THE SUPPLY CHAIN ISSUE

THE SECURED Lender

APRIL 2023 WWW.SFNET.COM

Putting Capital To Work

INTERVIEW WITH

IAN FREDERICKS

DISCUSSES THE CURRENT STATE OF SUPPLY CHAIN CHALLENGES AND HILCO'S SHORT- AND LONG-TERM GOALS.

A publication of: Secured Finance Network

TOUCHING BASE

PUTTING CAPITAL TO WORK

Our All-Weather Industry Continues to Lead

Events in financial markets over the recent period have once again underscored our essential purpose of putting capital to work. In the wake of bank failures, changing economic signals and government actions, our members have shown their agility and resourcefulness in extending crucial economic lifelines to middle-market companies. SFNet continues to provide relevant resources to our members to help you navigate this dynamic environment.

This, our first ever Supply Chain Issue, is one such tool, as are a number of upcoming events.

SFNet's International Lending Conference will be held in London, May 9-11. If you are active in the international lending space, you need a clear understanding of the current global landscape, what may be on the horizon, and what it all means for your business. This Conference will bring together some of the most interesting players in international lending for discussions and insights into what lies ahead.

Our Emerging Leaders Summit (formerly YoPro Leadership Summit) will take place at the Innisbrook Resort in Palm Harbor, FL, May 22 and 23. This event will bring together the young professionals of the secured finance industry to hear from industry leaders who have been through challenging times before, connect with peers, and discover together how to find success in new, flexible work structures. We'll also preview our much-anticipated Impactful Leadership for High Potentials program, a collaborative venture with NYU.

This year's conference will be held in conjunction with our Mid-Year Member Roundtables and our Chapter Presidents meeting, giving attendees even more opportunity to build meaningful connections with colleagues and industry leaders. The Roundtables, specific to bank and non-bank CEOs, Business Development officers, Legal practitioners, and Credit & Operations professionals, offer the opportunity to come together with colleagues who are experiencing similar challenges within specific disciplines. Further details and registration information can be found at www.sfnet.com.

On June 15, SFNet will celebrate the 2023 40 Under 40 Award recipients at the Plaza in New York City. Please reach out to James Kravitz at jkravitz@sfnet.com for attendance information. Prior to the celebration that evening, SFNet's Women in Secured Finance Conference will also be held in New York City, with a reception the night before. The theme of the Conference is "Navigating Economic, Professional and Personal Change". Certainly, a topic that resonates with us all.

RICHARD D. GUMBRECHT
SFNet Chief Executive Officer

On the data front, be on the lookout this spring for an update to our groundbreaking Market Sizing Study, which will once again be complimentary for SFNet national members.

Our featured interview for this Supply Chain issue is Ian Fredericks, president of Hilco Merchant Resources. On page 18, Fredericks discusses his journey from corporate bankruptcy attorney to president of HMR, the current state of supply chain challenges and Hilco's short- and long-term goals.

In G*lobal Supply Chains – Improving Conditions, but Vulnerabilities Remain*, Alex Sutton of Gordon Brothers updates readers on the supply chain challenges that remain a concern even as the sea is finally calming.

Collin Z Groebe of Winston & Strawn discusses the bitcoin mining industry's role in providing demand support to energy producers by monetizing otherwise stranded energy produced from oil drilling and solar and wind facilities. Turn to page 32 for *ABLs, Bitcoin Miners and Monetizing Stranded Energy.*

Charlie Perer kicks off a new series in this issue in which he sits with the key entrepreneurs and executives who have built leading commercial finance companies to talk about the origins of their respective firms. The purpose of this series is to tell the story behind many of the most famous and dynamic firms of past, present and future. This first feature is about Foothill Capital. The core team at Foothill went on to be leaders at Wells Fargo Capital Finance and throughout the entire commercial finance industry. Here to tell the story are Peter Schwab, Henry Jordan and Chris MacDonald are interviewed on page 38.

On page 24, we catch up with Webster Bank's head of ABL, Abby Parsonnet, who joined Webster in 2013 as regional president and quickly grew its New York franchise from the ground up to just under a billion dollars in commitments. Here, Abby discusses her career, goals in her new role, and how the merger with Sterling National Bank helped to expand Webster's offerings, particularly in ABL and factoring.

I hope to connect with many of you during our events this spring and as broader events continue to play out. I thank you for demonstrating time and again the importance and value of our all-weather industry.

THE SECURED Lender
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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 opinions and views expressed by *The Secured Lender's* contributing editors and authors are their own and do not necessarily express the magazine's viewpoint or position. Reprinting of any material is prohibited without the express written permission of *The Secured Lender*.

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Access Capital, Inc., Announces Raphael Torres as Senior Vice President, Head of Business Development

Raphael Torres' experience in asset-based lending spans over two decades. During his career at Wells Fargo, he headed the team responsible for providing financial solutions to the staffing, government contracting, and transportation industries, growing the portfolio to over $1B in outstanding loans and $2.7B in commitments. Torres was named an SFNet 40 Under 40 Award recipient in 2018.

Ares Capital Corporation Appoints Jana Markowicz as Chief Operating Officer

Jana Markowicz was appointed Ares Capital Corporation's chief operating officer (COO). In this newly created role, Markowicz will also serve as COO of Ares Management's U.S. Direct Lending strategy where she will collaborate with the U.S. Direct Lending co-heads and Investment Committee members in the management of the team and strategy.

Austin Financial Services Hires SVP, ABL Originations to Expand ABL Originations in Midwest Region

Austin Financial Services, Inc. is pleased to welcome **Stacey Huddleston** as its new SVP, ABL Originations. In this role, Huddleston will continue to expand the company's asset-based loan origination efforts throughout the Midwest region. Prior to joining AFS, he held leadership roles with Seacoast Business Funding and Prestige Capital.

Axiom Commercial Finance Welcomes Kurt Tegge as Senior Underwriter for Asset Based Lending

Axiom Commercial Finance announces the addition of **Kurt Tegge** to its team as senior underwriter for asset-based lending. Tegge brings over two decades of experience in underwriting asset-based loans and has an extensive background in credit risk analysis and portfolio management. He will be responsible for underwriting new loan opportunities.

Blank Rome Welcomes Bankruptcy and Agribusiness Finance Partner Joseph M. Welch in Orange County

Joseph M. Welch has joined Blank Rome LLP's Orange County office as a partner in the Finance, Restructuring, and Bankruptcy practice group. A Certified Bankruptcy Specialist by the State Bar of California Board of Legal Specialization with a broad-based bankruptcy practice representing lenders and other creditors, Welch also dedicates a significant portion of his practice to representing agricultural lenders and advising agribusiness and food companies on a wide range of corporate matters.

Blank Rome Adds Corporate Transactions Pro Robert Handler in Los Angeles

Robert Handler has joined the firm's Corporate, M&A, and Securities practice group as senior counsel in the Los Angeles office. A corporate transactions pro with a focus on middle-market private businesses, Handler joins Blank Rome from Glaser Weil where he served as a partner in the Corporate and Real Estate groups.

Cahill Announces New Partner & Counsel Elections

Cahill Gordon & Reindel LLP announced that **Christopher Bevan, Samson A. Enzer, Sesi Garimella, Mark Loftus** and **John MacGregor** have been elected to the partnership in Cahill's New York office, and **Tom Rocher** has been elected to the partnership in the firm's London office.

Enzer, a distinguished former Assistant United States Attorney in the United States Attorney's Office for the Southern District of New York and member of the Securities and Commodities Fraud Task Force, represents companies and individuals in high-stakes criminal and regulatory enforcement matters, internal corporate investigations, and civil litigation, often in cases involving the finance and cryptocurrency industries.

Garimella and MacGregor represent global corporations and financial institutions in commercial and securities litigation and appeals, as well as before government and regulatory bodies in matters concerning criminal inquiries, government investigations, and securities and antitrust matters.

Rocher represents financial institutions and global corporations in complex litigation, internal investigations and regulatory inquiries by a variety of agencies in the US, Europe and Asia, most notably the Financial Conduct Authority in the UK.

Cahill is also pleased to announce that the firm has elected **Margaret Barone, Danielle Brown, Samir Kurani, Jennifer Potts, Sara Ortiz** and **Marc Shepsman** as counsel to the firm.

These elections follow the arrival of two new partners in Cahill's New York office, **Gerald J. Flattmann Jr.** and **Emeka C. Chinwuba**. Flattmann serves as the chair of Cahill's life sciences patent litigation practice. Chinwuba serves as a partner in the corporate practice.

CIBC Innovation Banking Announces Leadership Changes

CIBC Innovation Banking announced that **Mark Usher** has been appointed senior vice president, Innovation Banking; president and executive managing director, CIBC Innovation Banking, taking on the role currently held by Mark McQueen who is departing to start the next chapter in his career.

Kobes Joins CohnReznick as Managing Director, Value360 – Transactional Advisory

CohnReznick LLP announced that **Laura Kobes** has joined the firm as a managing director in its Value360 - Transaction Advisory Services practice. Based in Virginia, Kobes will focus on leading and growing the firm's dedicated Sale and Purchase Agreement (SPA) Advisory practice and on M&A dispute capabilities, both as the neutral arbitrator and as an advisor to buyers and sellers.

eCapital Names Todd Zarin as Chief Legal Officer

eCapital Corp. announced the appointment of **Todd Zarin** as chief legal officer. As part of the executive leadership team, Zarin will oversee eCapital's in-house legal team and be responsible for all legal operations for the company. Zarin's legal and corporate career spans more than 20 years, with strategic roles helping public and privately held clients in financial services and other industries succeed while navigating critical moments.

Anthony Lavinio Joins Eclipse Business Capital, LLC's Underwriting Team as a Managing Director

Eclipse Business Capital, LLC (EBC) announced that **Anthony Lavinio** has joined its underwriting team as a managing director. Lavinio is an asset-based lending professional with over 25 years of experience in underwriting, portfolio management, and new business originations at non-bank private debt funds. Prior to joining EBC, he worked in portfolio management and underwriting at CIT and Burdale Capital and was most recently with Siena Lending Group.

Encina Lender Finance, LLC Promotes Dan Avnir to Chief Commercial Officer

In his new role, **Dan Anvir** will continue to lead ELF's origination strategy across its commercial and consumer verticals. He will also lead ELF's syndications strategy by managing the capital markets initiatives for various portfolio companies. Anvir previously served as managing director, Originations.

First Eagle Alternative Credit Announces Senior Investment Leadership & Direct Lending Promotions

First Eagle Alternative Credit, LLC, announced promotions within its Tradable Credit and Direct Lending investment teams. **Robert Hickey** was promoted to deputy chief investment officer - Tradable Credit to help oversee this over $15 billion business unit's operations and investment decisions. **Michelle Handy** has been promoted to deputy chief investment officer - Direct Lending to help oversee the firm's lending operations and investment decisions of the almost $6 billion direct lending platform. **Garrett Stephen** has been promoted to co-head of Origination and Structuring. He joined the firm in 2012 and was previously an originator on the firm's Direct Lending team. **Howard Wu** has been promoted to co-head of Origination and Structuring. Wu joined the firm in 2007 and was previously an originator on the firm's Direct Lending team, responsible for originating, structuring, and monitoring portfolio investments.

Getzler Henrich & Associates Names Mark D. Podgainy Leader of Commercial Real Estate and Hospitality Practice

Mark Podgainy has been named the Commercial Real Estate and Hospitality Practice leader of Getzler Henrich & Associates LLC. A long-time managing director with Getzler Henrich, Podgainy has more than 25 years of experience in operational roles and turnaround consulting in a variety of industries. His areas of expertise include operational and financial restructuring, business plan analysis, performance improvement, liquidity management, bankruptcy consulting and interim management services.

Mark Newton-Jones Joins Gordon Brothers as Senior Managing Director, Head of the U.K. & EMEA

Mark Newton-Jones has joined Gordon Brothers as senior managing director, head of the U.K. and Europe, the Middle East & Africa (EMEA), serving as the chief executive for the region. Based in London, Newton-Jones will lead the continued expansion of the firm's valuation, disposition and capital services working in partnership with a seasoned team of professionals to provide comprehensive solutions, including lending to, investing in and providing advice, for retail, consumer, commercial, and industrial clients and partners.

Great Rock Capital Adds Senior Originator in Southern California Market

Great Rock Capital announced **Todd Nakamoto** has joined the firm as a managing director of Originations. Nakamato will be based in Los Angeles and is responsible for expanding the firm's origination efforts across Southern California. He joins Great Rock with 30 years of experience in asset-based middle-market lending and most recently was a senior vice president at City National Bank.

Mignon Winston Joins Great Rock Capital as Vice President

Great Rock Capital announced **Mignon Winston** has joined the firm as a vice president of underwriting. She will be based in Connecticut and serve as one of the company's underwriting team leaders. Winston joins Great Rock with over 30 years of experience in asset-based middle-market lending. Most recently, as a managing director at White Oak Commercial Finance, she evaluated and managed the approval and closing of new business transactions.

Greenberg Traurig Continues Growth of Corporate and Financial Regulatory & Compliance Practices with Addition of Hilary R. Sledge-Sarnor

Global law firm Greenberg Traurig, LLP expanded its Corporate and Financial Regulatory & Compliance practices with the addition of **Hilary R. Sledge-Sarnor** as a shareholder in the firm's Los Angeles office. She joins from MUFG Bank, Ltd. and its former wholly-owned subsidiary, MUFG Union Bank, N.A., where she served as executive counsel to the general counsel. Sledge-Sarnor advises U.S. and foreign financial institutions and their holding companies on a wide range of financial regulatory, transactional, corporate governance, and compliance matters.

Hilco Merchant Resources Announces Addition of Mike Dwyer as Executive Vice President – Head of Operations

Hilco Merchant Resources is excited to announce the addition of **Mike Dwyer** to the team. Dwyer will serve as executive vice president, head of Operations with a focus on the implementation, management, and execution of all deal-related functions and operating goals for the group. Dwyer has 18 years of retail experience and over 21 years of experience leading operations teams.

Hilco Redevelopment Partners Names Chief Investment Officer

Hilco Redevelopment Partners (HRP), the real estate redevelopment unit of Hilco Global that reimagines and transforms complex properties nationwide, announced today that the company has named **Andrew Chused** as chief investment officer (CIO).

Chused, a co-founder of the HRP platform, previously served as head of Investments. He played a leading role in transformational transactions for the company, including the acquisition of the former Sparrows Point steel mill, now Tradepoint Atlantic, in Baltimore, the ongoing redevelopment of L Street Station in Boston and the ongoing transformation of the former PES refinery, now The Bellwether District, in Philadelphia.

IDB Bank Announces Strategic Expansion of Sponsor & Leverage Finance Team

As part of this expansion, IDB aims to further its presence within the leverage finance space, a key area of growth over the next several years.

The team will be led by **James Dunleavy**, senior vice president/manager, who brings forward nearly 35 years of industry experience to IDB and its growing diverse commercial clientele.

Tom Savage, senior vice president/originator & senior relationship manager, joins IDB following a robust more-than 30-year career within the financial services sector, most recently serving as senior vice president of the Sponsor Finance group with Investors Bank.

Michael McIntyre, first vice president/senior relationship manager & portfolio manager, is a seasoned corporate finance executive with more than 30 years of extensive and diverse experience as a cash flow and asset-based lender.

Paul Muzzio, vice president/relationship manager and portfolio manager, joins IDB following more than eight years with Investors Bank, where he most recently served as assistant vice president of the Sponsor Finance group.

Lighthouse Financial Corp. Promotes Daniel Ellis to Senior Vice President-Account Executive

In this role **Daniel Ellis** will continue to manage a portfolio of asset-based loans and underwrite new transactions. In addition, he will lead the efforts of Lighthouse's subsidiary Verification Management Company, which provides asset-based loan management services to financial institutions without the capacity to do so themselves. Ellis can be contacted at 336-272-9766 or dellis@lighthousefinancial.net.

McGuireWoods Appoints New Office Managing Partners in Four Cities

McGuireWoods has appointed new office managing partners in New York, Chicago, Charlotte and Baltimore, maintaining the firm's longstanding tradition of rotating key leadership positions.

Jeffrey Chapman is the firm's new office managing partner in New York. He succeeds partner Noreen Kelly, who served in the role since 2015 and recently became chair of the firm's nationally recognized Government Investigations & White Collar Litigation Department. Chapman focuses on financial services litigation, including complex commercial and securities litigation, internal investigations, and government and regulatory enforcement actions.

In Chicago, **Yuan-Ying Hsu** succeeds Christina Egan, who was office managing partner since 2016. Hsu advises clients in middle-market finance transactions, focusing on asset-based lending, fund finance and leveraged acquisitions.

Brian Kahn is the new office managing partner in Charlotte. He takes over for John McDonald, who led the office since 2017. Kahn's commercial litigation practice focuses on complex business litigation, class actions, financial services and real estate disputes.

In Baltimore, the new office managing partner is Elena Marcuss. She succeeds Cecil E. Martin III, who held the post since 2016. Marcuss, a member of the labor and employment group, focuses on class and collective actions and investigations.

Moritt Hock & Hamroff Welcomes Brian C. Daughney

Brian C. Daughney has joined the firm as a partner in the Corporate, M&A and Securities Practice Group in the Garden City, NY office. Daughney serves as general counsel and a trusted advisor to clients, who benefit from his multidisciplinary experience. He provides experienced guidance to his clients with respect to mergers and acquisitions, public and private securities offerings, general corporate law and broker-dealer regulation.

Otterbourg Promotes James Cretella to Chairman of The Finance Department

Otterbourg P.C. announced that **James Cretella** has been named chairman of the Firm's Finance Department. A career member of Otterbourg's Finance Department, Cretella represents institutional lenders, factoring companies and specialty lenders, as well as borrowers, in a variety of asset-based lending, specialty finance and other corporate transactions. In 2021, he was named chair of the Alternative and Specialty Finance practice group.

David Castleman Joins Otterbourg P.C. as Member in the Restructuring and Bankruptcy Department

David Castleman comes to Otterbourg from Raines Feldman LLP, where he was a partner. Castleman's practice focuses on federal equity receiverships and complex litigation in both state and federal courts. Recognized for his experience in cryptocurrency insolvencies, Castleman was recently appointed as receiver regarding a $250 million alleged internet-based Ponzi scheme in a case brought by the Commodity Futures Trading Commission in the Southern District of New York.

Rockland Trust Company and Independent Bank Corp. Appoint Jeffrey J. Tengel as Chief Executive Officer

Rockland Trust Company and its bank holding company parent Independent Bank Corp. announced the appointment of **Jeffrey J. Tengel** as the successor to current chief executive officer, Christopher Oddleifson. Oddleifson has served as the

Bank's CEO since 2003. Tengel most recently served as senior executive vice president, head of Commercial Specialty Banking at M&T Bank.

Siena Healthcare Finance Hires NYC-Based Business Development Officer

Located in New York City, **Brendan Tully** spent three years as a field examiner for PNC Business Credit before joining Chesapeake Corporate Advisors then B.C. Ziegler & Company as an investment banking analyst focused on mergers and acquisitions. Most recently, he worked as an associate for Deutsche Bank's Global Healthcare Coverage group.

U.S. Bank Hires Guillaume Mascotto as the Head of Sustainable Finance

In this new leadership role, **Guillaume Mascotto** will build and lead a new team focused on identifying sustainable finance opportunities across the entire enterprise. Based in New York, Mascotto is part of the U.S. Bancorp Community Development Corporation (USBCDC) leadership team reporting to its CEO, Zack Boyers.

TD Bank Group Announces Senior Executive Team Appointments

TD Bank Group (TD) announced the following appointments to reflect the expanded mandates of two Senior Executive Team (SET) members.

Barbara Hooper will become Group Head, Canadian Business Banking, TD Bank Group, effective May 1, 2023. Hooper has served as senior executive vice president and chief operating officer of Canadian Business Banking since January 18, 2023.

Kelvin Tran will become group head, chief financial officer, TD Bank Group. He assumed the role of senior executive vice president and chief financial officer and joined the SET in 2021, and further expanded his mandate to include Treasury, Corporate Development, Strategy.

Wolters Kluwer Establishes Corporate Performance and ESG Division

Wolters Kluwer announced that it intends to bring together four of its global enterprise software businesses to form a new division, Corporate Performance & ESG. This is to meet the growing demand from corporations and banks for integrated financial, operational, and ESG performance management and reporting solutions.

This new division will be comprised of the following global software units: Corporate Performance (CCH Tagetik; including U.S. Corporate Tax); EHS/ORM Software (Enablon); Finance, Risk & Reporting and Internal Audit Solutions (TeamMate).

Corporate Performance & ESG will be led by **Karen Abramson**, CEO of Wolters Kluwer's Tax & Accounting division for the past nine years. Jason Marx, currently CEO of Wolters Kluwer Tax & Accounting, North America, will be appointed CEO of the Tax & Accounting division.

Lender/Participant	Lender Type	Amount	Borrower	Industry	Structure
Abacus Finance Group, LLC	Non-bank	**N/A**	To support the growth recapitalization of Mobility Market Intelligence (“MMI”), Salt Lake City, UT by WestView Capital Partners	SaaS-based data intelligence, analytics and sales enablement tools	Senior secured credit facilities
Abacus Finance Group, LLC	Non-bank	**$50 Million**	To support the recapitalization of SV Labs, a portfolio company of San Francisco Equity Partners, a contract development and manufacturing organization (CDMO) specializing in beauty and personal care products.	Beauty and personal care	Senior secured credit facilities
Abacus Finance Group, LLC	Non-bank	**N/A**	To support the leveraged buyout of Marshall & Stevens by Pine Tree Equity Partners, a leading provider of independent valuation and advisory services to middle-market companies	Valuation and advisory services	Senior secured credit facilities
Abacus Finance Group, LLC	Non-bank	**N/A**	To support the leveraged buyout of Sabai Group, LLC, a provider of regulatory and safety review solutions for clinical trials related to cell and gene therapy, Chesterfield, MO, by Thompson Street Capital Partners	Medical	Senior secured credit facilities
Amerisource Business Capital	Non-bank	**$1 Million**	Electronics manufacturer, Texas	Electronics	Working capital facility
Amerisource Business Capital	Non-bank	**$3 Million**	Specialty pumping services firm, Texas	Pumping services	Asset-based revolver
AmeriFactors Financial Group, LLC	Non-bank	**$700,000**	Security services company, Texas	Security	Accounts receivable financing facility
AmeriFactors Financial Group, LLC	Non-bank	**$1 Million**	Auto transport company, New York	Auto transport	Accounts receivable financing facility
AmeriFactors Financial Group, LLC	Non-bank	**$150,000**	Pipe and power services company, North Carolina	Pipe and power services	Accounts receivable financing facility
AmeriFactors Financial Group, LLC	Non-bank	**$2.5 Million**	Mechanical company, Minnesota	Mechanical	Accounts receivable financing facility
AmeriFactors Financial Group, LLC	Non-bank	**$690,000**	Installation and repair company, Florida	Installation and repair	Accounts receivable financing facility
AmeriFactors Financial Group, LLC	Non-bank	**$3 Million**	Electrical company, Arizona	Electrical	Accounts receivable financing facility
AmeriFactors Financial Group, LLC	Non-bank	**$7.5 Million**	Automations solutions company, Virginia	Automations solutions	Accounts receivable financing facility
AmeriFactors Financial Group, LLC	Non-bank	**$2.7 Million**	Construction company, Virginia	Construction	Accounts receivable financing facility
Ares Commercial Finance	Non-bank	**$22.5 Million**	To a leading offline processor and wholesale distributor of branded and private-label commodity, specialty and hard-cooked eggs predominantly in the Northeast and Mid-Atlantic markets	Egg processor	Senior secured credit facility

Lender/Participant	Lender Type	Amount	Borrower	Industry	Structure
Atlantic Union Bank	Bank	**$15 Million**	SolaREIT™, a solar real estate investment fund, ™, which focuses on making investments in acquiring, developing, and managing climate-friendly solar assets that support the transformation to a low-carbon economy, Vienna, VA	Solar real estate	Revolving credit facility
Austin Financial Services, Inc. (AFS)	Non-bank	**$2.5 Million**	Manufacturer and distributor of health & beauty aids	Manufacturing: Health & beauty	AR & inventory facility
Bank of America, BNP Paribas and JP Morgan	Bank	**$2.1 Billion**	Carnival Corporation & plc, the largest global cruise company, and among the largest leisure travel companies, with a portfolio of world-class cruise lines	Cruise	Multi-currency revolving credit facility
Bank of America, Danske Bank, NatWest, Nordea Bank and Société Générale	Bank	**EUR 150 Million**	Loomis AB, a cash handling company, Stockholm, Sweden	Security	Revolving credit facility
Barclays, Angelo Gordon, SVB Capital and a fund managed by Neuberger Berman	Bank/Non-bank	**$260 Million**	DailyPay, a leading financial technology company	FinTech	Revolving credit facility and term loan funding
Barclays, Jefferies Finance LLC, Bank of Oklahoma Securities and with Cadence Bank	Bank	**$800 Million**	Brazos Midstream's subsidiary, Brazos Delaware II LLC, Fort Worth, TX	Oil & natural gas	Senior secured Term Loan B
Barclays Bank PLC	Bank	**$300 Million**	Unlock Technologies Inc., a leading home equity investment technology company, and Saluda Grade, a private alternative real estate investment firm,	Technology	Revolving credit facility
Bastion Management and affiliates and Hudson Cove Capital Management and affiliates	Non-bank	**$250 Million**	Propel Holdings Inc.'s CreditFresh line of business, an innovative fintech company dedicated to credit inclusion	FinTech	Syndicated credit facility
BHI	Bank	**$30 Million**	Senior living facility with 199 beds in Davie, FL	Medical	Refinancing loan
BlackRock Alternatives	Non-bank	**$175 Million**	Heelstone Renewable Energy, LLC, a leading utility-scale solar developer with expertise in development, construction, and operation	Solar	Credit facility
Bridge Bank	Bank	**$3 Million**	Innovative Lease Services Inc., a Carlsbad, CA-based provider of commercial equipment financing and leasing services.	Commercial leasing	Credit facility
B. Riley Commercial Capital, LLC	Non-bank	**$185 Million**	Exela Technologies, Inc. a global business process automation leader	Process automation	Funding
CA Indosuez (Switzerland) SA, a subsidiary of Credit Agricole Corporate and Investment Bank, Credit Suisse (Switzerland) Ltd and Deutsche Bank Luxembourg S.A. [Joint Book-Runners and Mandated Lead Arrangers], Credit Agricole Corporate and Investment Bank [Document Agent,] and Deutsche Bank Luxembourg S.A. [Facility Agent]	Bank	**$180 Million**	Gerald Group, the world's largest independent and employee-owned metals trading house, London	Metals	Syndicated revolving credit facility

Lender/Participant	Lender Type	Amount	Borrower	Industry	Structure
Cambridge Savings Bank (CSB)	Bank	**$5.3 Million**	To support the transition of ownership of Formaggio Kitchen, a regional chain of gourmet food stores specializing in cheese, to longtime employee Julia Hallman	Food	Lending
Cambridge Savings Bank (CSB)	Bank	**$1 Million**	In support of Allen & Gerritsen (A&G), an independent agency specializing in creative communications, customer experience (CX), public relations and media and analytics	Media and communications	Equipment line of credit
Cambridge Savings Bank (CSB)	Bank	**$10 Million**	American Gas Products (AGP), a full-service national industrial and specialty gas supplier, Middleton, MA	Gas	Financing
Canadian Western Bank	Bank	**C$43.5 Million**	Crown Capital Partners Inc., a capital partner to entrepreneurs and growth businesses	Specialty finance	Senior secured corporate credit facility
Carlyle	Non-bank	**N/A**	In support of the acquisition of engineering consultancy Apex Companies LLC, managed by Morgan Stanley Capital Partners (MSCP)	Environmental consulting and engineering services	Senior debt financing
Celtic Capital Corporation	Non-bank	**$900,000**	Producer of specialty chemicals, Indiana	Specialty chemicals	Consisting of a $750,000 accounts receivable line of credit and a $150,000 inventory line of credit
Chicago Atlantic Advisors, LLC	Non-bank	**$35 Million**	MariMed, Inc., a leading multi-state cannabis operator	Cannabis	Secured credit facility
CIBC Innovation Banking	Bank	**N/A**	Beauceron Security Inc., a cybersecurity SaaS platform that helps businesses of all sizes manage and monitor for cyber risks	Cybersecurity	Growth capital facility
CIT Commercial Services	Bank	**$8 Million**	Company that sells men's and boys' clothing to retailers, Los Angeles, CA	Apparel	Senior secured facility
CIT, a division of First Citizens Bank	Bank	**$750 Million**	Origis Energy, one of America's leading renewable energy platforms	Renewable energy	Credit facility
Citibank	Bank	**$200 Million**	Embraer SA, a Brazilian multinational aerospace manufacturer that produces commercial, military, executive and agricultural aircraft, and provides aeronautical services, Melbourne, FL	Manufacturing: multinational aerospace	Credit facility
Commercial Funding Inc.	Non-bank	**$3 Million**	Rapidly growing provider of security services	Security	Factoring facility
Comvest Credit Partners	Non-bank	**$30 Million**	The JG Wentworth Company, LLC, a leading provider of consumer financial services	Consumer financial	Senior secured credit facility
Crayhill Capital Management	Non-bank	**$200 Million**	Crayhill Capital Management, a New York-based, minority-owned private credit manager focused on asset-based investments	Alternative asset management	Receivables financing facility

Lender/Participant	Lender Type	Amount	Borrower	Industry	Structure
Crescendo Asset Management, LLC	Non-bank	**$10 Million**	Justice Gap Solutions, Inc. dba Justice For Me, the first to market legal financial technology platform that removes the financial barriers that prevent clients and attorneys from working together, San Antonio, TX	FinTech	Credit facility
Culain Capital Funding LLC	Non-bank	**$4.5 Million**	Manufacturing company specializing in custom steel bar and bolting products	Manufacturing: steel bar and bolting products	A $3 million accounts receivable factoring facility along with a $1.5 million acquisition term note
Culain Capital Funding LLC	Non-bank	**$250,000**	A privately-owned national provider of security guards and investigative services company	Security	Accounts receivable factoring facility
EagleBank	Bank	**$25 Million**	The Community Builders (TCB) and Dantes Partners for a 142-unit "100% affordable" multifamily project, Washington, DC	Real estate	Construction financing
Eclipse Business Capital LLC	Non-bank	**$28.5 Million**	To support the acquisition of a flooring products distributor	Flooring	Senior secured credit facility
Encina Lender Finance, LLC	Non-bank	**$50 Million**	Mountain Ridge Capital, an asset-based commercial finance company backed by Arena Investors, LP	Asset-based finance	Credit facility
Eclipse Business Capital LLC	Non-bank	**$135 Million**	e-commerce retailer	Retail	Senior secured revolving credit facility
Fifth Third Bank	Bank	**$25 Million**	To support APTURA Group's strategic vision, a 100% employee-owned team of professionals committed to providing holistic solutions to the construction process	Construction	Revolving credit facility
First Business Bank	Bank	**$10 Million**	Client operating as a transportation brokerage	Transportation	Accounts receivable ledgered line facility
First Business Bank	Bank	**$5 Million**	A company that generates sales leads for other businesses	Sales	Accounts receivable factoring facility
First Business Specialty Finance, LLC	Bank	**$18 Million**	Plastic injection molding company, Wisconsin	Injection molding	Revolving line of credit and equipment term loan
First Citizens Bank	Bank	**$52.4 Million**	To affiliates of Kayne Anderson Real Estate and Remedy Medical Properties to finance a portfolio of medical office building properties	Real estate	Financing
First Citizens Bank	Bank	**$65.7 Million**	MainStreet Property Group for the development of The Spark Apartments, a 211-unit, Class A multifamily project in Redmond, WA	Real estate	Financing
First Citizens Bank	Bank	**$31.2 Million**	Montecito Medical Real Estate to finance the acquisition of a cancer treatment center in Columbia, SC	Real estate	Financing

Lender/Participant	Lender Type	Amount	Borrower	Industry	Structure
First Citizens Bank	Bank	**N/A**	Purus Clean Energy, a subsidiary of Purus Marine, to support the acquisition of the MV Green Power, a 40,000 cbm ammonia carrier	Clean energy	Financing
First Citizens Bank's Healthcare Finance group	Bank	**$50.3 Million**	Montecito Medical Real Estate to recapitalize a portfolio of medical office buildings	Real estate	Financing
Flatbay Capital LLC	Non-bank	**$5.9 Million**	General contractor, Houston, TX	Construction	Commercial real estate secured line of credit
Gateway Trade Funding	Non-bank	**$4.5 Million**	Tech company	Technology	Facility consisting of stretch finance, factoring, and purchase order financing
Gibraltar Business Capital (GBC)	Non-bank	**$20 Million**	Serigraph Inc., a specialty printer, based in West Bend, WI	Printing	Credit facility
Greater Commercial Lending (GCL)	Non-bank	**$80 Million**	Lane Regional Medical Center in Zachary, LA	Healthcare	Financing
Great Rock Capital	Non-bank	**$90 Million**	Astronics Corporation, an aerospace electronics corporation that provides advanced technologies to the world's aerospace, defense, and other mission critical industries	Aerospace electronics	Senior secured term loan facility
Haversine Funding	Non-bank	**$6 Million**	To refinance the acquisition of an assisted living facility in the Northeast	Healthcare	Real estate loan participation
Haversine Funding	Non-bank	**$20 Million**	Factor and asset-based lender in the Southwest	Factoring/ABL	Lender finance line of credit, including a supplemental "gap" funding line with advances up to 95% of eligible accounts and loans
Haversine Funding	Non-bank	**$3 Million**	Seafood distributor, West Coast	Seafood	Factoring participation
Haversine Funding	Non-bank	**$1.6 Million**	Healthcare services company in the Northeast	Healthcare	Factoring participation
Haversine Funding	Non-bank	**$14 Million**	Equipment finance company, Southeast	Equipment finance	Senior, lender finance line of credit
Haversine Funding	Non-bank	**$14 Million**	Equipment finance company, Southeast	Equipment finance	Senior, lender finance line of credit
Haversine Funding	Non-bank	**$1 Million**	Haversine partner	N/A	Lead line referral for a senior, lender finance line of credit
Haversine Funding	Non-bank	**$1 Million**	Technology company located in the Southwest	Technology	Lead Line referral for a factoring facility

Lender/Participant	Lender Type	Amount	Borrower	Industry	Structure
Huntington Business Credit	Bank	**$25 Million**	Vanguard International Solutions, Inc., a wholesale distributor of medical and food-grade disposable gloves and related Personal Protective Equipment primarily to the food service, medical, and janitorial industries, Cleveland, OH,	Personal protective equipment	Credit facility
InterNex Capital	Non-bank	**$1.55 Million**	Technology consulting firm, New York	Technology	Term loan and revolving line of credit
Investec Inc. and Nomura Securities International, National Bank of Canada and Deutsche Bank [Coordinating Lead Arrangers and Syndication Agents], Generate Capital [Coordinating Lead Arranger and Documentation Agent]	Bank/ Non-bank	**$550 Million**	Hecate Energy, a leading developer of renewable power projects and energy storage solutions in the United States	Energy	Credit facility package, inclusive of a $250 million term loan and $300 million Letter of Credit ("LC") facility
J D Factors	Non-bank	**$100,000**	Transportation company, California	Transportation	Factoring facility
J D Factors	Non-bank	**$400,000**	Transportation company, Quebec	Transportation	Factoring facility
J D Factors	Non-bank	**$250,000**	Transportation company, New Jersey	Transportation	Factoring facility
J D Factors	Non-bank	**$500,000**	Transportation company, Pennsylvania	Transportation	Factoring facility
J D Factors	Non-bank	**$150,000**	Healthcare staffing company, Washington	Staffing	Factoring facility
J D Factors	Non-bank	**$200,000**	Transportation company, Ontario	Transportation	Factoring facility
J D Factors	Non-bank	**$750,000**	Transportation company, Pennsylvania	Transportation	Factoring facility
J D Factors	Non-bank	**$500,000**	Transportation company, Ohio	Transportation	Factoring facility
J D Factors	Non-bank	**$100,000**	Transportation company, Ontario	Transportation	Factoring facility
J D Factors	Non-bank	**$100,000**	Transportation company, Alberta	Transportation	Factoring facility
J D Factors	Non-bank	**$350,000**	Transportation company, Nova Scotia	Transportation	Factoring facility
J D Factors	Non-bank	**$100,000**	Cosmetics manufacturing company, New York	Manufacturing: cosmetics	Factoring facility
J D Factors	Non-bank	**$200,000**	Audiovisual supply company, Quebec	Audiovisual supply	Factoring facility
J.P. Morgan and Canadian Imperial Bank of Commerce [Joint Lead Arrangers], Bank of Nova Scotia, the Toronto-Dominion Bank and the Bank of Montreal	Bank	**$600 Million**	Converge Technology Solutions Corp. a services-led, software-enabled IT & Cloud Solutions provider	Technology	Increase to its $500 million global revolving credit facility
JPMorgan Chase Bank, N.A.	Bank	**$150 Million**	Cano Health, Inc. a leading value-based primary care provider and population health company	Healthcare	Senior secured term loan
KeyBank, N.A. and Cadence Bank	Bank	**$175 Million**	Ramaco Resources, Inc., an operator and developer of high-quality, low-cost metallurgical coal in southern West Virginia, southwestern Virginia and southwestern Pennsylvania	Coal	Consists of an aggregate revolving commitment of $125 million with an accordion feature for an additional $50 million available upon company request

Lender/Participant	Lender Type	Amount	Borrower	Industry	Structure
Keystone National Group	Non-bank	**$85 Million**	LivAway Suites, a new economy extended stay concept boasting a developer-centric platform, Salt Lake City, UT	Hotel	Debt financing
King Trade Capital	Non-bank	**$9 Million**	Private equity-backed athleisurewear company	Apparel	Purchase order finance facility
Loeb	Non-bank	**$3 Million**	Hauling company to support its existing fleet	Trucking	M&E term loan facility
Loeb	Non-bank	**$1.6 Million**	Foreign client to purchase a winery	Food and Beverage	M&E term loan facility
Loeb	Non-bank	**$1.2 Million**	Synthetic fish protein manufacturer to scale from lab to production	Manufacturing: Synthetic fish protein	M&E term loan facility
Loeb	Non-bank	**$1 Million**	Commodity recycler to help survive the commodity cycle	Commodity recycling	M&E term loan facility
LSQ	Non-bank	**$1.5 Million**	Pet food wholesaler, Connecticut	Pet food	Accounts receivable finance facility
LSQ	Non-bank	**$8 Million**	Paint and paint products manufacturer and distributor, Texas	Manufacturing: paint products	Accounts receivable finance facility
MidCap Business Credit	Non-bank	**$5 Million**	Manufacturer and supplier of coated and bonded abrasive products throughout North America, Canada, and Mexico	Manufacturing: abrasive products	Asset-based credit facility
MidCap Business Credit	Non-bank	**$12 Million**	Manufacturer and assembler of mattresses and foundations	Manufacturing: mattresses	Senior secured credit facility
MidCap Financial	Non-bank	**$15 Million**	Kewaunee Scientific Corporation, a recognized global leader in the design, manufacture, and installation of laboratory, healthcare, and technical furniture products, Statesville, NC	Manufacturing: Largest laboratory furniture	Senior revolving credit facility
MidCap Financial and Castlelake	Non-bank	**$200 Million**	Marco – the first tech-enabled trade financing platform built for small and medium-sized businesses in Latin America and the United States	Technology	Credit facility
Mitsubishi HC Capital Canada and ENGS Commercial Finance Co.	Non-bank	**N/A**	The Lion Electric Company, a leading manufacturer of all-electric medium- and heavy-duty vehicles	Electric vehicles	Financing
Monroe Capital LLC	Non-bank	**N/A**	To support the acquisition of EduStaff, LLC, a K-12 substitute teacher management services platform, Grand Rapids, MI, by private equity sponsor PPC Enterprises, LLC	Educational staffing	Senior credit facility
Monroe Capital LLC	Non-bank	**N/A**	To support the strategic investment and continued growth of Spectrum Science, an independent, integrated marketing, communications and media firm focused on the pharmaceutical, biotech and broader life science industries, by private equity sponsor Knox Lane	Marketing communications	Senior credit facility
Mountain Ridge Capital and Great Rock Capital	Non-bank	**$75 Million**	HOP Energy, LLC, a market-leading home services provider serving ~90,000 customers , White Plains, NY	Energy	Senior secured credit facility

Lender/Participant	Lender Type	Amount	Borrower	Industry	Structure
Needham Bank	Bank	**$45 Million**	Sachem Capital Corp., a financing company that specializes in originating, underwriting, funding, servicing, and managing a portfolio of first mortgage loans	Finance	Revolving line of credit
PNC Bank	Bank	**$300 Million**	AccessOne, a leading provider of consumer-centric patient payment tools and financing options and leading healthcare fintech company	Healthcare fintech	Three-year securitization
Prestige Capital	Non-bank	**$10 Million**	A Southeast-based Call Center	Call center	AR finance facility
Rosenthal & Rosenthal, Inc.	Non-bank	**$1.5 Million**	Wholesale premium seafood distributor	Seafood distributor	Non-recourse factoring deal
Rosenthal & Rosenthal, Inc.	Non-bank	**$1.75 Million**	Leading manufacturer of antimicrobial products	Manufacturing: antimicrobial	Domestic and international non-recourse factoring deal
Rosenthal & Rosenthal, Inc.	Non-bank	**$35 Million**	Large consumer products importer	Consumer products	Acquisition deal
Rosenthal & Rosenthal, Inc.	Non-bank	**$3 Million**	Established footwear company	Footwear	Purchase order financing and factoring deal
Rosenthal & Rosenthal, Inc.	Non-bank	**$1 Million**	Outdoor apparel company	Outdoor apparel	Factoring
Rosenthal & Rosenthal, Inc.	Non-bank	**$5 Million**	Growing apparel brand	Apparel	Asset-based loan
Rosenthal & Rosenthal, Inc.	Non-bank	**$1.5 Million**	Luxury outdoor home goods company	Home goods	Purchase order financing program
Rosenthal & Rosenthal, Inc.	Non-bank	**$25 Million**	Established and growing company in the juvenile products space	Juvenile products	Factoring facility
Runway Growth Capital LLC	Non-bank	**$65 Million**	SetPoint Medical, a clinical-stage healthcare company dedicated to patients with chronic autoimmune diseases	Healthcare	Senior secured term loan facility
Runway Growth Capital LLC	Non-bank	**$50 Million**	Madison Reed, a digitally enabled omni-channel prestige hair color company predominantly focused on women	Hair color company	Senior secured term loan
SG Credit	Non-bank	**N/A**	Promenade (formerly Bloomnation) is a SaaS platform for local businesses seeking a comprehensive eCommerce presence and solution.	Software and technology	Non-dilutive growth facility
SG Stonegate Capital	Non-bank	**N/A**	Mike's Hot Honey, a food products supplier	Food products	Debt financing
SLR Credit Solutions	Non-bank	**$30 Million**	Nautilus, Inc., a fitness solutions company that designs, develops, sources, and markets cardio and strength fitness products, and related accessories for consumer and commercial use in the United States, Canada, Europe, the Middle East, Africa, and internationally	Fitness	Split lien term loan
SLR Digital Finance	Non-bank	**$5 Million**	Ignite Media Group, a performance marketing company that offers digital marketing strategy, multi-channel targeted advertising, compliance management, analytics	Marketing services	Credit facility

Lender/Participant	Lender Type	Amount	Borrower	Industry	Structure
Stellus Capital Management, LLC	Non-bank	**N/A**	In support of Bansk Group's acquisition of Red's All Natural, a rapidly growing brand of clean-label frozen burritos and breakfast sandwiches in the U.S.	Frozen food	Senior debt financing and an equity co-investment
Stonebriar Commercial Finance	Non-bank	**$22 Million**	Manufacturing plant and associated equipment that has the capacity to produce 100-million pounds of protective coating for automotive OEM and aftermarket space	Manufacturing: automotive coatings	Sale and leaseback
TCC Financial, Inc.	Non-bank	**$30.8 Million**	To support the growth and development needs of a leading heavy equipment rental business headquartered in California	Equipment rental	Senior secured term loan facility
TradeCap Partners, LLC	Non-bank	**$7 Million**	Supplier providing new and used equipment to big box retailers located throughout the United States and Canada	Retail equipment	Purchase order funding facility
United Capital Funding Group LLC	Non-bank	**$3 Million**	Commercial printing company based in Tennessee in partnership with KLC Financial, a Minnesota-based equipment finance firm, to issue an equipment loan	Commercial printing	Accounts receivable facility
Wingspire Capital LLC	Non-bank	**$45 Million**	Travel technology and marketplace firm Mondee, Inc., Austin, TX	Technology	Consisting of a $30 million term loan A and a $15 million revolver

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Interview with IAN FREDERICKS

PRESIDENT - HILCO MERCHANT RESOURCES – THE RETAIL AND CONSUMER OPERATING COMPANY WITHIN HILCO GLOBAL

BY MICHELE OCEJO

Ian Fredericks joined Hilco Global in 2011 after working successfully as a distressed merger and acquisition and corporate restructuring attorney. Over the course of his career, Fredericks has negotiated and closed hundreds of transactions involving tens of billions of dollars. In 2017, he was a recipient of M&A Advisor's Emerging Leaders award and in 2022 was named to the executive committee of the Secured Finance Network board of directors.

After several years of serving as assistant general counsel for the Hilco Global, in 2015 Fredericks was recruited internally to work within the firm's highly successful retail and consumer operating company called Hilco Merchant Resources (HMR). For the next six years, Fredericks helped negotiate a series of large retail inventory transactions while he honed his skills as one of the firms most impressive retail and consumer practice leaders.

As a member of HMR's leadership team, Fredericks was instrumental in outlining an expanded vision for the practice, which included building, or acquiring, strategic adjacencies within one of Hilco's oldest and most successful OPCO's. This included adding an e-commerce platform, retail digital software and related mobile app, expanding the store fixture/fixed asset solutions business, launching direct lending, and acquiring or investing in retail/consumer brands through equity and debt special situation transactions.

In 2021, Fredricks was elevated to president of HMR. In this role he continues to lead the business development efforts, while spearheading many operational and administrative changes designed to provide innovative solutions to help retail and consumer product clients face today's challenges.

Over the course of his career, Fredericks has provided retail disposition and advisory services throughout the United States, Canada, Mexico, Australia, and New Zealand. Some of the most notable clients include Express, Lowes, Circuit City, Target, Dick's Sporting Goods, Toys-R-Us, Saks Fifth Avenue, The Sports Authority, Radio Shack, The Limited, Syms and Filene's Basement, Zellers, and Hudson Bay Company. Additionally, he was one of the principal architects of the transaction to save Aeropostale in collaboration with Authentic Brands, Simon Property, and General Growth, which served as a framework for future transactions and is remains the model today.

Prior to joining Hilco Global, Fredericks practiced law at Skadden, Arps, Slate Meagher & Flom, LLP and, before that, Young Conaway Stargatt & Taylor, LLP.

Here, Fredericks discusses his journey from corporate bankruptcy attorney to president of HMR, the current state of supply chain challenges and Hilco's short- and long-term goals.

Please tell us a bit about your career trajectory.

Like so many senior executives who joined Hilco over the years, I see myself as a "reformed" attorney (laughs). Many at Hilco today left traditional law practices to pursue careers in business, seeking to leverage our skills in negotiation and our understanding of bankruptcy and transactional law. For me, the move was driven by a desire to work on a wide range of deals across different industries. At Hilco, the work is always exciting and unique, which pushes you to think out of the box.

I joined Hilco Global in 2011 from Skadden and I haven't looked back since. After graduating from Temple University Law School in 2004, I continued my education, and completed my post graduate work at St. John's University where I received a master's degree in bankruptcy law. Post-graduation, I then began my legal career at Young Conway in Delaware.

At Young Conway, I represented debtors, secured and unsecured creditors, statutory committees, indenture trustees, purchasers, Chapter 11 trustees, and others in connection with complex bankruptcy proceedings, out-of-court restructurings, and other transactions. After four years I had an opportunity to join Skadden right in the middle of the 2008 financial crisis that resulted in the Great Recession. Having cut my teeth working for retail clients at Young Conway, I quickly became a "go to guy" at Skadden and was assigned to many retail clients, including Mrs. Fields Cookies, Mervyn's Department Stores, and Circuit City. While Mrs. Fields successfully reorganized, Circuit City and others were not as fortunate. Although it was certainly a tumultuous time for the world, I was thrilled to be one of three principal attorneys responsible for managing such a large retail case as Circuit City, including more than $1.1 billion of inventory and approximately $500 million of other assets. Circuit City was, when it filed in November of 2008, one of the largest retail bankruptcies ever.

In many ways, the Great Recession helped accelerate my learning curve and my career. I was working for two outstanding partners, Greg Galardi and Chris Dickerson, and assigned to Circuit City, an assignment where they gave me a great deal of responsibility. I was still a young lawyer, and I was thrilled to be given such an incredible opportunity. It required me to truly understand how to maximize value for creditors. I dug into everything by working closely with company management and their financial advisors to learn where to find pockets of value within such a large retail chain. I recall being impressed by how the large retail liquidation firms like Hilco operated, and how they used data to understand and ultimately arrive at the precise values to maximize financial return the company.

For the next several years at Skadden, I gained a reputation for being the young lawyer who understood a lot about retail bankruptcy and liquidation of retail inventory and other retail assets. During the years that followed, several of my mentors departed Skadden and I was intrigued by an opportunity presented from Hilco Global. Hilco was seeking an assistant general counsel to work for the GC at the global holding company. The role was unique because it leveraged all my legal experience and skills to help all the deal teams document and close complex transactions and negotiate very large asset deals (both retail and more). Unlike a traditional GC role, this required an intimate understanding of the deals going through the entire global company while at the same time working on more traditional legal matters that come up in operations for HR, marketing, international law, intellectual property, etc.

The role was a perfect fit for me. I joined Hilco Global in 2011 as VP and assistant general counsel, reporting to Eric Kaup, the global general counsel. For the next several years, I was determined to learn everything I could about how all Hilco Operating Companies worked. What were the key drivers behind their growth? How did they value and the successfully monetize assets so successfully? And where could I add value to each OPCO? By 2015 it was clear that Hilco Merchant Resources (HMR), one of Hilco's original and most successful operating units, was expanding so rapidly that they needed more direct and dedicated help, and my retail expertise and unique understanding of the entire global operation made me an obvious candidate. The partners at HMR offered me the opportunity to join their OPCO as an SVP, with responsibility to provide dedicated legal work and a business development role that would enable them to continue to fuel growth and diversification in the retail and consumer sector. Less than two years later, I was promoted to EVP, focusing more on the business and less on legal matters. In January of 2021, I became the president of HMR, which is today, a dramatically more diversified retail and consumer solutions platform.

For this reason, one critical goal is to drive expanded awareness and understanding of all that the Hilco Global platform has to offer. I believe it is important that we aggressively communicate and educate the market on how Hilco uniquely helps businesses identify and manage through the serious moments of inflection, which take place in the lifecycle of every company.

You've been at Hilco for more than 11 years now and you are clearly very energized by the work. Why is it such a good fit for you?

Hilco Global is a highly diversified financial services company that is privately held, highly entrepreneurial and solutions driven. The company has more than doubled in size during my tenure and I've grown with it. I believe that by joining and working first at the holding company, I gained a terrific foundation for understanding the diverse solutions Hilco Global can deliver to attack a client problem and develop a solution. It's a highly collaborative culture and I am constantly brought in to provide thought leadership or to help negotiate, structure, document, and close deals. From the day I joined the company I was afforded the opportunity to work on a very diverse set of transactions with assets and deals in the commercial industrial, real estate, intellectual property, consumer brand, accounts receivable, and patent space. I'm always working on a range of transactions that Hilco touches and that makes everyday fun and interesting!

In my current role as president of Hilco's Retail and Consumer platform, we've been able to diversify and expand substantially, going beyond our core retail and wholesale inventory transactions and have expanded and added new services and solutions. These include expanding our store fixtures business through acquisitions, expanding our wholesale business through organic growth, opening a retail lending business called Restore Capital, investing in brands like Christopher & Banks, and building a digital software platform to help retailers with in-store operational excellence, merchandizing and, importantly, revenue growth, just to name a few.

I am particularly excited about our new technology platform for retailers (check it out at www.restoreforretail.com), which was originally built during the pandemic as a tool for our field force to use to help execute retail liquidations. When several large retailers saw the tool at work in-store, they approached us as a possible ongoing solution for operations and merchandising and asked if we would license the software to them. The tool was incubated in and is being used by our retail clients in Australia and New Zealand and we began rolling it out in the United States and Canada earlier this year.

I believe the most exciting thing about being part of management at Hilco is our desire to solve problems and think outside of the box first and foremost. As our company has grown, we're now capable of providing our clients with extensive valuation solutions, monetization solutions, advisory solutions, and capital solutions. One of our large retail clients recently said to me that he often tells his leadership team that if they can't solve a problem internally, they should "call Hilco and see if they can help us, and if not, they'll find somebody who will!"

Most recently, they needed help with in-store labor shortages, called for help, and we put together a unique solution to deliver temporary in-store help, which allowed them get inventory to the floor.

We're finally hearing severe supply chain issues are easing up. What are you seeing and what do you think is coming in the next year or so?

Supply chain constraints have eased, no doubt. Container costs have retreated to levels much closer to historical norms and ports have resumed a more normal level of activity, alleviating the rows of highly stacked containers and congested harbors filled with container ships that we all saw on the evening news for quite a while.

There are still, however, some remaining headwinds. Let's start with last-mile delivery costs. These remain high. And, while some of that is due to inflation and input costs, some reflects carriers such as UPS and FedEx raising their rates and layering on various surcharges that many have argued are unwarranted now that the impacts of COVID have eased.

Additionally, while the government settled the labor dispute with the railroads, port-worker labor disputes remain largely unresolved. Without a resolution there and given that the Teamsters will be advocating on behalf of UPS workers, whose contract is up this coming summer, a broader supply chain recovery could remain hindered for some time.

Next, we need to consider the impact of the war in Ukraine and the potential challenges that a prolonged conflict there will have on the supply chain – in addition to the horrible atrocities and human cost. There is a possibility of naval blockades, as the EU and the U.S. seek to restrict the transport of Russian oil where possible. And we have already seen production and export of Ukrainian crops, including corn and wheat, to nations dependent on those staples, disrupted by the war. These will have a direct impact on food supply throughout regions of the world.

On a more positive note, we are seeing more manufacturing coming back to the United States, especially in the southeast and some other areas. Toyota and BMW, for example, have moved manufacturing for some key segments to the United States. This is indicative of a broader overall shift taking place toward more near-shoring and onshoring. In large part, this is fueled by the type of stifling manufacturing impacts felt by the automotive, trucking, electronics, and appliance industries during and following the pandemic because of their dependency on semiconductor production from, among others, China and Taiwan. While companies across these and other industries had previously been resistant to the Capex investment required to ramp up production in Mexico, Canada, and the U.S., they seem to have realized that maintaining production control is likely worth the cost.

How do you think lenders can assist their clients with these supply chain challenges?

Lenders that will likely be in the best position to pull the right levers and assist their retail borrowers in achieving greater liquidity during this period are those that 1) Thoroughly understand the innerworkings of their borrowers; 2) Discern between inventory in transit on the water and inventory in transit within North America or domestically, 3) Surgically establish a borrowing base, 4) Leverage experts for advice, recognizing that not all "experts" are created equal, and 5) act early! Critically, the type of disruption we are seeing today is different from the past. We are seeing a confluence of issues – ranging from war, supply chain disruption, deglobalization, historic inflation, fast-rising interest rates, and bank failures, on the one hand, to record low unemployment, a resilient consumer, and economic growth, on the other. These competing variables and the impact on retailers and consumer product companies are neither consistent nor well-understood by many in the industry. Lenders should seek out firms – like Hilco – that study these variables to better predict outcomes and regularly provide advice.

What other challenges do you foresee for the year?

Labor is still a challenge for retailers in two respects. It's a challenge in the sense that there don't appear to be enough people who want to work in a frontline retail store environment. And, to try to attract and retain that talent, they're having to raise wages, but those wages still don't match up to a lot of the wages that are being offered to work in other retail areas, like a fulfillment center. It's a different type of work, but it's generally "unskilled" labor. It becomes very difficult to compete in these situations.

Many frontline workers don't feel loyalty from their employers and so they don't feel loyal. Consequently, retail experiences very frequent turnover from the most important employees in the business because of their direct interaction with the customer. I believe retaining these frontline employees is one of the biggest challenges that retailers are going to continue to face. Moreover, this is happening at a time when the importance of stores is increasingly more evident.

As far as e-commerce is concerned, I think of it as just another store. It's another place where your customer can shop. It's a different experience and you have to offer different kinds of incentives to attract your customer to buy there. When you factor in all the costs associated with running an e-commerce business, it cannot be run profitably if you are going to offer things like free shipping and returns. If you are going to offer those and if you are going to try to undercut pricing, and you have the marketing costs that can vary widely, I don't think you can operate e-commerce profitably. Of course, a lot of investment has been put into that and it's not something that public companies, especially, can abandon.

But, from my perspective, refocusing on stores, the in-store experience and putting the right tools in your frontline employees' hands is the only way to survive.

What are some of the near and long-term goals at Hilco Global?

Our company continues to grow and expand, and we will always stay focused on being client-centric problem solvers. The range of solutions that Hilco offers today is so unique and different… people often pigeonhole us as the liquidator and avoid us until it's too late. The depth and breadth of our expertise after almost 40 years is far beyond simply “getting rid” of distressed assets.

For this reason, one critical goal is to drive expanded awareness and understanding of all that the Hilco Global platform has to offer. I believe it is important that we aggressively communicate and educate the market on how Hilco uniquely helps businesses identify and manage through the serious moments of inflection, which take place in the lifecycle of every company. In many respects Hilco operates like a modern-day merchant bank. By leveraging our unparalleled understanding of tangible and intangible assets, delivering access to the world’s leading advisors/experts, and providing significant capital (both equity and debt), Hilco Global is a problem solver. Today we are regularly developing and implementing customized solutions to deliver results for corporate clients, lenders, equity owners/investors and their professional advisors during their critical inflection points. We serve as a business ally and partner when a company reaches one of these pivotable moments… helping clients respond to situations where a new direction or change of course may be required to maximize opportunistic value or to resolve a financial need or crisis before it’s too late.

Maintaining our amazing company culture is also a long-term goal. We are now 800+ people in 11 offices and, as we add more people and services, I believe it’s vital to stay true to the values that helped us build the company in the first place. This includes the entrepreneurial spirit that attracted me here in 2011 and that needs to be maintained. The agility, the integrity, the fun, and family-oriented culture is what makes us so unique, and we’re committed to keeping that in place.

From my perspective we must stay focused on providing our clients with the deepest and most accurate understanding of the value of their retail and wholesale inventory and their store fixtures. Hilco built its reputation on being the best and most accurate valuers in the business and that means we must always maintain the deepest understanding of retail trends and the retail customer experience. If we can leverage this expertise to expand into other areas, then our clients will be successful and so will we. Longer term we will continue to make an investment in retail companies and the retail experience. We see a lot of distress on the horizon. Distress doesn’t always mean broken. So, where we can find businesses that fit strategically in our vision, which includes the off-price and treasure hunt segment, and where we can leverage our expertise, we will continue to look for opportunities to invest in these businesses.

We plan to continue to invest in our retail and consumer technology platforms and find new and innovative ways to support the retail shopping experience. Clearly retail is and will continue to change in dramatic ways. We want to be on the forefront of the new retail experience by understanding how we can support our clients as they seek to improve the consumer shopping experience from end to end. As the market evolves, we plan to be working on all aspects of the retail experience from brick and mortar to online…from supply chain to reverse logistics…from sustainability to customer satisfaction. Hilco is well positioned and plans to be a true market leader.

We talked a lot about the labor shortage in retail, but it seems to be affecting everyone, including our industry. How is Hilco addressing this issue? Is retention and attracting talent a challenge for you?

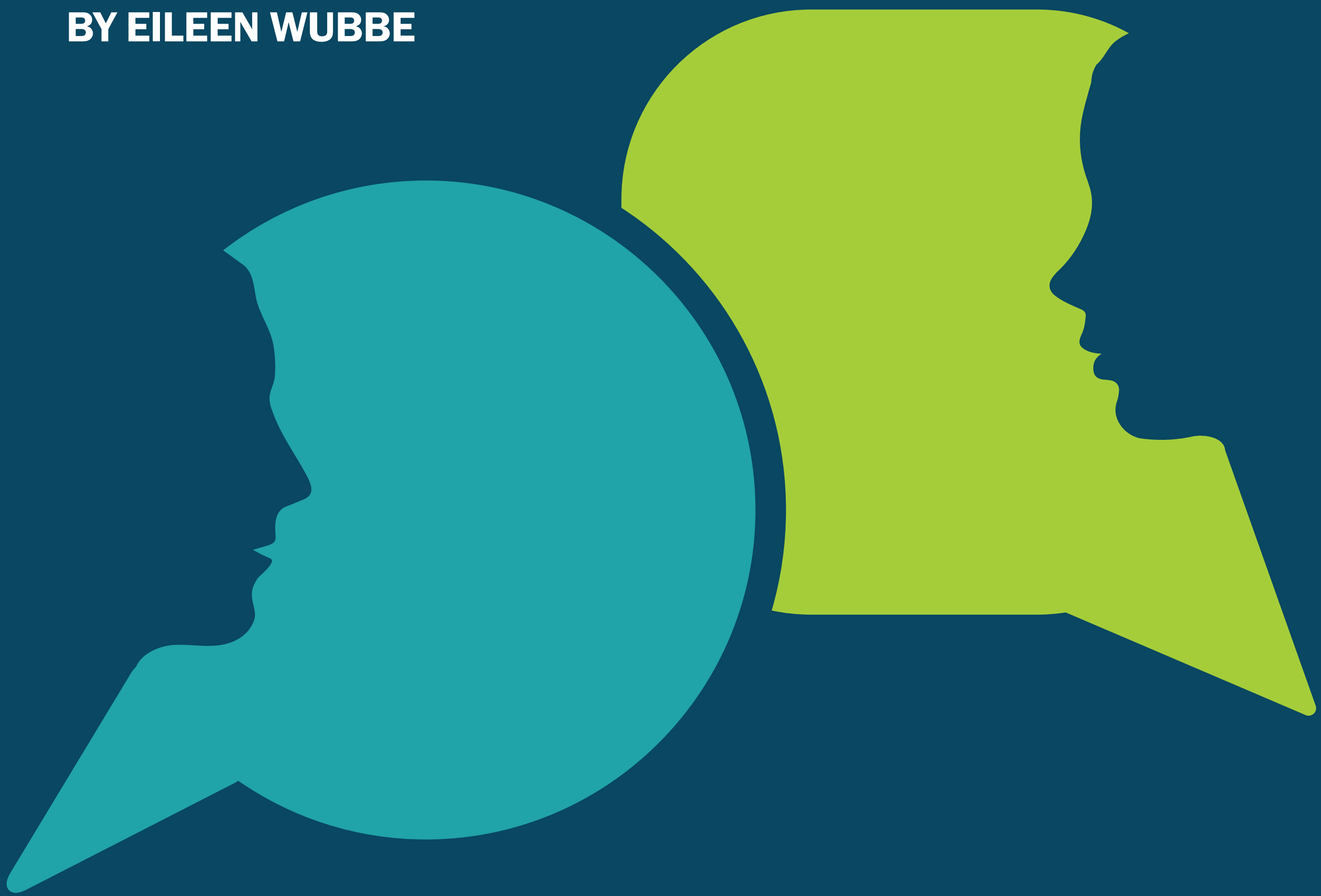
The labor market is tight and demand for talent is very competitive. That said, we’ve been fortunate to recruit and retain some of the best in the business. One thing that’s very important to us is to compensate our people well and to build an environment where employees can have fun while working hard. We have people that are passionate about retail, and we’ve diversified our labor force dramatically over the past several years to include true subject matter experts. We’ve also focused on empowering our young leaders, giving them opportunities to come up with new ideas and embrace their entrepreneurial spirit. If we truly want to be on the pulse of what’s happening in retail today, we must have a diverse and multifaceted work force. It’s particularly important in retail because the sector is so target-audience specific and shopping needs and experiences across different age groups and socio-economic groups can vary so greatly. Our team needs to reflect the retail customer diversity, and we strive to improve our diversity every day by recruiting the best and the brightest.

Michele Ocejo is editor-in-chief of The Secured Lender and director of communications for SFNet.

TSL
INTERVIEW

Catching up with Abby Parsonnet, Head of Asset-Based Lending at Webster Bank

BY EILEEN WUBBE



Last fall, Webster Bank announced that Abby Parsonnet was named executive managing director, head of Asset Based Lending (ABL) for Webster Bank. In her role, she oversees the nationwide Asset-Based Lending and Commercial Services teams at Webster, which also includes staffing solutions and factoring. She reports to Chris Motl, president of Commercial Banking.

As head of ABL, Parsonnet is responsible for continuing Webster's strong tradition of excellence in delivering customized working capital solutions to middle- market clients and sponsors. She will lead a team of bankers based in strategic markets nationwide.

Parsonnet joined Webster in 2013 as regional president and quickly grew its New York franchise from the ground up to just under a billion dollars in commitments. In 2018, she further expanded her role by leading Webster's Sales Council, which has resulted in consistently strong engagement and referral activity supporting our strong sales culture. Parsonnet was recognized as one of Crain's NY Business' Notable Women in Banking in 2019.

Here, Abby discusses her career, goals in her new role, how the merger with Sterling National Bank helped to expand Webster's offerings, particularly in ABL and factoring, and more.

Congrats on the new role! Before we dive into that, can you provide some background on your career?

I was fortunate to hold several different roles at JP Morgan, including a two-specialty unit within business credit and leading the dedicated ABL Restructuring Group through the Great Recession. After that, I was at FTI Consulting, and was senior managing director in Corporate Finance and Restructuring and I primarily was representing secured lenders so that was leveraging the same skills I utilized through much of my banking career — leading bank groups and helping them through processes.

I joined Webster as a regional president in metro New York to build out the commercial banking presence as part of our geographic expansion at the time. It was really a great experience because I got to build our team from scratch and grow it into a successful business with wonderful clients.

In addition, I serve as head of Webster's sales council so that's our cross-selling initiative, which is throughout the commercial bank, helping the commercial bank collaborate with different products for the benefit of our clients.

How did your previous roles at JP Morgan Chase, FTI Consulting and as regional president at Webster Bank helped prepare you for your current role?

From my time at JPMorgan, I developed a really strong credit orientation and that, in addition to a good ABL skillset, were really the backbone of everything we do. It's critical in the field.

Through the different leadership roles I've had, I learned to quickly assess and unlock the full potential of teams. I led winning teams and enhanced critical leadership skills to add immense value in this role that I have now. It's really all about the team, we're only as successful as the team, and the ability to energize and invigorate people and get everybody moving in the same direction. We're still building on the culture that's come together so nicely through our merger that was just over one year ago.

I am really excited to discuss more on what I'm doing in my current role, which is overseeing our national ABL business and our commercial services team at Webster. Commercial Services includes our Staffing Solutions Group and our Factoring Group, which are new to the bank from the merger with Sterling. They are wonderful businesses that complement our ABL business.

ABBY PARSONNET
Webster Bank

It's been a year since Webster Bank announced its acquisition of Sterling Bank. How has this merger helped to expand Webster's offerings, particularly in ABL and factoring?

The merger has been fantastic in so many ways. The merger was announced in 2021 and we had time to really plan and pull everything together and make some good strategic decisions before it did close last year.

For us, factoring is a brand new product offering for Webster. It was a legacy Sterling product, and we really see the opportunity to grow that business throughout commercial banking. We can bring this to all the business units to help them offer the best solutions for their clients. We can bring credit production to clients and provide financing in a way that we couldn't before for smaller and mid-size clients or clients that have different needs that can be accommodated through middle market or even ABL.

We have this incredible staffing solutions platform that offers a wide range of financing capabilities to staffing businesses of any size and we're looking to leverage our prominence in the staffing business to other areas and clients of the bank, whether they be middle-market size clients or in ABL. There is just a tremendous wealth of knowledge there.

For ABL, which is the biggest team that I work with, the merger brought expanded scope, amazing talent, a greater depth and breadth of experience. We have an incredibly talented team, and our larger balance sheet lets us do bigger deals, bringing more value to our clients, and will enable us to develop more through our capital markets team.

Webster also has long had dedicated coverage of private equity sponsors and we're looking to leverage those relationships with the ABL product, as well.

What are you seeing in the staffing industry?

Staffing is a dynamic industry that you'll see in a lot of sectors. Staffing companies serve a valuable role in healthcare and skilled nursing, which are reliant on staffing in different areas. In healthcare, for example, smaller hospitals may not want to have specialists on staff, but they can tap that expertise through staffing companies dedicated to doctors. Staffing plays a vital role in industry-specific seasonal workforces, like warehousing and logistics, as well as IT projects. IT skills can be so specific, you can go out and hire a person full-time, but if you only need their skills for a limited time for a project, you're probably better off going to a qualified staffing agency that has that expertise. There are also companies that are rapidly growing and trying to evaluate what the permanent staffing needs are, so staffing agencies can be helpful.

A key value of Webster Bank is giving back to the communities we serve and community involvement. I'm fortunate; with my family, my career, and to be as successful as I am, and I have to remind myself of that and I remind my team constantly.

What have been your top priorities in your new position as executive managing director and head of Asset Based Lending and Commercial Services at Webster Bank and why?

We're looking to leverage the complementary strengths between the legacy Sterling and Webster ABL businesses to maximize the growth potential of the business. We're looking to leverage and grow our market presence and our partnership with the rest of the bank where we think we can be a good partner as well as generate additional revenue and a client base for our lines of business.

A key component for us is growth and our strategic vision is three-fold — it's leveraging the bank's capability and providing value-added solutions for our existing client base to deepen relationships and continuing to grow Webster's ABL footprint nationwide, adding coverage to new markets where we're not presently represented. We do have BDOs throughout the country, but there are a few pockets that we're looking to add to that we think will be strategic. Then we will draw on the best practices from both institutions. We think that's a recipe for success.

We're taking advantage of the opportunity to leverage the factoring staffing solutions businesses and deliver those capabilities to clients throughout the bank and we see a flow of business coming from the other areas of the bank looking for ways to insure their receivables or finance companies are supported in a way where the bank can now help companies they couldn't before through difficult times.

Another focus is making sure that we are visible in all relevant markets across the nation, and we've been identifying pockets of ABL-friendly industries where we can grow our presence. We are looking to grow our presence in Dallas where we already have an operations and portfolio management hub. Lastly, we're looking to leverage our balance sheet, take larger positions in deals, bring new value to clients through our larger balance sheet, and leverage our capital markets capabilities.

What are some other industry sectors you see growth in?

We see several different opportunities. On the one hand, there are companies right now that have substantial inventory positions, maybe more substantial than they would like, but certainly more than they had in the past as they had to change their sourcing strategies in response to supply chain issues, looking to mitigate the risk of supply chain issues and diversify sourcing. Those companies often make wonderful ABL candidates because we can really understand the inventory and figure out how best to finance it.

We also see a trend with on-shoring manufacturing, whether it's technology or more traditional areas of manufacturing as a reaction to the supply chain issues and concerns around off-shoring of vital technologies. Manufacturing is always a wonderful opportunity for ABL.

We continue to see growth in the better-for-you category, and many are smaller, but rapidly growing, businesses like cosmetics and nutritional products, as people continue to pursue wellness. Those products, particularly in the rapidly growing markets, often align themselves well with ABL or with factoring.

How can banks and factoring companies address challenges and prepare for all the uncertainty everyone keeps talking about?

The market's really been spoiled by historically low interest rates since the Great Recession, which is a long time ago at this point, and that's left us with a generation of lenders and even CFOs who haven't had to navigate to normalizing interest rates. Couple that with inflation, the skillset may be a little dusty, but managing through inflation and higher interest rates requires a different skillset.

For example, we'll see financial statements with growing top lines, and the question is, are the margins really there or is it because inflation is automatically going to grow top lines, if all else is equal? Digging deeper and understanding what's going on with clients is critical.

Identifying the impact of interest rates and inflation early is so important because that's the way we're best positioned to help our clients and deliver the most appropriate solutions. We need to work closely with our clients as always, but now, more than ever, help them anticipate their needs before they arise and that's the best way to respond to uncertainty. It's the basic blocking and tackling of ABL and it's where we excel.

Identifying the impact of interest rates and inflation early is so important because that's the way we're best positioned to help our clients and deliver the most appropriate solutions. We need to work closely with our clients as always, but now, more than ever, help them anticipate their needs before they arise and that's the best way to respond to uncertainty.

We're speaking right around the time *The Secured Lender's* March Women in Secured Finance issue comes out, and March was also Women's History Month. In an industry that is still male-dominated, what advice would you give to women in the secured finance industry who want to advance into a more senior role? Was there anything you know now that you wish you knew when you were starting your career?

You have to look at ways to identify your own unique strengths and figure ways to differentiate. As a more junior banker, I realized I could stand out in a crowd if I intentionally put myself in situations where you didn't see many women and that worked to my advantage. There were times when I was made to feel uncomfortable, no doubt about it, but I knew that I had the capability, and I just didn't let that weigh on me and kept moving forward.

I think the best advice I can give is don't let the noise bother you. Don't let people's perception of your ability bother you. Prove what you can do. It applies to everyone. No one hands opportunity over to you, you have to earn it, or you have to fight for it.

When you are not busy at Webster Bank, what can you be found doing?

A key value of Webster Bank is giving back to the communities we serve and community involvement. I'm fortunate; with my family, my career, and to be as successful as I am, and I have to remind myself of that and I remind my team constantly. I think it's so important that we all look to give back. I've done that personally. I was originally one of the founders of Delivering Good, which is an amazing charity. I'm on the board of Big Brothers, Big Sisters because I think youth is the future. And anything we can do to help youth successfully launch is generational change, so that's very important to me.

I was also fortunate to be honored last year by the Queens Center for Progress, which is an amazing organization doing very important work on the local level, and I think sometimes organizations like that get overlooked.

When I'm not at the bank, I'm playing with my little Maltese, at the gym, or taking advantage of what New York still has to offer culturally – the Philharmonic, theater, or museums. If you haven't been to the new David Geffen Hall at Lincoln Center, which was renovated during the pandemic, it's amazing. It was great timing for them, and the acoustics are off the charts. My happy place is also going to Florida and the beach.

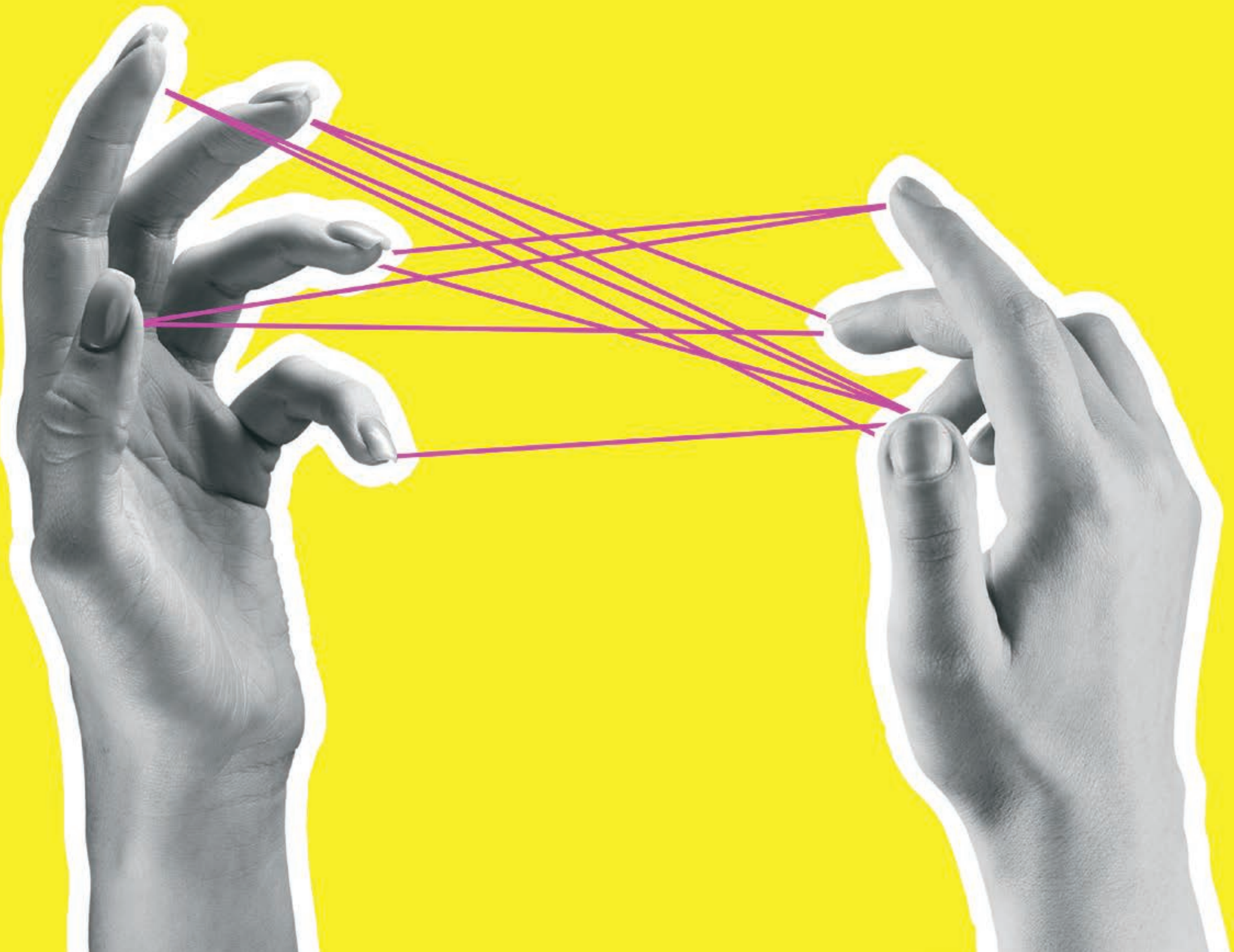
Eileen Wubbe is senior editor of The Secured Lender.

FEATURE STORY

Global Supply Chains: Improving Conditions, but Vulnerabilities Remain

BY ALEX SUTTON

Alex Sutton of Gordon Brothers updates readers on the supply chain challenges that remain a concern.



The COVID-19 pandemic and the resulting supply chain crisis are referred to by some as black swan events. Certainly, from a modern global historic perspective, the level of economic volatility realized as a result are unprecedented outside a time of world war. As we move into a post-COVID world (if we dare say), we find ourselves in a place much like the surface of the ocean after a great storm, with swells, waves and winds originating from multiple directions. As much as we have experienced tumult and confusion since 2020, the sea is finally calming and, as rocky as it may still seem, the global supply chain is improving in several critical areas.

Key Supply Chain Metrics Improving

Port volumes and wait times have settled at close to 2019 levels, shipping rates have plummeted from record highs, and trucking prices and capacity availability have improved since 2021. A threatened rail strike that would have had devastating implications for the U.S. economy was averted by federal legislation in late 2022.[1] Inventory levels are normalizing across many sectors and the annual U.S. inflation rate, which peaked in 2021 at 7%, had receded to 6.4% by January 2023.[2] Additionally, many key commodity prices, including steel, had returned to more normal ranges as of early 2023. This general slowing of economic activity is allowing for a breathing period in many critically tight supply chain situations.

Despite the clear improvements, the impact of the supply chain tsunami still lingers as many inventories remain bloated, key parts shortages remain, labor shortages are impacting many companies' ability to ramp up, and it has been a struggle to recover gross margin points lost since 2020 in many industries.

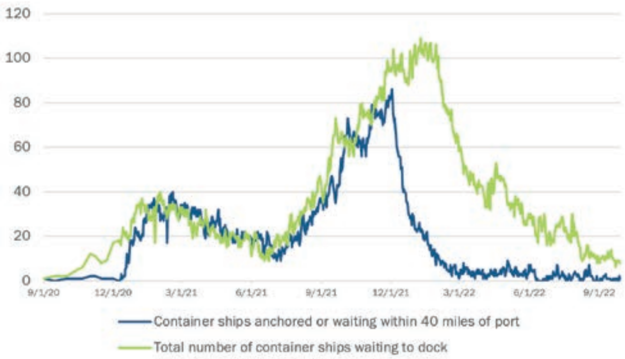
Crisis Abating, but Challenges Remain

In the aftermath of what was a somewhat soft retail 2022 holiday season, the impacts of runaway inflation, a slowing economy, lower consumer sentiment, and shrinking consumer credit are casting a pall over 2023 expectations. December 2022 retail sales excluding energy were down 0.8%, with core retail segments including department stores, furniture and home furnishings, non-store retailers, electronics and appliance, and other miscellaneous retailers down 6.6%, 2.5%, 1.1%, 1.1% and 1.1% on a month-over-month basis, respectively.[3] The January 2023 retail sales report was more positive, with a year-over-year recovery of 6.7% compared to January 2022, but still historically soft and lower than the January 2021 numbers by 11.9% after two years of heavy inflation. On a month-over-month basis results improved moderately with department stores, furniture and home furnishings, non-store retailers, electronics and appliance, and other miscellaneous retailers being up by 1.8%, 0.5%, 1.4%, 0.2% and 0.4% respectively compared to December 2022.[4] The department store sector, despite this modest month-over-month increase, was ravaged at the beginning of the pandemic. Following a brief rebound, the sector is now seeing renewed weakness. Fourth quarter 2022 results for Nordstrom, Inc. were softer than pre-pandemic levels, consistent with a marked weakness in the luxury sector.[5] Macy's fourth-quarter results are also expected to come in below forecast.[6]

Despite the supply chain crisis abating, we live in a new world of higher interest rates and lower capital availability, which while helpful in curbing runaway inflation, will also likely constrain the new investment required to fix some of the effects of supply chain swings of the last few years. Investment in port infrastructure and a revamping of the entire port system will likely be needed to help mitigate future volatility.

ALEX SUTTON
Gordon Brothers

Chart 1: Ports of Los Angeles & Long Beach



Source: Marine Exchange of Southern California

Chart 2: U.S. Retailer Inventories

Source: Federal Reserve Economic Data and U.S. Census Bureau

Many companies are considering nearshoring much of their supply chain, which will require new investment. Inventory levels remain higher across the board and are consuming higher levels of free capital. While one would expect at least the in-transit portion of this inventory increase to recede, a return to the "just-in-time" mentality of managing all inventories on a hand-to-mouth basis will likely not occur in the near-term. The highest area of future capital requirements will likely be in technological investments. We are seeing elevated levels of investment in automotive, freight and energy, all businesses once considered mature, undergoing rapid renewed evolution and significant investment.

China's Impact on the Supply Chain

Added to the choppiness of the ocean surface, China, after almost three full years of periodic lockdowns, shifted its epidemiological strategy in January 2023 and fully reopened its economy.[7] While difficult to forecast, China's re-entry back into the world economy will likely alleviate supply situations in many beleaguered industries and assist in calming supply chain volatility.

China's GDP fell to 3% in 2022, its slowest rate of growth since 1976, excluding 2020 when growth only reached 2.2% at the height of the pandemic.[8] Exports to the U.S. fell by 9.9% and 8.9% in November and December of 2022, respectively, the sharpest monthly drops since February and March of 2020. In addition, Section-301 tariffs implemented in 2018 on Chinese imports of apparel, footwear, furniture and travel goods raised indirect and direct costs for U.S. companies, many of which were passed on in the form of higher prices for consumers. An industry study released in late January 2023 reports direct costs from Chinese tariffs totaled more than $1 billion annually each for apparel and furniture imports, as well as nearly $800 million for travel goods and over $450 million for footwear in 2022 alone.[9]

Despite the bleak numbers, based on the recent actions of the Chinese government, The Organisation for Economic Co-operation and Development forecasts China's GDP growth at 4.6% for 2023, supported by expected sharp growth in the Chinese consumer economy as well as growth in services and exports.[10]

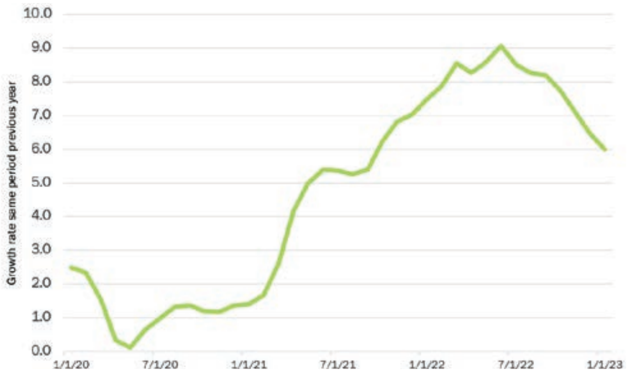
During the supply chain crisis, valuation levels for consumer and industrial inventory were generally negatively affected as inventory levels rose, turnover slowed and gross margins in many industries failed to keep pace with input costs despite price increases levied on consumers.

Asset Valuation Implications

During the supply chain crisis, valuation levels for consumer and industrial inventory were generally negatively affected as inventory levels rose, turnover slowed and gross margins in many industries failed to keep pace with input costs despite price increases levied on consumers. While Gordon Brothers expects these factors to subside in line with a calming supply chain, many of the impacts of the crisis still linger. As of early 2023, companies were seeing standard costs rise as companies factor in the vendor price increases of the last two years and fully absorb them into cost structures. This is despite a significant decline in freight and commodity prices in the second half of 2022, which in many cases is being offset by higher labor cost and increasing energy and supplier costs. In the early part of 2023, the previously dormant retail liquidation space has become active, and we have seen some prominent bankruptcies emerge in the consumer space including Tuesday Morning, Party City and Auto Plus, as well as a host of store closings and other activity.

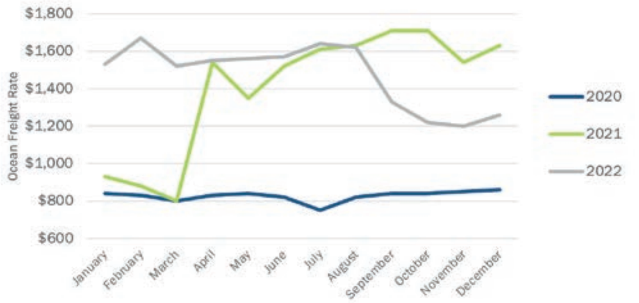
On the manufacturing side, we continue to see ongoing volatility and softness in select sectors. In the automotive sector, while metals, other commodity prices and freight costs have reverted to near normal levels, average and standard costs are rising again in 2023. Although global automotive production levels were up 6.0% in 2022 bolstered by a positive global sales forecast for 2023, global light vehicle automotive sales declined again in 2022, down by 1.3% compared to 2021 levels. Although light vehicle production levels did increase, the original forecast of global light vehicle production levels reaching pre-pandemic levels in 2023, has been pushed back to 2025.[11] In the aviation sector, we are seeing many original equipment manufacturers raising part prices by 10% to 15% for 2023 despite similar adjustments in 2022. This comes despite an industry that, at least on the commercial side, has yet to recover fully to pre-pandemic demand levels. And not all commodity prices have fallen since 2021. Despite the softness in metal commodity prices and certain building products, agricultural inputs remained very strong in the

Chart 3: Consumer Price Index: Total all Items for the U.S.



Source: Federal Reserve Economic Data

Chart 4: U.S. West Coast 40ft Container Rates



Los Angeles, CA to Shanghai, China 40' Container

first quarter of 2023 reflected in higher prices for fertilizer and related products.

Weakness in housing, the effect of higher interest rates and rising labor costs are weighing on the building products sector. Energy prices are forecasted to be strong in 2023, and the weakness in the Eurozone is supporting higher prices for chemicals and plastics as well as industrial machinery and supplies sourced from the region. The technology sector is enjoying a very high level of global investment currently as the supply chain crisis in relation to chip supply was one of the most heavily affected sectors. The supply chain ripples caused throughout 2021 and 2022 by chip shortages were among the most severe, affecting production levels of vehicles, consumer durables and a wide variety of other industrial products. Despite domestic investments to reshore production, the sector remains heavily vulnerable to future disruption due to the concentration of production supply which is heavily weighted to just a handful of countries including Taiwan, which currently accounts for 37% of the chip supply for computing production worldwide.[12]

Summary

Absent new turmoil in some other unimagined global event, it appears the supply chain crisis being a pretext for the world's problems is receding. To date, 2023 has been relatively calm from a supply chain perspective; however, the ripples and effects of the last few years will be with us and impacting supply chain management and evolution for years to come. In the post-World War II era, the world's supply chains have evolved geometrically and become more global, intertwined, and complex. This trend will likely continue in the future as supply chain complexity increases leaving the door open for future storms.

Sutton is managing director, head of research, for Gordon Brothers. He coordinates industry guidance and market research to support global cross-asset valuations for Gordon Brothers. Prior to this role, Sutton led the industrial inventory valuation practice for North America. With over two decades of experience, Sutton has directed appraisals across a range of industries, including aerospace, agriculture, chemicals, industrial machinery, pharmaceuticals, technology and transportation. He can be reached at asutton@gordonbrothers.com.

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FEATURE STORY

ABLs, Bitcoin Miners and Monetizing Stranded Energy

BY COLLIN Z GROEBE, ESQ.

This article discusses the bitcoin mining industry's role in providing demand support to energy producers by monetizing otherwise stranded energy produced from oil drilling and solar and wind facilities. Consumption of stranded energy by bitcoin miners should help secured lenders underwrite loans, because it can reduce air pollution resulting from natural gas flaring and improve life cycle economics of renewable energy sources.

COLLIN Z GROEBE
Winston & Strawn

It is very difficult to get a senior credit officer comfortable with bitcoin. Utter the words "bitcoin mining" to a group of asset-based lenders and it will not likely go over well. How has a working-capital intensive, increasingly carbon-neutral, industry with hundreds of millions of dollars of equipment, accounts receivable and real estate, received practically zero debt capital from any secured lender? Most likely, because bitcoin carries a stigma that it is (i) a mechanism for fraud used by unscrupulous executives to purchase homes in the Bahamas,[1] (ii) inherently worthless without backing by "real" assets or a central bank,[2] (iii) a device for criminal misconduct,[3] (iv) a Ponzi scheme,[4] (v) "probably rat poison squared,"[5] and (vi) a massive waste of energy resources and deleterious to the environment that will inevitably cause the industry to enter a spiral of decline and losses.[6] The merits and value of the above are yet to play out in the open-market, and the reality is more complex. However, it is this last critique which will be addressed herein. This article argues that bitcoin miners offer energy producers consistent, reliable demand support for wasted energy generated from oil drilling and solar and wind facilities (such energy, as described below, "stranded energy"). Consumption of stranded energy by bitcoin miners should help secured lenders underwrite loans, because it can reduce air pollution resulting from natural gas flaring and improve life cycle economics of renewable energy sources.

The rise of bitcoin mining has sparked debate about its energy consumption and environmental impact. Some say that it has negative attributes when evaluated through the lens of climate related risk methodologies, while others insist that it's a workable investment opportunity with positive energy and climate externalities. This article suggests that by optimizing stranded energy, bitcoin miners can reduce the amount of greenhouse gas emissions caused by drilling oil wells and improve rates of return on renewable energy production. More importantly, once the negative energy use and environmental stigma begins to unravel, asset-based lenders may realize a traditional borrowing base can be built with these companies' assets just like any other mainstream industry. This discovery would lead the asset-based lending arms of banks, finance companies, and financing subsidiaries of major industrial corporations to many opportunities to extend first-lien, senior secured debt capital to an industry operating in the physical world.

To understand how bitcoin miners can reduce air pollution and improve life cycle economics of renewable energy sources, bitcoin mining and the concept of stranded energy needs unpacking.

Bitcoin Mining Basics

The purpose of bitcoin mining is to verify transactions that take place on the bitcoin network.[7] The bitcoin network operates 24 hours a day, 7 days a week, 365 days a year.[8] Miners receive newly created bitcoins as an incentive for verifying transactions approximately every ten minutes.[9] The only things needed to mine bitcoin are – power, specialized computers (i.e., ASICs)[10] and an internet connection. ASICs cost approximately $2,000 each and are readily available for purchase online.[11] Mining can be small scale like the six-month Fort Worth pilot program that netted the city $1,019.31 in profit,[12] or institutional-scale like Riot Platforms, Inc., a NASDAQ listed miner (ticker: RIOT), that reported net revenue of $184 million in FY 2021 from mining bitcoin.[13] Generally, miners have two different revenue streams: (1) bitcoin mining and (2) hosting fees.[14] For bitcoin mining, bitcoins received are either sold on the open market for cash or held on the miner's balance sheet.[15] In contrast, hosting acts more like traditional accounts receivable – miners receive cash payments in exchange for providing an account debtor with access to a portion of the miner's electrical power.[16] These account debtors are typically other bitcoin miners looking for access to cheap power. For example, at Riot's 700MW capacity facility in Rockdale, Texas, a portion of the ASICs are owned by Riot and the rest are either owned or leased by Riot's account debtors which pay it a hosting fee for access to power.[17]

Importantly, bitcoin is easy to mine. Fort Worth is mining bitcoin in the basement of city hall.[18] The ability to operate 24-7-365 virtually anywhere there is power and an internet connection, combined with the surplus of stranded energy discussed below, makes bitcoin miners unique consumers of power.

Bitcoin Miners Exploit Stranded Energy

Every energy producer – solar, wind, geothermal, landfill gas, hydro, coal, and O&G has plenty of energy that is produced, but has nowhere to go.[19] This type of already-produced energy with no buyer is called stranded energy. Bitcoin miners, willing to travel to remote locations in search of the cheapest available electricity, exploit stranded energy.[20] Over the last 50 years and most recently with Joe Biden's signing of the Inflation Reduction Act in August 2022, the United States has invested heavily in O&G, wind and solar production, contributing significantly to its production of stranded energy.[21]

O&G

O&G earned its namesake because when an oil well is drilled, both oil and gas (i.e. methane (CH_4)) are extracted. As a liquid, extracted oil can be transported via truck, rail or pipe.[22] As a gas, extracted methane can only be transported via pipe.[23] For logistical reasons, a freshly drilled well is not likely to have a gas pipeline installed to transport the methane to a purchaser for months or years, if at all. So, oil drillers need to figure out what to do with the methane (i.e. stranded energy) that, if released into the atmosphere, is 25x more damaging to the environment than carbon dioxide (CO_2).[24] As a result, and as required by state regulators, oil drillers burn off the methane via flaring, which converts approximately 91.1% of the methane to CO_2 (see picture [below]).[25] Drive to Midland, Texas at night and there's no need for headlights because there is so much flared gas. Now, instead of lighting stranded energy on fire, bitcoin miners can optimize this methane by converting it into electricity.

In the O&G context, a bitcoin miner will pipe already-produced methane from an oil well through a generator (see picture [below]), each costing approximately $500,000, to produce electricity used to power an onsite trailer filled with ASICs.[27] That internet-connected trailer uses the electricity to mine bitcoin. It's a win-win for oil drillers as they no longer need to flare methane and have a purchaser of stranded methane energy converting it to CO2 (potentially) more efficiently than flaring.[28] On the one hand, flares are only effective at destroying 91.1% of methane. On the other hand, bitcoin miners,[29] by installing equipment at oil wells, can destroy a higher percentage of methane than flares, thereby reducing greenhouse gas emissions.

Accordingly, oil majors, such as ExxonMobil (ticker: XOM) and ConocoPhillips (ticker: COP), under pressure to reduce carbon emissions resulting from flared gas, have partnered with bitcoin mining companies on projects globally.[30] For example, since January 2021, ExxonMobil has been working with Crusoe Energy Systems Inc., a bitcoin miner backed by Valor Equity Partners, to mitigate flared gas carbon emissions on its wells.[31] To be clear, these generators still emit carbon, but according to Crusoe's internal reports, this approach results in a 63% CO2-equivalent reduction relative to continued gas flaring.[32] Independent reports are needed to confirm the CO2 and greenhouse gas reduction. But, as demand for oil is not going away anytime soon, if converting stranded methane energy results in lower air pollution, it's a net positive for the environment.

Oil drillers burn off the methane via flaring, which converts approximately 91.1% of the methane to CO2

Bitcoin methane/oil well generator

Solar & Wind

Similar to oil wells, bitcoin miners can optimize stranded solar and wind energy. Renewable energy power generation, such as solar and wind facilities, typically require grid connection via an interconnection agreement.[33] After a solar or wind facility executes an interconnection agreement and begins supplying power to the grid, transmission lines are not always capable of delivering the aggregate amount of power generated by each facility to places where power is typically consumed, such as in large metropolitan areas. In other words, the location where solar and wind power is produced, is not always near the location such power is demanded. For instance, the windy High Plains region of northwest Texas covers nearly 40,000 square miles and has over 11,000 wind turbines, enough to power 9 million homes.[34] But, because of transmission constraints, the High Plains region does not have the infrastructure to move all the wind-generated power from High Plains to areas with high levels of power consumption, such as Austin, Dallas, and Fort Worth.[35] The result is stranded energy – a wind facility having more energy than the transmission line/power grid can handle – forcing the renewable facility operator to curtail power (i.e. purposefully shutting off power production). As a matter of fact, in 2021, Texas curtailed 4,150 gigawatts (GWs) of wind power and in April 2022, California curtailed 596 GW of wind and solar.[36]

Bitcoin miners offer an alternative to renewable power curtailment. As discussed above, bitcoin miners can operate virtually anywhere there is power and an internet connection. Unlike power consumed by individuals living and working in large metropolitan areas, bitcoin miners' energy consumption is location agnostic. As such, instead of a wind or solar facility curtailing power because stranded energy has nowhere to go, bitcoin mines can be co-located adjacent to these facilities and use existing renewable electricity that would otherwise be curtailed. These types of business arrangements (i.e. renewable energy producers selling stranded energy to bitcoin miners) are becoming increasingly common because they (i) supply bitcoin miners access to cheap electricity, (ii) stabilize the renewable project's revenue stream and (iii) improve the renewable project's return on investment. For example, in July 2022, Lancium Balancing Energy, a Houston-based bitcoin miner, announced a partnership with Broad Reach Power (backed by Apollo and EnCap) that owns a 21GW portfolio of utility scale solar (see picture [below]), wind and storage projects.[37] Further, in October 2022, Aspen Creek Digital Corporation, a California technology company, revealed plans to build 3GW of solar, wind and energy storage by 2025 to power bitcoin mining facilities in Colorado and Texas.[38]

Therefore, the bitcoin mining industry's consumption of otherwise stranded energy can help improve the life cycle economics of renewable energy sources. By monetizing stranded energy, bitcoin miners offer renewable energy producers consistent, reliable demand support for power that helps to reduce the cost of production. Instead of curtailing renewable energy when the transmission line/ power grid is maxed out, solar and wind generators may instead leave facilities running with bitcoin miners buying the otherwise stranded renewable energy. By reducing the cost of production, these renewable energy projects become more attractive to financiers, which can lead to increased investment and more widespread adoption.

Lancium Balancing Energy, utility scale solar

Conclusion

The narrative that bitcoin mining is a massive waste of energy resources and harmful to the environment is becoming increasingly difficult to sustain. While it is true that the industry's energy consumption has some potential negative climate attributes, these may be balanced through the use of stranded energy. Bitcoin miners offer a valuable opportunity for energy producers to ameliorate their environmental impact and support their operations. By consuming otherwise stranded energy, bitcoin miners can reduce the amount of air pollution caused by natural gas flaring and supply a consistent, reliable source of demand support for wind and solar facilities thus improving the life cycle economics of renewable energy sources.

Once asset-based lenders receive the mandate to evaluate a bitcoin mining company, one could point underwriters to the fact that bitcoin held for longer than three years has never lost an investor money, the value of tangible assets, such as generators converting methane into electricity, ASICs and related real assets, the value of intangible assets, such as cash payments and power credits from retail electricity providers in exchange for curtailing operations[39] and the aggregate amount of accounts receivable from hosting services agreements. For example, Riot's December 14, 2022 Investor Presentation filed with the SEC indicates that, as of September 30, 2022, it has:

- LTM revenue: $290 million from mining and selling bitcoin, hosting service payments received from other miners and electrical equipment engineering,
- Property & Equipment: $276 million,
- Cash on hand: $255 million,
- Bitcoins on balance sheet: 6,897,
- Debt: $0.[40]

In terms of taking bitcoin as collateral, the amendments to the Uniform Commercial Code addressing digital assets are set to be promulgated by the states in 2023. The lawyers that took part in drafting such amendments understand the nuances and have the technical skills to perfect the bank's security interest in bitcoin held on balance sheets. Over time, asset-based lenders may find in the Chapter 11 context, liquidating bitcoin held as collateral with a third-party custodian is much simpler than foreclosing on traditional types of collateral, such as inventory, equipment and real estate.

And for those still not convinced, tune in to Session 7 of SEC Chair Gary Gensler's MIT Sloan School of Management course Blockchain & Money lecturing graduate students on whether bitcoin mining is a good use of energy resources. Chair Gensler notes, "[Bitcoin mining] also has a bunch of energy consumption. . . One estimate is that it is 200 million kilowatt hours per day. . . That's 1/3 of 1% of all the world's electricity. . . It's the electricity of the country of Austria. . . But it also costs a lot of money to run the banking system. So I think that when someone says, well, it's terrible, it's challenging, all this electric costs. Yes, we always want to lower costs. But the US financial system is 7.5% of our economy and costs $1.5 trillion. So the payment system around the globe costs 0.5% to 1% of the global economy which is more than 1/3 of 1% of the world electricity costs. . . I see [bitcoin mining] as a trade-off."[41] If the industry's power consumption has deemed approval from top brass at Wall Street's watchdog, it's worth taking a closer look.

Collin Z Groebe is an associate in Winston & Strawn's Dallas office whose practice focuses on representing major United States banks and other global financial institutions and public and private borrowers. Groebe has a passion for bitcoin and other cryptocurrencies, blockchain technologies and other digital assets, and understanding how digital assets can be used as collateral in secured lending transactions with a focus on the bitcoin mining space.

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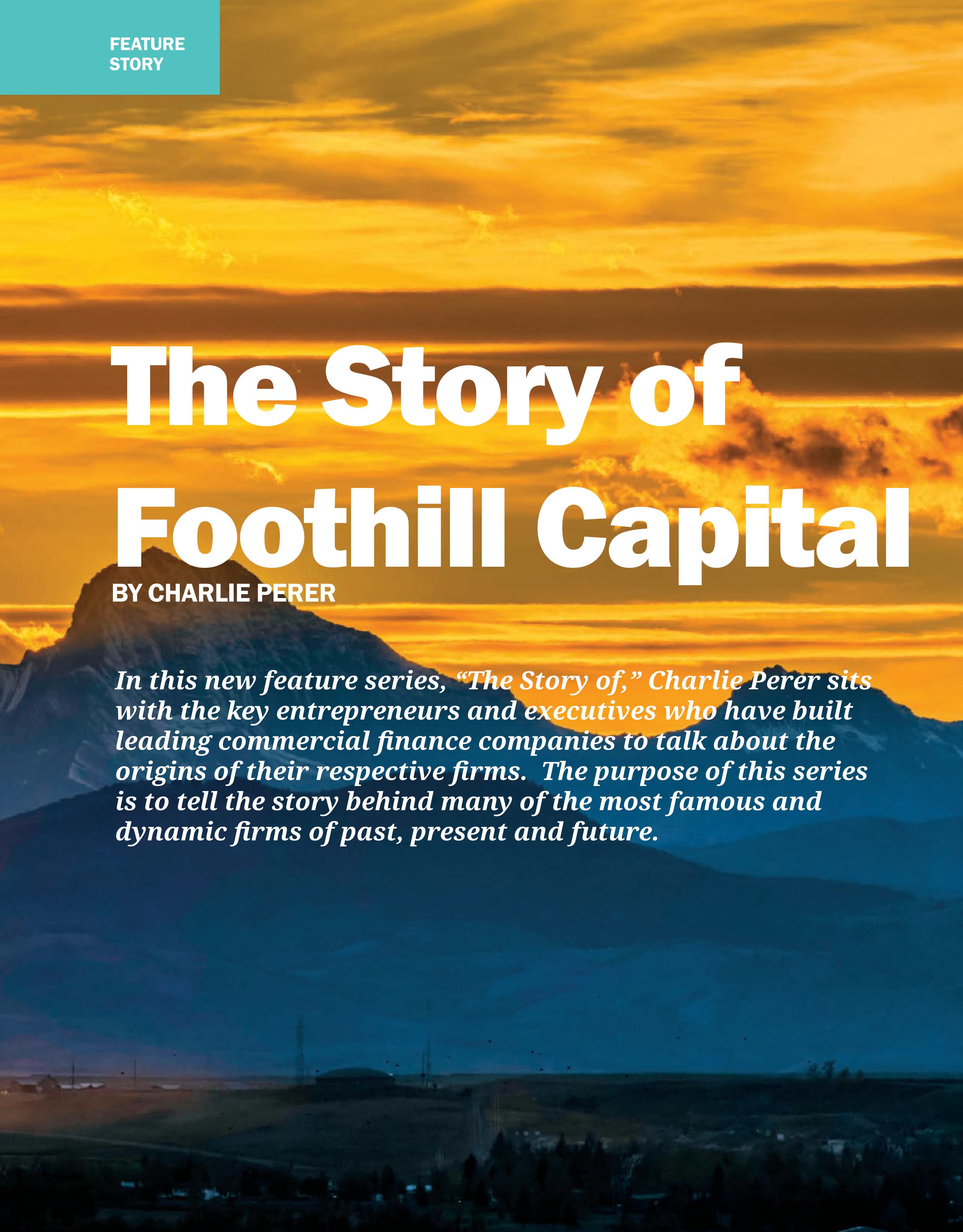
FEATURE STORY



The Story of Foothill Capital

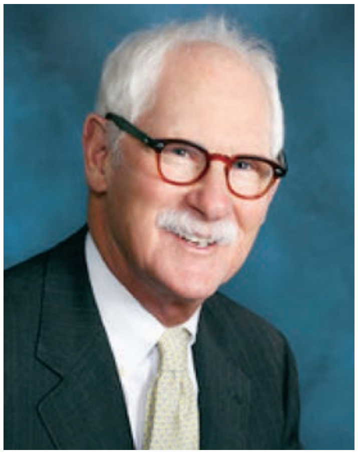
BY CHARLIE PERER

In this new feature series, "The Story of," Charlie Perer sits with the key entrepreneurs and executives who have built leading commercial finance companies to talk about the origins of their respective firms. The purpose of this series is to tell the story behind many of the most famous and dynamic firms of past, present and future.

These stories will and should be told by the people who were there in order to get the information as accurate as possible.

The first feature is about Foothill Capital, which, of course was acquired by Norwest in 1998 and later by Wells Fargo. The core team at Foothill went on to be leaders at Wells Fargo Capital Finance and throughout the entire commercial finance industry.

Here to tell the story are Peter Schwab, Henry Jordan and Chris MacDonald.



PETER SCHWAB

HENRY JORDAN

CHRIS MACDONALD
SG Credit Partners

CHARLIE PERER
SG Credit Partners

Charlie Perer: Gentlemen, please briefly introduce yourselves.

Peter Schwab: I was in the asset-based lending business for nearly 40 years and finished my career in 2010 as chairman of Wells Fargo Capital Finance. I began my career with National Acceptance Company of California and then joined Aetna Business Credit (two names that most readers probably don't know). I then joined Foothill Capital Corporation, which we sold to Norwest in 1998 and later became part of Wells Fargo when Norwest merged with Wells Fargo.

Henry Jordan: Retired CEO (2011-2017) Wells Fargo Capital Finance. I spent 32 years with Foothill Group and its successors beginning in 1984.

Chris MacDonald: I am currently a senior advisor at SG Credit Partners. I began my career at CIT Business Credit in 1990. In 1996, I started the New York office for Foothill Capital and then went on to run originations in the Midwest and Northeast. In 2004, I joined Silver Point Capital in its Principal Finance Group. I co-headed Principal Finance until 2009. In 2010, I joined Virgo Investment Group, and was a co-founder of Fund 3, a leader in portfolio management. I joined SG Credit Partners in January 2021.

How would you tell the story of Foothill Capital to younger executives entering the field today?

Jordan: The Foothill Group began as a small finance company in the 1970s (with a few hundred thousand dollars in total assets) and rose to become one of the largest and most successful bank asset-based lenders in America. On December 31, 2016, after a purchase of over $20 billion in assets from GE, the Group's total assets exceeded $50 billion. Foothill Capital was the largest and most successful subsidiary of The Foothill Group.

Schwab: I would describe the story of Foothill as a company who knew who they were and what they wanted to accomplish and did so through many challenges, but always understood that we were first and foremost a lender! We really emphasized doing "the deal," but did not stray from the parameters of being an asset-based lender. Based on that simple philosophy, we were able to grow the company to one of the leading asset-based lenders in the country.

MacDonald: I joined Foothill immediately after the Norwest acquisition and participated in tremendous asset and profitability growth during my tenor. Foothill was expanding into major markets across the country and differentiating itself as a creative, nimble and effective lending partner.

What made Foothill so successful?

Schwab: I believe the success was all about our employees and how we treated them, how we managed our organization and that we realized the real assets go up and down the elevator every day. This focus on employees was always relevant, whether it was at Foothill when we were making small, six over prime loans with only 68 employees, Foothill the public company, Foothill as part of Norwest and Foothill as part of Wells Fargo with 1,700 employees when I left. This was proven by our very low turnover. When you have employees that like to work for your company, you have consistency, which pays dividends.

Jordan: The entrepreneurial spirit of founders John Nickoll and Don Gevirtz set the tone for the growth of the business. Early on, the firm earned a reputation of "getting the deal done" and earned the trust of numerous referral sources and clients. Foothill was truly "a deal shop" and lived and died in large part by the success of our marketing teams.

MacDonald: I completely agree with Henry. The entrepreneurial spirit of the Foothill founders was fostered and developed by the executive management team that was assembled in the late 80s into the 90s. Pete Schwab, Henry Jordan and Scott Diehl empowered the next level of leaders to continue to build on the vision of its founders. Mike Fishman and Jim Marasco in California supported leadership in the regions. From day one at Foothill I was enveloped in a culture of creativity, team work and a vision of growth.

How would you define the culture at Foothill in the 1990s?

MacDonald: Foothill felt like family. Management meetings were all about open communication and developing and sharing the vision. The team that was built into the mid-90s came together at a great time in the market and the company's evolution. The Norwest acquisition significantly affected the capital base and the team that was assembled jumped on the opportunity.

Schwab: Our culture in the 90s and into the 2000s was – DO THE DEAL. Actually, it was this during my whole time at Foothill. We always looked at all sides of the transaction trying to find a way to do it and often we were successful. However, the credit culture was certainly not ignored. We tried not to stretch to do transactions and most of the time we were successful, however, we were not perfect and did have losses, which hurt us when we tried to reach too far.

Jordan: Foothill was filled with smart team members everywhere and if there was a way to get a deal done our team would find it. Credit committees were held three times a week and by request as needed on weekends or holidays. In the early 1990s, Foothill Group survived a serious liquidity crisis and its stock fell to around $ 2.50 per share. (This was an experience many of us would like to forget!)

As the 1990s progressed, the Group executed a tax-free spin off of its Thrift and Loan subsidiary, completed a stock offering for over $28 million (at $8.38 per share) and subsequently eliminated most debt at our Parent Company. Norwest Bank then bought Foothill Group in 1995 for approximately $550 million (at $25 per share). Norwest slowly began to impact the historical culture of Foothill, but the biggest changes were coming in future years when we became a part of Wells Fargo in 1998.

What whitespace in lending did Foothill go after in the 1990s and do you see any parallels in today's market?

Jordan: The earliest divisional breakouts were the factoring group (acquired through our Century group acquisition) the retail group and the syndications group. These were followed by the start-up of our technology group and our lender finance, specialty finance and healthcare groups. We also acquired a large supply chain business which was one of our lender finance clients. These areas of specialty really accelerated our growth and focus on nontraditional areas of lending.

Today these are all mainstream areas of focus for many lenders, but "back in the day" they were cutting-edge areas of focus for a bank-owned finance firm.

Schwab: When you had the attitude "do the deal" then you find niches that are important to capitalize on when other lenders aren't in those areas. Henry spells those out very well and they were certainly a key to our success. Since I have not been in the fray for the last 12 years, I cannot elaborate on specific parallels in today's market. However, I am convinced that if you are a creative lender like we were you can find additional niches that can be exploited just as we did in the 90s.

MacDonald: We studied other finance companies and tried to penetrate areas of inefficiency in general. But software and retail were the two major engines of growth and differentiation.

Is the market any more or less competitive today than it was in the 1990s?

Jordan: There are far more nontraditional lenders today and the competition is more fierce than it was in the 1990s.

MacDonald: First, with the capital formation around direct lending at major funds, followed by the growth of BDCs, an additional level of competition was created. Before the 1990s, cycles in commercial lending were more drawn out. But just looking at the speed of recovery after the financial crisis, tells the story. Smart capital plows into market gaps quickly. In the 90s, funds were entering the market behind the banks and finance companies. Now they compete from dollar one. Market has become more efficient and product differentiation is much more challenging.

Schwab: I am on the board of a BDC and sit on a credit committee for a very large private lender. Being involved with those two entities gives me a lot of opportunity to look many of the transactions they are considering, and I am convinced that the competition today is just as fierce as it was when I was active in the business.

What's missing today that existed when Foothill was at its peak?

Schwab: I think what is missing today is that you would never be able to start up a Foothill type organization. The founders were able to go public very quickly and then were able to scratch and claw for lenders to support our growth. I believe this would be difficult today given the banking and lending environment that a start-up would need.

Jordan: The regulatory focus brought on banks (after the great financial recession of 2008 and 2009) substantially curtailed the creativity of all bank-owned lenders. Unfortunately, the creativity of the 1990s and 2000s was lost due to regulatory requirements and restrictions.

MacDonald: Foothill was one of a kind, particularly in the 90s and early 2000s. But, I agree with Henry that the financial crisis robbed banks and bank-owned entities of creativity and flexibility.

Can you talk about innovation at the time and how it's different from today?

MacDonald: Innovation at the time was largely driven by product expansion and understanding value gaps in different lending disciplines. For example, retail and software were very challenging to finance back in the 90s. I look at a model like SG, where innovation can still occur. The lower middle market has far more inefficiency than the middle market and up.

Schwab: Being a dinosaur, I am out of touch of where innovation has gone today but I'm convinced if you have a good staff of smart people no matter what era you're in you can find creative and innovative things to differentiate yourself from other lenders.

How did the more entrepreneurial firms compete?

Schwab: Since we were small and independent, believe it or not, I think one of the keys to our success was running tombstones in the Wall Street Journal for almost every deal we did, no matter what the size. We needed to get the story out there and although this was very expensive it gave us credibility in the marketplace as an organization that was creative doing deals to many different kinds of businesses.

Jordan: Foothill and Congress (before our Wachovia acquisition in 2010) used to throw massive receptions at the annual CFA (now SFNet) convention. Two of the most lavish were in San Diego (the ballroom became the San Diego zoo!) and Philadelphia (the ballroom was a giant rock and roll concert!). We also partnered and split many very large transactions to reduce our concentration risk.

What's your most memorable deal story?

Jordan: There are so many! For me all the acquisitions we did were most memorable, especially the successful year-long focus on our $20 billion asset purchase from GE. It occupied most of 2016 for many of us and was a memorable way to spend my last year before retirement.

MacDonald: A couple of deals stand out for different reason. Bentley Systems was a $50MM software deal sourced by Tom Steighlener in New York, building on Foothill's dominant position in middle- market software at the time. Uhaul was a $550MM deal run by Josh Easterly, that elevated Foothill's into the upper middle market and highlighted its capital markets capability.

Schwab: There were certainly many, but I think financing the L.A. Lakers was truly memorable and a lot of fun. Actually, as an asset-based lender you learned about almost every kind of business in the country. At any one credit committee you can go over a transaction for someone who manufactures dresses, then someone who repairs airplane engines, then someone who manufactures furniture and then consider lending to a software developer. I can go on and on, but you get the picture that the great thing about asset-based lending is that you get to experience lending to almost every kind of business in the country and that's truly fun.

What's the best piece of advice you would give to young professionals starting out in ABL?

Schwab: This is very simple the answer—the watch word is patience! Potential young professionals starting in this industry need to take time to learn the business and be patient to learn everything from top to bottom. I've seen too many people jump for a few dollars more and be very sorry down the road. In our infancy days at Foothill many people left because they weren't patient enough to take the time to hone their skills. Those who did put the time in to learn the business ended up being some of the most successful people in both the company and our industry.

Jordan: Be a team player and do whatever it takes to help your team succeed. Take care of and inspire your team and your career will take care of itself!!

MacDonald: Work with a company that focuses on culture and market differentiation. Challenge yourself to learn and grow. Become a student of the market. Be a thought leader.

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 Members Share Their Meaningful Successes

This new column will highlight those times in our professional lives where we are especially proud of a successful outcome; the times where it was "all worth it." Thank you to Mark Fagnani of PKF Clear Thinking and a member of the SFNet Content Council for suggesting the concept of this column. If you'd like to participate, please reach out to Eileen Wubbe at ewubbe@sfnet.com.

BY EILEEN WUBBE

MARK FAGNANI
Senior Managing Director,
PKF Clear Thinking

A borrower came to us through an internal referral. The existing banker believed the company was about to file Chapter 11 and he did not believe he was equipped to deal with that, but knew we, in the ABL space, were. We stepped in, reviewed the file with a particular emphasis on the collateral, which we deemed to be quite good and, ultimately, became the agent on a syndicated loan. The company never needed to file bankruptcy, thanks in large part to our involvement. We took the time to understand all facets of the business, including the specific issues preventing the company from being profitable. We formed a very deep and lasting relationship with this borrower, slogged through the good times and the bad, made a lot of money and after 15 years the company was sold in a transaction valued at over $1B. A huge success for all (even though our loan was repaid in full). Several days after the sale I had drinks with the former owner and CEO. He was ecstatic, many members of his management team owned stock and had become rich overnight and all the employees kept their jobs. It was a win and I felt very fortunate to have played a role in their success.

Shelby Lau, Analyst, MUFG

One of the most memorable transactions I have been a part of was MUFG's asset-based finance teams' execution of a complex retail transaction. This transaction presented multiple challenges from tight liquidity to operations across several retail subsectors.

In order to execute the transaction, I analyzed

SHELBY LAU
Analyst
MUFG

MICHAEL LIPKIN
CEO
Assembled Brands

the collateral of two different companies to forecast the clients' current and future liquidity needs. This required me to evaluate the macroeconomic impacts due to the company's international presence and highly seasonal business, while sensitizing across various economic cycles. Throughout this process, I maintained a client-centric mindset by approaching this transaction with a holistic view of the company's operations.

Being able to network with appraisers and law firms at the SFNet Annual Convention also proved to be very helpful. The immediate feedback I received helped me navigate and answer critical questions, which aided the deal team in an efficient closing of the transaction.

With support of MUFG's balance sheet, MUFG's ABF team was able to provide flexibility to both the client and sponsor in accessing liquidity. The success of this transaction is a testament to MUFG's dedication to strengthening relationships with corporate clients across all credit profiles, sponsors, and leveraged finance, especially during times of economic recovery when commitment is crucial.

Michael Lipkin, CEO, Assembled Brands

When people think about the shining moments of their career, a poultry farm is probably the last thing that comes to mind. However, I gained a lifetime worth of experience in the span of a few months during a grueling bankruptcy case.

During the first week, the court granted a relief of stay due to the nature of the live flock in the field. We were set to run an in-field liquidation, which I found myself quarterbacking onsite. This included hosting a job fair to bring back former employees, working with the remaining management staff to optimize food and transport spend for the animals, all while learning the intricacies of the operations, and even handling court filings.

The many lessons learned during this time have guided me throughout my career. One of the lessons was leading by example, and being the type of leader that inspires and motivates consistently. This can come across to both internal as well as external stakeholders. During my time at the farm, being present and relocating for several months was not easy, but it impressed upon the borrower's existing management team the importance of a successful outcome. It also fostered trust between team members and created a more productive and optimistic work environment with increased engagement.

Another lesson learned revolved around having empathy: hundreds of employees had previously been laid off and then brought back to fill temporary roles. Actively listening to their concerns, grievances and personal stories was a priority. Providing team members with clear guidance on working the staffing agency we engaged provided value for all parties involved, and created efficiencies along the way.

Lastly, doing the work that is in front of you: this situation evolved quickly and on a near daily basis. Learning to adapt and work with the constraints of the situation made the process go as smoothly as it could. Rather than question why something wasn't working, I tried to find a way to fix it. This came across in multiple ways, from driving to the local industrial supply store when no one was available, to analyzing a bank statement and aging for missed payments from account debtors.

A bankruptcy case is an unfortunate situation, and hard on all parties involved. Putting people first, showing empathy and tackling issues head-on can go a long way, and you may even learn a valuable lesson that could last a lifetime.

Eileen Wubbe is senior editor of The Secured Lender.

What Would You Do?

In this edition of What Would You Do?, the Chief Credit Officer of Overadvance Bank considers whether Overadvance Bank should agree to rely on a credit insurance policy as the primary basis to include foreign receivables as eligible collateral in the Borrowing Base.

BY ALLEN CREMER AND NICHOLAS PALAZZOLO

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All Insurance Is Not Created Equal

Apex International Inc., a manufacturer of specialty auto parts with domestic and foreign operations, closed an $80-million revolving loan credit facility with Overadvance Bank approximately 14 months ago. Apex has generally been performing well, although due to inflationary pressures, one of its biggest domestic customers has significantly reduced its purchases of inventory from Apex.

Due to the reduction of business from this major customer, the size of Borrowing Base availability is now considerably less than the $80-million maximum facility amount. In an effort to offset this reduction, and to preserve its available liquidity, Apex is seeking to expand the collateral that would otherwise be eligible for inclusion in the Borrowing Base

The Credit Agreement currently limits eligible receivables to domestic receivables. However, Apex generates millions of dollars in revenue from foreign account debtors in Europe and Asia. The Chief Financial Officer of Apex estimates that inclusion of these receivables in the Borrowing Base would create additional Borrowing Base availability of up to $15,000,000, which would go a long way towards replacing the availability that has been lost due to the reduction of business from the large domestic customer.

As such, if Overadvance Bank were to rely primarily on the credit insurance policy in extending eligibility on foreign receivables, Overadvance Bank would, at a minimum, need to closely monitor the foreign receivables, and foreign account debtors, to confirm they qualify (and remain qualified) for coverage under the policy.

The Chief Financial Officer is well aware that, depending on the applicable foreign jurisdiction and any required compliance with foreign laws applicable to the creation, perfection or enforcement of security interests, eligibility for foreign receivables often comes at considerable additional cost and expense to the borrower. However, Apex maintains a credit insurance policy, issued by a well-known and reputable insurance company, that covers non-payment of its foreign receivables due to financial inability or insolvency of the foreign customer. Further, the insurance company has confirmed its willingness to issue in favor of Overadvance Bank an endorsement to the credit insurance policy that provides for any recoveries under the policy to be remitted directly to Overadvance Bank. As such, in an effort to minimize the additional cost and expense often associated with eligibility for foreign receivables, Apex has requested that Overadvance Bank leverage Apex's existing credit insurance policy as the primary basis for eligibility of its foreign receivables.

Overadvance Bank is pleased with Apex's performance and financial projections and has confidence in the management team. As they typically do for well performing customers, Overadvance Bank would like to find a way to work with the company to provide additional availability, but always with an eye towards avoiding undue risk relating to its collateral.

If you were the Chief Credit Officer of Overadvance Bank, what would you do?

The Chief Credit Officer's primary concern with relying on the credit insurance policy is the ability of Overadvance Bank to actually collect on a claim submitted under the policy. Due to the complex claim submission procedures and conditions to coverage found in most credit insurance policies, the Chief Credit Officer knows that, no matter how diligent the bank or Apex might be, recovery under a policy of credit insurance is by no means a slam dunk.

Like most every other credit insurance policy, Apex's policy includes a number of limitations and requirements to coverage. For example, the policy only provides coverage for certain foreign countries and limits the amount of coverage available for any one covered country. The policy also excludes from coverage any losses on shipments made by Apex to a customer after the customer has commenced any form of "insolvency" proceeding. As such, if Overadvance Bank were to rely primarily on the credit insurance policy in extending eligibility on foreign receivables, Overadvance Bank would, at a minimum, need to closely monitor the foreign receivables, and foreign account debtors, to confirm they qualify (and remain qualified) for coverage under the policy.

The review of the policy also confirmed the Chief Credit Officer's assumption that the bank's ability to recover under the policy will, inevitably, require reliance on Apex. For example, coverage under the policy is contingent upon, among other things, accurate reporting of the aging of the accounts receivable, the absence of any misrepresentations by Apex, timely submission of a claim and the cooperation of Apex in connection with the pursuit of account debtors for the payment of accounts. Any failure of Apex to comply with these requirements would jeopardize the availability of

FEATURE STORY

coverage under the policy.

The Chief Credit Officer is also mindful that, if Overadvance Bank will be relying on the credit insurance policy as the primary basis to advance against foreign receivables, the bank will not be able to use its standard formulas when determining the amount available for advance. The credit insurance policy includes various deductions (such as fees or offsets for amounts paid by the insurer), deductibles and co-insurance requirements to coverage on any given receivable. Overadvance Bank would need to take these into account when determining how much it is willing to advance against foreign receivable.

After carefully considering all of the various issues and risks associated with relying on the credit insurance policy, the Chief Credit Officer is not willing to provide open-ended eligibility for collateral consisting of such foreign receivables. Rather, she has decided to permit a sub-limit of revolving loans based on foreign receivables that are covered by the credit insurance policy in amount not to exceed $5,000,000 at any time outstanding. Overadvance Bank will require that the credit insurance policy, together with an acceptable endorsement in favor of Overadvance Bank, be in place at all times and will require additional reporting from Apex to be able to better track the receivables and the specific customer and country limits set forth in the policy.

The Chief Credit Officer is also mindful that, if Overadvance Bank will be relying on the credit insurance policy as the primary basis to advance against foreign receivables, the bank will not be able to use its standard formulas when determining the amount available for advance.

The Chief Credit Officer certainly sees some value in the credit insurance policy. However, given the complexities inherent with credit insurance policies generally, her decision is based as much, if not more, on her willingness to provide a modest accommodation to a valued customer with a strong credit profile than on the credit insurance policy itself.

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 acremer@otterbourg.com or npalazzolo@otterbourg.com.

Allen Cremer is a partner in Otterbourg P.C.'s Banking and Finance Department. Cremer represents banks, commercial finance companies and other financial institutions in connection with all aspects of structuring and documenting financing transactions for a wide range of industries, including transactions involving both syndicated and single lender secured asset-based loan facilities, term loan facilities, cross-border facilities, intercreditor arrangements, foreign and domestic collateral, acquisition financing, loan workouts, debtor-in-possession financing, Chapter 11 exit financing, and purchases and sales under Section 363 of the Bankruptcy Code.

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■ SFNET MEMBER PROFILE

Crescendo Asset Management: Combining factoring, supply chain and ABL with technology and embedded finance

In 2021 New York-based investment adviser and wealth management company, Crescendo Asset Management, LLC ("CAM") launched a trade finance strategy, which provides invoice discounting, traditional factoring, supply chain finance, specialty finance, embedded finance, and asset-based lending worldwide. Brian Weiner co-leads and oversees the strategic direction and Alisa Rusanoff heads credit and technology for the strategy. Here, they discuss Crescendo's strong international presence and the company's strategies.

BY EILEEN WUBBE

BRIAN WEINER
Crescendo Asset Management

ALISA RUSANOFF
Crescendo Asset Management

Crescendo Asset Management, LLC and its subsidiaries are owned by Geneva, Switzerland-based parent company, Crescendo Capital S.A. (CCSA). CCSA and its other global entities and affiliates (the "Crescendo Group") manage assets of more than $3 billion with experience in managing and allocating capital to alternative and private market strategies. The Crescendo Group has been active in this space since 2004. Most of CCAS's clients are based in Europe, with some in the US, Latin America and South America.

Brian Weiner and Alisa Rusanoff joined the CAM team in the New York City office at the end of 2021, and started building a strategy focusing on factoring, supply chain finance and ABL. They also have expertise in funding embedded finance companies that have a specific tech-driven component of their business backed by receivables.

"We understand international trade and we have experience as well as interest from various investor groups for trade finance," said Alisa

Rusanoff, head of Credit. "The economy and current credit cycle provide opportunity for trade finance to provide relatively high yields in these markets and it's a good strategy for Crescendo."

Weiner's and Rusanoff's career backgrounds bring a differentiated combination to Crescendo. Weiner started out as a senior vice president of a family-owned business, Brooklyn, NY-based Atlantic Veal and Lamb (Plume de Veau) for 12 years, followed by a stint at online grocery company, Fresh Direct. This experience allows him to understand the pain points of handling and managing a small business. Eventually, he pivoted to the factoring and trade finance industries, working at Trade Finance Solutions, Stenn and Jefferies.

Rusanoff is a Russian immigrant who understands the international side of trade and dealing with the jurisdictions and legal nuances that come with it. She comes from an investment banking background, having worked for Martel Capital, and has FinTech experience from working at Marco, and said she's always been focused on the analytical side of the business.

"Even in investment banking I was working with small- to mid-sized businesses," she explained. "The analysis is similar because you want to understand that a company is sustainable and know your credit, fraud and operational risks and have that streamlined in your process using technology tools that can help underwrite, evaluate the businesses, and monitor any red flags."

The Company offers accounts receivable finance facilities and supply chain finance, which Weiner says, due to its different structure, distinguishes Crescendo from other factors.

"If we have a client who just received their biggest order from Walmart, we'll go and buy the raw materials for them, whether it's components or finished goods, and we'll pay for 100 percent of that," Weiner said. "Then we'll immediately own it and re-invoice our client and they'll pay us back over time. Whatever the sales payment cycle would be, we try and match our payment to when they were going to get paid. They consider it an off-balance sheet transaction. We become a vendor on their accounts payable and, in many cases, we are a secured vendor because we file the appropriate liens. If there's a senior lender, we'll have an intercreditor agreement, but it's a distinctive way of working through the system to get companies extra capital to buy goods. It is quite different from purchase order finance; it's typically nimbler and the control is in the company's hands. If things go upside down, we're in a secured position, whereas with PO finance, the client is in the secured position."

"The advance that we do on the cost of goods sold is basically 100 percent, which helps the clients to move the inventory around and to presale, so we add incremental value and boost supply chains for SMEs through that," Rusanoff added.

Offering accounts receivable and supply chain finance has also allowed Crescendo to fine tune its work with banks, factoring companies and nonbank asset-based lenders.

"It's normally considered friendly competition because they are helping their client, which is also our own client. It's not like two factors doing a deal where we're competing," Weiner added. "We like banks and factors in the deal, because the more eyes watching the better off everybody is."

Many of CAM's small- to mid-sized businesses and SMB clients grow with them. CAM's clients, while not early-stage startups, often have a limited track record of a few years, and need working capital to grow.

"Most of the clients that we've had in the past with Crescendo, and historically before that, have grown their facilities with us as they are expanding their distribution lines and growing their sales both domestically and internationally," Rusanoff explained.

CAM and Crescendo have also worked with several embedded finance companies in the US, UK, and Europe. The most recent is a litigation financial technology platform (https://www.businesswire.com/news/home/20230213005413/en/Justice-For-Me-Closes-10-Million-Credit-Facility) "We understand FinTech and, in addition to old-school underwriting, we can analyze client's technology, given my FinTech background," Rusanoff said, "which we believe is one of our competitive advantages."

"Many technology players who are not just providing technology but are also bringing a financing option in a form of embedded finance to the table is a dynamic offering that we like. It's unique, helps mitigate fraud and other risks and traditional factoring companies don't really pick up on that.\

"As a Geneva-based company with a wide range of European, Latin American, US and Middle Eastern investors, Crescendo isn't afraid of doing foreign deals whereas some nonbank lenders in the US put up a wall to go outside the US," Weiner said. "We certainly understand that, but historically Alisa and I have done work outside the States, and we are very comfortable with it."

CAM's sweet spot is $3-$5 million, but Weiner and Rusanoff also come across larger transactions ranging from $10-$50 million. For larger deals, they will tap into Crescendo's investors outside of CAM.

"We don't look for a lot of big deals, but those that we're passionate about we'll take on, and we'll bring in our Crescendo investors to fill in up to $200 million, and then we'll go to the marketplace to try and fill in with other participants because we like the deal," Weiner said.

"We do club deals with quite a few of Crescendo's clients and we like doing those types of transactions," Rusanoff added. "If you're in the equity market you would call it a syndicate, so this is what we do in the trade finance market. It brings a lot of opportunities, and it typically diversifies your risk."

As banks continue to be more restrictive, US nonbank lending companies are well positioned to take advantage, despite the uncertainty about inflation and from the unexpectedly strong labor market for the credit cycle.

"Nonbank lenders are slightly adjusting for the market rate or pricing SOFR or other base in," Rusanoff explained. "A lot of what we do is based on our both macro and micro analysis, and historically we've been very careful with cyclical businesses. So, we are conservative in terms of the type and the industry of the business we're targeting, although we can be flexible and we believe creative in structuring the deal and providing additional capital to help the company grow. We're excited about the year ahead and going into 2024, but that excitement comes with caution and solid deal due diligence and the industries and regions we want to take risks in."

Eileen Wubbe is senior editor of The Secured Lender.