chief Credit Officer anticipates that the intercreditor agreement will include terms and conditions typical of a split collateral intercreditor arrangement. One key topic that will need to be addressed in the intercreditor agreement is the intellectual property. The intercreditor agreement should provide Overadvance Bank with a royalty free license to use and exploit the intellectual property when exercising its secured party remedies. However, the intellectual property of Trendy Co is very valuable and, in a liquidation or distressed situation, the term loan lender will not want Overadvance Bank to pursue a liquidation strategy that could have a negative impact on the value of the company's intellectual property.

Of course, the term loan lender and working capital lender may (and are likely to) have competing, if not opposing, views on the best strategy to monetize the collateral in a distressed situation. For example, the bank's view toward an orderly liquidation strategy, which will eliminate the going concern sale prospects of the business in favor of pursuing inventory liquidation sales and accelerating the collection of accounts receivable, will likely have a negative impact on the value of the term lender's intellectual property collateral. In an effort to minimize the potential for such disputes, the terms of the Bank's intellectual property license may need to be negotiated to both afford Overadvance Bank with the ability to dispose of branded inventory in accordance with its secured party sale rights, but at the same time offer reasonable limitations on the intellectual property license that can address the term lender's concern over the deleterious impact a liquidation sale can have on the value of intellectual property. As such, the key for the bank is to ensure the license provides the bank with sufficient flexibility given the nature of the ABL Collateral and the likely potential exit strategies.

The Chief Credit Officer then turns her attention to Wendy's request that the bank limit the ABL Collateral to only inventory and receivables. The Chief Credit Officers knows from experience that, even in a split collateral intercreditor arrangement, the ABL Collateral typically also includes certain related assets and ancillary rights. The ABL Collateral might also include (a) "instruments," "chattel paper," "letter-of-credit rights," "supporting obligations," "general intangibles," and "payment intangibles" that, in each case, relate to, evidence or govern receivables, inventory or other ABL Collateral, (b) documents of title related to inventory, (c) "deposit accounts" and "investment accounts" that will receive proceeds or payments of receivables or inventory, (d) contracts that govern or evidence receivables or inventory, (e) guaranties and supporting obligations in respect of receivables, inventory or other ABL Collateral and (e) books and records evidencing or related to any other ABL Collateral.

The Chief Credit Officer then turns her attention to Wendy's request that the bank limit the ABL Collateral to only inventory and receivables. The Chief Credit Officers knows from experience that, even in a split collateral intercreditor arrangement, the ABL Collateral typically also includes certain related assets and ancillary rights.

The purpose of these related assets and ancillary rights is to facilitate efforts by the working capital lender to realize upon the inventory and receivables in the event of a liquidation or lien enforcement action. For example, if the working capital lender is required to bring suit to collect from an account debtor, the working capital lender might want to assert whatever contract rights the borrower has against that account debtor. For these reasons, the Chief Credit Officer will require that the ABL Collateral include the related assets and ancillary rights generally associated with inventory and receivables.

We hope you enjoyed the column and, of course, are always interested in your feedback. As such, if you have any scenarios you would like to see discussed in a future column, please let us know at nmaduike@otterbourg.com or mregina@otterbourg.com.

Nneoma Maduike is a partner in the Banking and Finance Department of Otterbourg P.C. and co-chair of Otterbourg P.C.'s Lender Finance practice. She represents an array of specialty finance companies, private debt funds, insurance companies, and private equity investors in connection with various finance transactions, including senior and senior-stretch loans, second lien loans, mezzanine financing, as well as other finance-related transactions. Maduike also represents institutional lenders and various public and private companies on structuring and documentation of loan transactions, including asset-based, cash flow and structured finance transactions, as well as portfolio acquisitions and dispositions.

Michael G. Regina is an associate in Otterbourg's Banking and Finance Department. He represents banks, commercial finance companies, and other institutional lenders in connection with the structuring and documentation of loan transactions, including asset-based loans and term loans, as well as portfolio acquisitions and dispositions. He has experience with syndicated and single lender transactions, as well as multicurrency and cross-border transactions spanning several industries that include energy, beauty, agricultural, technology and retail sectors.

Patrick Ta Beauty:

SG Credit Partners' Consumer Products Division Helps Company Flourish

BY CHARLIE PERER

■ **CHARLIE PERER**
SG Credit Partners

■ **EVAN WAGGONER**
SG Consumer Products

Patrick Ta was always an entrepreneur. He opened his first tanning and beauty salon at 17 years old, learning key lessons, as well as the art of the pivot that would inform his future beauty career. After closing the doors to his first venture in Scottsdale, AZ, Ta moved to Los Angeles, CA, and further explored his passion for makeup. He gained traction using a social media-first approach that landed him jobs with celebrities Shay Mitchell, Kim Kardashian, and Ariana Grande, fast-tracking his success as one of the most prolific professional makeup artists in California.

Ta saw the transformative nature of his work and felt compelled to create beauty beyond being a makeup artist. As his client list grew exponentially, Ta began to develop a makeup line rooted in his vision to make anyone and everyone who wears the product feel confident and beautiful. It took almost two years for Ta to bring the dream to reality, working with established product specialist Rima Minasyan and seasoned entrepreneur Avo Minasya to create the first products of Patrick Ta Beauty: the Major Glow line. After a successful 2019 launch, Patrick Ta Beauty signed an exclusivity deal with Sephora and expanded to a full suite of cosmetics and body products. Thus began the innovative and incomparable luxury cosmetics brand.

“With Patrick Ta Beauty, I want to make products that capture feeling and make people feel special,” Ta said in an interview with Byrdie in 2022. “As someone who is still a working makeup artist, I’m constantly learning new techniques on set. So, I always want to create innovative products. I also prefer to launch little collections rather than an entire line. I’m not the brand that will come out with 20 lipsticks at once.”

“With Patrick Ta Beauty, I want to make products that capture feeling and make people feel special,” Ta said in an interview with Byrdie in 2022.

Earlier this year, SG Credit Partners’ Consumer Products division extended a revolving line of credit to Patrick Ta Beauty, creating a debt facility tailored to the brand’s intentional growth. SG’s distinctive approach to the partnership provided the necessary capital for Patrick Ta Beauty to double its shelf space in Sephora and expand its presence to additional stores.

From a lending perspective, many banks and non-bank lenders struggle to gain comfort with high-revenue concentrations and other credit concerns typically associated with emerging brands like Patrick Ta Beauty. SG approached the business with a founder-first mentality and took deliberate steps to understand Patrick Ta Beauty’s growth strategy with Sephora in addition to long-term opportunities with other retail channels.

“We are thrilled to partner with SG Consumer Products as we continue to grow and bring our products to more consumers around the world,” says chief operating officer at Patrick Ta Beauty, Paul Parikh. “SG’s expertise in financing high-growth consumer brands makes them the ideal capital partner as we continue to innovate and expand our product offerings.”

Despite an uncertain economy, beauty brands have demonstrated resilience to inflation. In 2022, U.S. mass market beauty products sales grew 4% year-over-year to reach $30 billion, while the prestige category, which Patrick Ta Beauty falls under, grew a whopping 15% to reach $27 billion. Historically, the beauty sector has been an outlier in discretionary spending habits during economic downturns. In 2001, Leonard Lauder, chairman emeritus and former CEO of The Estée Lauder Companies Inc., coined the term “lipstick index” to explain the uptick in lipstick sales during the Great Depression and the Great Recession.

Investors and large companies have taken notice, making it difficult for emerging brands to stand out in an increasingly competitive market. Patrick Ta Beauty is an exception, especially when it comes to the rule of celebrity cosmetic brands. In the past three years, more than 30 celebrities have launched makeup and skincare brands in the U.S., but few have achieved sustainable growth.

Ta’s mission to develop cosmetics that make everyone feel confident and beautiful in their own skin has resonated with consumers, and his continued work as a makeup artist informs product innovation for the brand. SG’s debt facility will support Patrick Ta Beauty’s momentum as they continue to redefine the standards within the prestige category.

“Patrick Ta Beauty takes a unique and disruptive approach by combining next-generation artistry with a luxury brand experience,” says director of originations at SG Consumer Products, Evan Waggoner. “We are honored to support this exceptional brand’s vision to empower their customers in a meaningful way.”

Charlie Perer is the co-founder and head of originations of SG Credit Partners, Inc. (SGCP). In 2018, Perer and Marc Cole led the spin out of Super G Capital’s cash flow, technology, and special situations division to form SGCP.

Perer joined Super G Capital, LLC (Super G) in 2014 to start the cash flow lending division. While there, he established Super G as a market leader in lower middle-market second lien, built a deal team from ground up with national reach and generated approximately $150 million in originations.

Prior to Super G, he co-founded Intermix Capital Partners, LLC, an investment and advisory firm focused on providing capital to small-to-medium sized businesses. He graduated cum laude from Tulane University. He can be reached at charlie@sgcreditpartners.com.

SFNet Committee Spotlight:

Data Committee

This column highlights the hard work and dedication of SFNet committee volunteers. Here we speak with Lawrence Chua, managing director, Ares Management, and chair of SFNet's Data Committee.

The Data Committee assists in the development of SFNet's data and research initiatives, including the Market Sizing & Impact Study and the semi-annual Market Pulse report, and provides insights, analysis, and development of the SFNet ongoing Annual ABL & Factoring Surveys in addition to the SFNet Quarterly ABL reports.

***TSL*: Please provide us with some background on your career.**

Chua: I started my career at GE Capital out of grad school and joined a leadership training program there. I held a variety of roles in risk management and finance at different business units such as GE Commercial Finance, GE Real Estate, GE Consumer Finance as well as spending time at the GE Capital Office of the CEO. At the time, GE Capital was a powerhouse in the world of credit and was an ideal place to learn how to be a lender. I was fortunate enough to gain exposure to the major "food groups" within the world of credit: commercial, consumer and real estate. GE was a leader in many areas but also a very big place at the time, and I ultimately found that I wanted to do something more entrepreneurial.

I went from being an investment professional at GE Capital to bootstrapping an internet-based business in New York City. I was living in Manhattan at the time, and Fresh Direct, an online grocery retailer, had just started gaining traction at that point. These days, it doesn't sound revolutionary to order groceries online, but in the early- to mid-2000s that was mind-blowing to me, or maybe I'm easily impressed. The business I started was a variation on the general theme of using the internet to serve a basic recurring need. In my case, it was dry cleaning and laundry services instead of groceries. I outsourced the physical cleaning part, and my focus was really on owning the web-based platform and the customer relationships, so somewhat like a lot of the platforms we see today like Uber and Airbnb. I ended up selling the business to a strategic buyer.

After a few years as an entrepreneur, I found that I missed the world of finance and ended up joining a startup credit fund as employee number three. This experience allowed me to combine my financial services experience and my entrepreneurial mindset, which was fantastic. After some interesting times during the Great Financial Crisis, the firm's primary investment vehicle became a publicly traded BDC where I was an officer, head of underwriting and member of the investment committee.

LAWRENCE CHUA
Ares Management

I had an opportunity to join a new group within Ares Management about seven years ago and am currently a managing director in the Credit Group there. Ares acquired two independent asset-based lenders, and I joined shortly after they made those acquisitions and have had the opportunity to help drive the growth of that platform. I've worn several different hats since joining Ares and have been involved in all facets of the investment process, including underwriting, portfolio management, originations and investor relations. Most of my time these days is spent on originations and new product development.

For someone who's reading this and may want to join SFNet's Data Committee, how would you describe it to them?

The SFNet Data Committee is a great opportunity to step back and view the secured lending space from a more macro level. It's easy to get caught up in your day-to-day activities and things specific to your organization, such as portfolio matters or a specific transaction, but zooming out can be very informative.

The Data Committee allows one to step back and understand who the players are in the industry, what are industry trends, what is happening in the industry and whether those align with what's happening within your own organization or if you're seeing something different. I think that's very interesting and worth learning about, and helps you do your job better at your own organization. To me that was the greatest benefit from a personal standpoint of joining. The other benefit is that through the Data Committee, I get to work with some great people in our industry.

I was on the Committee for several years, and then I was the vice chair and then chair starting in 2022. So, this is my second year as Chair. We'd love to get more Committee members and entities reporting on a quarterly and annual basis to help improve the quality of the information. I'm happy to speak to anyone interested in joining the Committee or interested in reporting and gaining access to information provided to reporting members only.

What does the Committee do?

The Committee is tasked with gathering and presenting useful industry information to SFNet members. It is one of the value-add aspects of being an SFNet member as we are the best source of information for our industry.

For most people involved in the Committee, the biggest deliverable is the SFNet Quarterly and Annual Reports that are released. Historically, it had been only annual for factoring, but we're working on increasing the frequency of the factoring reports.

For most people who are getting involved, helping with that analysis is the main point of involvement. Before every quarterly or annual report is released, a draft is prepared and aggregated by SFNet's external consulting firm, Keybridge, LLC, and then circulated. I also want to point out that committee members, myself included, do not have any insight as to specific numbers that other SFNet members may report as we make it a high priority to preserve confidentiality. We only look at aggregated or anonymized information.

Once the Committee gets a report draft from Keybridge, the external party that helps compile the responses and prepare our reports, we try to get to the 'why' something is happening. For example, in a given quarter, we might observe a change in credit line utilization or growth in outstandings or commitments. We dig into why we are seeing certain trends, and what's driving it. That discussion tends to be very interesting as we have a great group within the Data Committee.

The Committee has a good mix of bank and non-bank members and members from institutions of varying sizes, too. So, everybody brings a different perspective, which is interesting. There's a lot of sharing of ideas and ultimately our goal is to land on central themes for a quarterly or an annual report. Keybridge will then take notes, consolidate our key thoughts, and then that is what will go into the final report that is released to our members.

SFNet member companies that provide reporting on a quarterly or annual basis receive an enhanced report. They get additional insight rather than the high-level, general information available to non-members.

Beyond the regular reporting cycle, there will be other, I call them special projects, that may come up that certain members would get involved in as well.

How much time is involved if you're a Data Committee member?

It varies, but I would say for most members, involvement might be a few hours a quarter. Meetings tend to happen quarterly. The idea is people get the draft report, and the expectation is that we have a productive conversation. Everybody takes the time to read the report, come up with their own thoughts, and then share those thoughts on our group call. While the group call might only be an hour and a half, there is some prep time involved, and I think that's really where we're looking for our members to be thoughtful and think about what they're seeing and be able to share that with others on the Committee.

One of my favorite parts of being involved in this Committee is hearing the different perspectives and thoughts from industry leaders. People are in different subsegments

SFNet Membership Committee Members

Chairperson: Lawrence Chua, Ares Management LLC

Vice Chairperson: Barry Bobrow, Regions Business Capital

SFNet Staff Liaison: Aydan Savaser, Secured Finance Network

Chris Bauer, Truist

Stephen Beriau, Eclipse Business Capital

Miin Chen, Siena Lending Group

Michael A. Fortino, White Oak Commercial Finance, LLC

Jeffrey K. Goldrich, SLR Business Credit

Tighe Ittner, Truist

Laura Lynn Jakubowski, Goldberg Kohn Ltd.

Terry M. Keating, Access Capital, Inc.

David Koshenina, Wells Fargo Commercial Capital-Lender Finance

Catherine Levine, Regions Business Capital

Donald B. Lewis, Eastern Bank

Adam Moss, Bank of America Business Capital

Mark Jeffrey Ruday, Newpoint Advisors Corporation

William A. Stapel, Fifth Third Bank

Jonathan T. White, Citizens Bank

Danielle Nicole Williams, Fifth Third Bank

Chris Bauer, Truist Securities
What do you like about being on the Committee?

Serving on the Data Committee has allowed me not only the opportunity to connect with other ABL professionals in the industry, but also provides a forum to discuss real-time developments and insights into the opportunities, challenges, and trends within the ABL market.

What would you say to someone who is interested in joining the Committee next year?

It is a great way to get more connected with professionals across both the bank and non-bank ABL market while also staying up to date with current market trends and developments. Additionally, as we continue to increase the breadth and depth of committee members across both institutions and job functions, it improves the quality of information and insight that we can provide.

of the market and may see various things, and it's always interesting to hear the ideas that come up.

What are some of your goals for the remainder of the year as chair of the Data Committee?

We just achieved one of our major goals in early June, which was SFNet releasing the Market Sizing and Impact Study! The last study came out in 2019 and, in those years, we've gone through and have come out of a pandemic and into an environment with economic uncertainty. It's a much different environment now and it was a good time to provide a new report to our SFNet members.

There's tremendous interest in this study because groups have used it for internal benchmarking, capital raising and advocacy. There's a host of uses, and I think it's an unbelievably valuable product and a benefit for the SFNet community and beyond.

When you're not busy at Ares and SFNet what do you enjoy doing?

I enjoy cooking, when time permits. There was a point in my life towards the tail end of my GE career where I went to culinary school at the Institute of Culinary Education on the weekends while working at GE Capital, which was a little crazy for a while. I'm also trying to learn guitar as an adult, which is hard, and I have recently gotten back into home audio equipment and high-quality two-channel music playback.

Eileen Wubbe is senior editor of The Secured Lender.

Miin Chen, Siena Lending Group: Joining the Committee has been a great experience for me on so many different levels but perhaps the most rewarding is being part of the process to help bridge the work of SFNet with those that it aims to serve. It's been humbling to see all the different viewpoints that all the Committee members bring and being challenged to come up with ideas and solutions so that all members are heard and represented.

Laura L. Jakubowski, Goldberg Kohn Ltd. We all know data is powerful, but participating in the SFNet Data Committee has shown me that the key to unlocking real value is combining data with the right human experience and expertise. The members of the SFNet Data Committee have varied backgrounds, interests, and areas of expertise, and the conversations that we have talking through surveys and other data reports are interesting and insightful. SFNet is able to bring useful information to its members, not only because of the underlying data the committee gathers, but the time and insight applied to it by the members of the committee. I have learned so much in listening to and participating in these conversations.