ALSO: INTERVIEW WITH DAVID MARKS OF WELLS FARGO COMMERCIAL CAPITAL

OCTOBER 2021 WWW.SFNET.COM

THE SECURED Lender

Putting Capital To Work

SFNet's Diversity, Equity and Inclusiveness Issue

ESG DEVELOPMENTS, THE IMPACT OF DIVERSE TEAMS, SFNET MEMBERS DISCUSS DEI INITIATIVES

A publication of: Secured Finance Network

TOUCHING BASE

TSL'S FIRST DEI ISSUE

Leading the SFNet Community Forward

I couldn't be more pleased to welcome you to the first Diversity, Equity and Inclusiveness issue of *The Secured Lender.* This issue is a direct outcome of SFNet's formation of a DEI Committee one year ago. The Committee hit the ground running and their dedication and passion for their mission has been inspiring.

The SFNet DEI Committee's official charter is "to understand specific challenges and opportunities within our diverse communities of interest and articulate the case for change, complement and refine existing SFNet and Foundation policies and programs, and support our members' initiatives." And it is certainly on its way to fulfilling this mission. In the past year, the Committee, under the leadership of Betty Hernandez, executive vice president and chief credit officer of SLR Business Credit, has made sure every SFNet event has had a DEI component, including the SFNet Annual Convention in Phoenix, November 3-5. In 2022, the Committee will host its own conference in Miami in April. This promises to be a first-of-its-kind event for our industry. In the meantime, be sure to check out the Committee's page on SFNet.com. The page contains a wealth of knowledge and includes educational articles, a suggested reading list and relevant interviews with Committee members.

The European Union's recent passage of its Sustainability Financial Disclosure Regulation marks yet another milestone in the progression of environmental, social and governance matters. On page 20, attorneys from Goldberg Kohn and Mayer Brown team up to offer a review of this regulation and related ESG disclosure requirements, together with other notable ESG developments, and discuss their impact on middle-market lenders.

In *How Diverse Teams Make Successful Companies* on page 24, Nneoma Maduike, a member of SFNet's DEI Committee, discusses the impact a diverse team can have on a company's performance.

On page 26, we speak with David Marks, head of Wells Fargo Commercial Capital. Here, David discusses recent structural changes at Commercial Capital as well as their focus on diversity.

On page 30, Jeffrey Goldrich, president and CEO of SLR Business Credit, reflects on his tenure as SFNet's 2021 President, how the Association continues to adapt and innovate and our accomplishments during the past 12 months.

RICHARD D. GUMBRECHT
SFNet Chief Executive Officer

In March, InterNex Capital launched a dedicated Minority and Women-Owned Business Enterprise program with the vision and belief that further representation of this group within their client base was not only possible, but something for which they are responsible. Turn to page 32 to read details about this inspiring program.

This issue highlights the DEI initiatives of two SFNet members: BMO and First Horizon National Corp. On page 36, we feature an interview with Anthony C. Hood, PhD, executive vice president and chief diversity, equity and inclusion officer of First Horizon National Corp. Turn to page 38 for an interview with Fellicia Foster, vice president and U.S. head of Inclusion & Diversity with BMO. Their initiatives focus on an inclusive workforce and breaking down barriers to allow employees to excel in their careers.

On page 44, Terry Keating, a member of SFNet's Diversity, Equity and Inclusiveness Committee and managing partner of Donald J. Keating & Sons, provides highlights of the DEI session held during SFNet's IFR Conference held in August.

It can be challenging to get the DEI conversation started. Kendall Covington of Context Business Lending discusses how Context's book club has fostered communication among team members, on page 46.

I would like to express my gratitude to Betty and the entire Committee for not only providing guidance on the topics for this issue, but also contributing much of the content. Their passion and insights are helping to lead our community forward on this critical imperative.

THE SECURED Lender
A PUBLICATION OF SECURED FINANCE NETWORK

TABLE OF CONTENTS. OCTOBER 2021 VOL. 77 ISSUE 7

COVER STORY
READY, SET, DISCLOSE? ESG LENDING AND THE MIDDLE MARKET P20

FEATURE STORIES

FEATURED STORY
HOW DIVERSE TEAMS MAKE SUCCESSFUL COMPANIES P.24

Articles

Departments

Secured Finance Network

An association of professionals putting capital to work

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

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

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

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

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

Editorial Staff
Michele Ocejo
Editor-in-Chief and SFNet Communications Director

Eileen Wubbe
Senior Editor

Aydan Savaser
Art Director

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

BMO Recognized as Best Private Bank and Best Commercial Bank in Canada

For the 11th and seventh straight year, respectively, BMO has been recognized as the Best Private Bank and Best Commercial Bank in Canada by *World Finance* magazine. The awards recognize both groups' innovative and client-centric approach, commitment to digital transformation and experience, and holistic understanding of market trends and changing client needs – especially during the COVID-19 pandemic.

Cahill Gordon & Reined LLP Announces New Partner and Counsel Elections

Cahill Gordon & Reindel LLP announced that **C. Anthony Wolfe** and **Elizabeth Yahl** have been elected to the partnership. Wolfe and Yahl have been elected as partners in Cahill's Capital Markets and Banking & Finance practices where they represent leading investment banks, institutional investors and commercial banks in connection with a broad range of public and private transactions. The firm also announced that **Michael Wolynski** would become counsel to the corporate practice.

CIT Names Kevin Ronan as National Sales Director for Capital Equipment Finance Business

Kevin Ronan, who was also promoted to senior vice president, will be based in New York and will oversee business development within Capital Equipment Finance for both the direct and indirect sales channels. Ronan joined CIT in 2012 and in his most recent role was responsible for the indirect channel and for maintaining critical relationships with bank and non-bank partners.

Citizens Financial Group, Inc. Announces Agreement to Acquire Investors Bancorp, Inc.

Citizens Financial Group, Inc. and Investors Bancorp, Inc. announced that they have entered into a definitive agreement and plan of merger under which Citizens will acquire all of the outstanding shares of Investors for a combination of stock and cash.

FGI Appoints Ronnie Bloom to Expand its Canadian Presence

FGI Worldwide LLC hired **Ronnie Bloom** as the newest managing director, based in Toronto. Bloom will be responsible for growing and nurturing FGI's strategic partnerships within numerus Canadian markets by embracing a committed, boots-to-the-ground approach.

Fifth Third Announces Acquisition of Provide, a Fintech Company Serving Healthcare Practices Nationally

Fifth Third Bancorp announced a definitive agreement to acquire Provide, a digital platform for healthcare practices. Building on Fifth Third's strong legacy of digital innovation and focus on the healthcare sector, this transaction adds world-class national digital capabilities addressing the most complex lending and banking needs of retail healthcare providers.

Retail Industry Veteran Bob Grosskopf Joins FrontWell Capital Partners Advisory Board

Bob Grosskopf previously served as co-president of the retail disposition practice of a prominent asset disposition and appraisal firm. Prior to his position with FrontWell, Grosskopf worked on many high-profile North American liquidations, including Circuit City, Borders Books, Sports Authority and A.C. Moore.

Greenberg Traurig Continues Washington, D.C. Corporate Practice Expansion

Global law firm Greenberg Traurig, LLP continues to expand its Corporate Practice with the addition of **James Doyle** as a shareholder in its Washington, D.C. office. He joins the firm from Simpson Thacher & Bartlett LLP. Doyle represents borrowers and lenders in a wide array of debt financing transactions, including acquisition financings, debt restructurings, and syndicated bank loans.

Haversine Expands Team and Further Bolsters Experience with Another Senior Hire

Haversine Funding, a leading provider of alternative financing solutions, announced the hiring of **Cheryl Mayo** to serve as director, portfolio manager for factoring and ABL client lenders.

Hilco Global Acquires Getzler Henrich

Hilco Global announced that it has entered into a definitive agreement to acquire the New York-based firm - Getzler Henrich & Associates LLC. Getzler Henrich's corporate turnaround and restructuring expertise, and strong financial advisory and performance improvement capabilities will integrate well with Hilco's existing valuation, consulting and corporate finance advisory services, and provide access to new sources of capital.

IDS and Tamarack Ink Partnership to Drive Continued Momentum of IDScloud Adoption

IDS, a leading provider of mission-critical enterprise solutions for secured finance, announced it has signed a strategic partnership agreement with Tamarack Technologies, Inc., a leading provider of digital transformation services and solutions for equipment finance. The partnership will capitalize on the increasing demand for IDScloud and accelerate the migration of equipment finance firms to the leading end-to-end SaaS solution for equipment finance.

Marco Financial Welcomes Two C-Level Executives

Sabrina Teichman has joined as chief growth officer and **Prajwal Manalwar** as chief product officer. As the first woman in Marco's c-suite, Teichman has experience in foreign policy, national security, and international business in the public sector.

MetaBank's Christopher Soupal Named Division President, Head of Commercial Finance

Christopher Soupal brings more than 20 years of finance and capital management experience to the new role. He will lead all aspects of Commercial Finance, including the Crestmark and AFS/IBEX divisions as well as commercial operations.

Monroe Capital Hires Chris Babick to Lead the Southeast Region

Chris Babick has joined the firm's originations team as managing director and will lead the firm's relationship sourcing and the origination of new business opportunities within the Southeast region.

Seacoast Expands its Commercial Banking Leadership Team

Seacoast Banking Corporation of Florida announced it added **James Norton** as executive vice president and commercial real estate executive, **Chris Rolle** as president of the West Florida region, and **Robert Hursh** as market president for Pinellas County.

Maryanne Lenardo Joins SLR Business Credit as Managing Director of Originations

Maryanne Lenardo will be responsible for sourcing senior secured debt transactions (ABL and Factoring) ranging from $2MM to $30MM in the manufacturing, distribution, and service industries. Lenardo will be based in Los Angeles, covering the Western United States.

SLR Business Credit Announces New Business Line

North Mill Capital LLC (d/b/a SLR Business Credit) announced that it acquired Fast Pay Partners, LLC. Based in Los Angeles, CA, Fast Pay Partners enables clients to accelerate receivables and access liquidity through its asset-based lending and factoring platform which primarily services media firms in the United States. Pro forma for this transaction, the Company will manage a portfolio of $550 million of credit facilities. Hovde Group, LLC served as exclusive financial advisor to Fast Pay Partners in connection with the transaction.

Sterling National Bank's Capital Finance Division Welcomes Kevin Henry as Managing Director, Commercial Services - Originations

Kevin Henry will report to Michael Haddad, president, Capital Finance at Sterling. Based in Boynton Beach, FL, Henry will have geographic coverage responsibility for the Southeast region, focused on new client acquisition with established referral sources to deepen and expand existing client relationships, and evaluate and structure perspective factoring and payroll finance credit solutions.

Sterling National Bank's Capital Finance Division Welcomes David Maiuri

David Maiuri has joined as director, Commercial Services – portfolio management. He will report to James Bodie, managing director, Commercial Services at Sterling. Based in Jericho, NY, Maiuri will be responsible for managing a portfolio of specialty finance accounts across the country, assisting these businesses with their finance needs as they grow and prosper.

Kevin Gillespie Joins Tradewind Finance as Vice President, Sales

Kevin Gillespie is based in Pittsburgh, PA and brings years of experience in the factoring and larger finance industry to the role, where he will be responsible for driving business growth. Most recently, Gillespie served as regional vice president at Pitney Bowes Bank.

Cesar Gonzalez Named Head of Operations for Wells Fargo Commercial Banking

Cesar Gonzalez has been named head of operations for Commercial Banking. He reports to Perry Pelos, CEO of Wells Fargo Commercial Banking, and Lester Owens, head of Wells Fargo Operations. In this role, Gonzalez will lead critical business and lending operations for Commercial Banking and will partner closely with leaders across Wells Fargo to ensure an integrated operating environment.

Winston & Strawn Adds Restructuring Partner Tim Walsh To New York Office

Tim Walsh joined Winston & Strawn LLP as Global Chair of the Restructuring and Insolvency Practice, resident in the firm's New York office. Walsh brings over 30 years of experience advising U.S. and international clients on all aspects of restructuring transactions.

White Oak Commercial Finance Expands Retail Finance Offering to Meet Growing Demand

White Oak Commercial Finance, LLC is expanding its retail offering with the formation of its new National Retail Finance Group to meet the growing demand for custom funding solutions by retail companies pivoting their business models to meet fast-changing market trends, including the industry's increased investment in ecommerce.

The White Oak teams driving the effort span the U.S. and include this newly formed group led by **Bill Kearney,** as well as senior regional executives **Martin Efron, Charles Sharf** and **Gino Clark**.

Wolters Kluwer Launches Bankruptcy Essentials

Wolters Kluwer Legal & Regulatory U.S. announced the launch of Bankruptcy Essentials, a digital research and analysis solution that streamlines the process of managing bankruptcy litigation and restructuring transactions. Developed and curated by industry-leading practitioners, the solution integrates expert content with intuitive topical navigation to provide lawyers and law librarians at all levels of experience with a 360-degree view of key bankruptcy issues.

Lender/Participant	Lender Type	Amount	Borrower	Industry	Structure	Service Provider (Type)
Abacus Finance Group, LLC [Administrative Agent and Co-Lead Arranger]	Non-bank	**N/A**	To support the refinancing of Receivable Solutions, Columbia, SC, by WestView Capital Partners, Boston, MA	Financial services	Senior debt financing	Legal counsel was provided to Abacus by Goulston & Storrs, PC.
Abacus Finance Group, LLC [Senior Administrative Agent and Lead Arranger]	Non-bank	**N/A**	To support the acquisition of Maury Microwave by Artemis. Abacus made an equity co-investment in Maury Microwave, Ontario, CA	Laboratory devices	Senior secured credit facilities	
Accord Financial	Non-bank	**$1 Million**	Bottler and distributor of spring water with over two decades of experience in the industry	Bottled water	Factoring facility	
Alignment Credit	Non-bank	**$20 Million**	MindCare Solutions Group, Inc., Nashville, TN, to support MindCare's acquisition of TriCounty Tele Behavioral Services, LLC and other strategic initiatives	Healthcare	Senior secured credit facilities	
Alleon Capital Partners	Non-bank	**$1 Million**	e-commerce business, California	e-Commerce	Accounts receivable financing facility	
Amerisource Business Capital	Non-bank	**$1.5 Million**	Transportation services which serves the construction industry, Texas	Construction	Senior credit facility	
Amerisource Business Capital	Non-bank	**$12 Million**	Provider of well integrity solutions to the oil & gas industry, Texas	Oil & Gas	Senior credit facility	
Atalaya Capital Management and Credit Suisse	Non-bank and bank	**$200 Million**	LendingUSA	Point-of-sale financing	Senior credit facility - Sector Financial Inc., an affiliate of Credit Suisse, provided access to the credit facility.	
ATB Financial	Non-bank	**$35 Million**	Hemisphere Energy Corporation, a Canadian oil company focused on sustainable growth of its high netback	Oil	Credit facility	
Bank of America	Bank	**$25.0 Million**	Lakeland Industries, Inc. a leading global manufacturer of protective clothing for industry, healthcare and to first responders on the federal, state and local levels	Apparel	Amended credit facility	
Bank of America [Agent], Credit Suisse, Citizens Bank, Fifth Third Bank, Security Benefit Life and Mitsubishi UFJ Financial Group [Lenders]	Bank	**$1 Billion**	Stonebriar Commercial Finance, a leading large-ticket independent diversified commercial finance and leasing company	Commercial finance	Revolving warehouse credit facility	

Lender/Participant	Lender Type	Amount	Borrower	Industry	Structure	Service Provider (Type)
Berkshire Bank	Bank	**$7 Million**	Micron Solutions, Inc., a diversified contract manufacturing organization, through its wholly-owned subsidiary, Micron Products, Inc., a producer of highly-engineered, innovative components requiring precision machining and injection molding	Injection molding	Loan and security agreement consisting of a $5 million revolving line of credit of up to $5 million and a capital expenditures line of credit of $2 million	
Big Shoulders Capital	Non-bank	**$800,000**	Beal Manufacturing, Gastonia, NC			
BofA Securities and Goldman Sachs	Bank	**$5.25 Billion**	For Platinum Equity's acquisition of Solenis, a leading global producer of specialty chemicals used in water-intensive industries, from Clayton, Dubilier & Rice and BASF			The Valence Group of Piper Sandler is serving as exclusive financial advisor to Platinum Equity on the acquisition of Solenis. Gibson Dunn & Crutcher LLP is providing legal counsel and Willkie Farr & Gallagher LLP is providing debt financing counsel to Platinum Equity.
BofA Securities, Inc.; Wells Fargo Securities, LLC; JPMorgan Chase Bank, N.A.; U.S. Bank National Association and TD Securities (USA) LLC. Bank of America, N.A. [Administrative Agent] Wells Fargo Bank, National Association, JPMorgan Chase Bank, N.A., U.S. Bank National Association, and TD Bank, N.A. [Co-syndication Agents] MUFG Bank, Ltd. [Documentation Agent]	Bank	**$750 Million**	Sonoco, one of the largest global diversified packaging companies	Packaging	Five-year revolving credit facility	

Lender/Participant	Lender Type	Amount	Borrower	Industry	Structure	Service Provider (Type)
Barclays Bank PLC [Administrative Agent and Collateral Agent] Barclays Bank PLC, JPMorgan Chase Bank, N.A., Goldman Sachs Bank USA, BofA Securities Inc., UBS Securities LLC and Deutsche Bank Securities Inc. [Joint Lead Arrangers and Joint Bookrunners]	Bank	**$535 Million**	Signify Health, Inc., a leading healthcare platform that leverages advanced analytics, technology and nationwide healthcare networks	Technology	Comprised of a $350 million senior secured first lien term loan due in June 2028 and a $185 million senior secured revolving credit facility due in June 2026	
Bridge Bank	Bank	**$20 Million**	Fennec Pharmaceuticals Inc., a specialty pharmaceutical company focused on the development of PEDMARKTM (a unique formulation of sodium thiosulfate)	Pharmaceutical	Amendment to its existing senior debt facility, providing Fennec with a $20 million debt facility comprised of three term loans. Term Loan A consists of $5.0 million to be funded upon closing. Term Loan B consists of $7.5 million to be funded upon New Drug Application (NDA) approval of PEDMARKTM in the U.S. Term Loan C consists of $7.5 million to be funded upon the occurrence of a revenue event in 2022.	
Bridge Bank	Bank	**$2.5 Million**	NORCAL Ambulance, a specialty-care transport company administratively based in Livermore, CA, with stations throughout Northern California	Transportation	Credit facility	
Bridge Bank	Bank	**$5 Million**	One Medical Passport (1MP), a provider of software that helps ambulatory surgery centers and hospitals streamline their systems	Software	Monthly recurring revenue (MRR) line of credit	
Cambridge Savings Bank	Bank	**N/A**	Purity Services, Inc., a full-service healthcare linen rental and commercial laundering company based in New Bedford, MA	Healthcare	Credit facility addition	

Lender/Participant	Lender Type	Amount	Borrower	Industry	Structure	Service Provider (Type)
Capital One, National Association, [Sole lead arranger, sole bookrunner and administrative agent] and HSBC Bank Canada, National Bank of Canada and Royal Bank of Canada, [Co-syndication agents]	Bank	**N/A**	VerticalScope Holdings Inc., a technology company that has built and operates a cloud-based digital platform for online enthusiast communities in high-consumer spending categories, Toronto, Ontario	Technology	Amended and restated senior secured credit facility	Kirkland & Ellis LLP acted as legal counsel to VerticalScope and King & Spalding LLP acted as legal counsel to Capital One, National Association.
Celtic Capital Corporation	Non-bank	**$1.325 Million**	Cutter/packer of meat products for restaurants and food service companies, Washington	Food service	Consisting of a $1 million accounts receivable line of credit, a $150,000 inventory line of credit and a $175,000 term loan to pay	
CIBC	Bank	**N/A**	Loop Capital, a financial services firm providing investment banking, brokerage, asset management and wealth management services to corporations, municipalities, hospitals, universities, institutional investors and high net worth individuals, Chicago, IL	Financial services		
CIT Group Inc.	Bank	**$42 Million**	Dynamic Bulk Holdings, a leading dry bulk shipping operator	Shipping	Financing	
CIT Group Inc.	Bank	**$68.4 Million**	For the acquisition of Crane Solar, a 150-megawatt solar farm located in Crane County, TX, and an adjacent 25-megawatt battery development	Solar	Financing	
CIT Group Inc.	Bank	**$14.3 Million**	Depot Properties LLC, the owner and operator of a large truck servicing terminal in Laredo, TX	Technology	Financing	
CIT Group Inc.	Bank	**$100 Million**	Cornerstone Healthcare Group, a diversified healthcare company that manages a network of specialty hospitals, senior living communities, behavioral health facilities, and home health and hospice operations, Dallas, TX	Healthcare	Financing	
Commercial Finance Partners	Non-bank	**$5 Million**	Acquisition of a technology staffing firm	Technology	AR factoring line	
Commercial Finance Partners	Non-bank	**$1.85 Million**	Acquisition of a c-store and deli	Convenience store	SBA 7a loan	

Lender/Participant	Lender Type	Amount	Borrower	Industry	Structure	Service Provider (Type)
Commercial Finance Partners	Non-bank	"	$300,000 "	Acquisition of new trucks for an existing factoring client	Trucking	Equipment financing
Commercial Finance Partners	Non-bank	**$1.1 Million**	Importer of garbage cans and accessories	Industrial	Supply chain financing facility	
Commercial Finance Partners	Non-bank	**$2.5 Million**	Chain of restaurants in Louisiana	Restaurant	SBA 7a loan for debt refinancing	
Commercial Finance Partners	Non-bank	**$2.098 Million**	Acquisition of a bar and grill	Restaurant	SBA 7a loan	
Commercial Finance Partners	Non-bank	**$1 Million**	Healthcare staffing company	Staffing	AR factoring line	
Comerica Bank	Bank	**$10 Million**	Alida (formerly Vision Critical), creator of the world's first CXM & Insights Platform	Technology	Debt facility	
Comvest Credit Partners	Non-bank	**$190 Million**	Uniguest, a leading provider of highly-secure Content Management Software and Managed Services (CMS) used to support the acquisition of the Company by Atlantic Street Capital	Software	Senior secured credit facility	
Comvest Credit Partners	Non-bank	**$50 Million**	Above Lending, Inc., a consumer lending company	Lending	Senior secured credit facility	
Crestmark, the Commercial Finance Division of MetaBank®, N.A.,	Bank	**$150,000**	Refrigerated trucking company, Texas	Trucking	Accounts receivable facility	
Crestmark, the Commercial Finance Division of MetaBank®, N.A.,	Bank	**$250,000**	Refrigerated trucking company, California	Trucking	Accounts receivable facility	
Crestmark, the Commercial Finance Division of MetaBank®, N.A.,	Bank	**$100,000**	Trucking company, Indiana	Trucking	Accounts receivable facility	
Crestmark, the Commercial Finance Division of MetaBank®, N.A.,	Bank	**$500,000**	Transportation company, Texas	Transportation	Accounts receivable facility	
Crestmark, the Commercial Finance Division of MetaBank®, N.A.,	Bank	**$150,000**	Freight-all-kinds trucking company, North Carolina	Trucking	Accounts receivable facility	
Crestmark, the Commercial Finance Division of MetaBank®, N.A.,	Bank	**$6 Million**	Wholesale meat processor and distributor, California	Meat processing	Asset-based loan facility	
Crestmark, the Commercial Finance Division of MetaBank®, N.A.,	Bank	**$20 Million**	Cell phone manufacturing company, Florida	Manufacturing: Cell phones	Asset-based loan facility	
Crestmark, the Commercial Finance Division of MetaBank®, N.A.,	Bank	**$5.4 Million**	Medical device manufacturer, South Dakota	Manufacturing: Medical devices	Asset-based loan facility	

Lender/Participant	Lender Type	Amount	Borrower	Industry	Structure	Service Provider (Type)
Crestmark, the Commercial Finance Division of MetaBank®, N.A	Bank	**$2 Million**	Freight-all-kinds trucking company, Kentucky	Trucking	Accounts receivable facility	
Crestmark, the Commercial Finance Division of MetaBank®, N.A	Bank	**$1.5 Million**	Refrigerated trucking company, California	Trucking	Accounts receivable facility	
Crestmark, the Commercial Finance Division of MetaBank®, N.A	Bank	**$1 Million**	Tools supply company, Texas	Tools	Accounts receivable facility	
Crestmark, the Commercial Finance Division of MetaBank®, N.A	Bank	**$750,000**	Refrigerated transportation company, Arkansas	Transportation	Accounts receivable facility	
Crestmark, the Commercial Finance Division of MetaBank®, N.A	Bank	**$8 Million**	Consumer and industrial goods manufacturer, Pennsylvania	Consumer goods	Ledgered line of credit	
Crestmark, the Commercial Finance Division of MetaBank®, N.A	Bank	**$2 Million**	Advanced technology manufacturer, California	Manufacturing	Ledgered line of credit	
Crestmark - Vendor Finance division	Bank	**N/A**	Medical company, Southern U.S.	Medical	Vendor financing	
Energy Impact Partners (EIP)	Non-bank	**$15 Million**	EVmo, Inc., a leading provider of vehicles to the rideshare, carshare and delivery gig economy industry	Rideshare	Debt financing	
Entrepreneur Growth Capital, LLC	Non-bank	**$5 Million**	Electronics manufacturer and distributor, New York	Electronics	Asset-based line of credit	
Entrepreneur Growth Capital, LLC	Non-bank	**$10 Million**	TILT Holdings Inc., a global provider of cannabis business solutions that include inhalation technologies, cultivation, manufacturing, processing, brand development and retail.	Cannabis	Asset-based revolving credit facility	
Espresso Capital	Non-bank	**$12 Million**	WorthPoint Corporation, which manages the largest online resource for researching, valuing and preserving antiques, art and collectibles, Atlanta, GA	Technology	Credit facility	
Fifth Third Bank	Bank	**N/A**	Hyde Park Ventures ("Hyde Park"), a private management company for the acquisition of seven Five Guys franchises and a new development territory across northern Colorado	Food	Debt financing	
First Business Bank's Asset-Based Lending Group	Bank	**$13 Million**	Plastic injection products manufacturer, Wisconsin	Manufacturing	Revolving line of credit facility and real estate term loan	

Lender/Participant	Lender Type	Amount	Borrower	Industry	Structure	Service Provider (Type)
Flatbay Capital LLC	Non-bank	**$3.3 Million**	Full-service metal distribution center, Houston, TX	Metal	CRE loan	
Franklin Capital	Non-bank	**$750,000**	Chilled packaging company referred by a bank	Packaging	Factoring facility	
Gateway Trade Funding	Non-bank	**N/A**	Outdoor clothing company	Apparel	Purchase order facility	
GemCap	Non-bank	**$7.5 Million**	FlexPath Capital, a leader within the auto finance industry	Auto finance	Leverage facility	
Gerber Finance	Non-bank	**$6 Million**	Puracy, a plant-based personal care and cleaning products company	Natural products	Line of credit	
Gordon Brothers	Non-bank	**N/A**	Malouf Companies™, spanning 18 years, six states and multiple industries. Notable companies in the Malouf™ family include home furnishings innovators Malouf™ Home, Lucid™, Linenspa™, and Dr. Oz Good Life™; Utah retail company Downeast, Logan, UT	Consumer products	N/A	
Hedaya Capital	Non-bank	**$3.6 Million**	12,500 Metric Tons (MT) of white refined cane sugar, produced and exported from Brazil. The transaction was arranged by an India-based trading and logistics company and was introduced to Hedaya Capital by a financial consultant.	Sugar	Letter of credit	
Horizon Technology Finance Corporation and Horizon Technology Finance Management LLC	Non-bank	**$10 Million**	The RepTrak Company™ is the world leading reputation data and insights company	Data	Venture loan	Cafferty & Company served as independent advisor to RepTrak on the transaction.
Horizon Technology Finance Corporation	Non-bank	**$8 Million**	LiquiGlide, the inventor of a revolutionary technology that eliminates the friction between liquids and solids to allow liquids to flow with ease.	Technology	Venture loan facility	
InterNex Capital	Non-bank	**$8 Million**	Health sciences company, Pennsylvania	Health sciences	$5.5 million line of credit and a $2.5 million term loan with potential upsize capacity up to $5 million.	

Lender/Participant	Lender Type	Amount	Borrower	Industry	Structure	Service Provider (Type)
Iron Horse Credit, LLC and Sallyport Commercial Finance	Non-bank	**$8 Million**	IBC Advanced Alloys Corp., a leading beryllium and copper advanced alloys company serving a variety of industries such as defense, aerospace, automotive, telecommunications, precision manufacturing, and others	Metals	Iron Horse Credit, LLC will provide the subsidiaries with a secured revolving credit facility of up to $4 million. Pursuant to the ASPA, Sallyport Commercial Finance will provide the subsidiaries with up to $4,000,000 million.	
J D Factors	Non-bank	**$150,000**	Transportation company, Alberta	Transportation	Factoring facility	
J D Factors	Non-bank	**$75,000**	Transportation company in Ontario	Transportation	Factoring facility	
J D Factors	Non-bank	**$400,000**	Transportation company in Illinois	Transportation	Factoring facility	
J D Factors	Non-bank	**$200,000**	Transportation company, New Hampshire	Transportation	Factoring facility	
J D Factors	Non-bank	**$200,000**	Brewery and distribution company, Quebec	Brewery and distribution	Factoring facility	
J D Factors	Non-bank	**$150,000**	Transportation company, Texas	Transportation	Factoring facility	
J D Factors	Non-bank	**$100,000**	Transportation company, Alberta	Transportation	Factoring facility	
J D Factors	Non-bank	**$400,000**	Transportation company, Ontario	Transportation	Factoring facility	
J D Factors	Non-bank	**$75,000**	Transportation company, Missouri	Transportation	Factoring facility	
J D Factors	Non-bank	**$300,000**	Transportation company, Tennessee	Transportation	Factoring facility	
J D Factors	Non-bank	**$75,000**	Pavement marking service company, Quebec	Pavement marking service	Factoring facility	
J.P. Morgan	Non-bank	**$45 Million**	GoodData, the leader in Data as a Service (DaaS) analytics infrastructure	Data	Credit facility	
JPMorgan Chase Bank, N.A.	Bank	**$5 Million**	Charles & Colvard, Ltd., a globally recognized fine jewelry company specializing in lab-created moissanite and lab-grown diamonds	Jewelry	Credit facility	
JPMorgan Chase Bank, N.A., Morgan Stanley Senior Funding, Inc., Bank of America, N.A., and Barclays Bank PLC [Joint Lead Arrangers and Joint Bookrunners]	Bank	**$425 Million**	Tenable®, Inc., a cybersecurity company, Columbia, MD	Cybersecurity	$375 million senior secured term loan facility and $50.0 million senior secured revolving credit facility and, together with the term loan	

Lender/Participant	Lender Type	Amount	Borrower	Industry	Structure	Service Provider (Type)
J.P. Morgan Chase Bank, N.A., with U.S. Bank National Association, Regions Bank, Bank of America, N.A and Zions Bank	Bank	**$225 Million**	Clarus Corporation, a leading developer, manufacturer and distributor of best-in class outdoor equipment and lifestyle products focused on the climb, ski, mountain, and sport markets, Salt Lake City, UT	Manufacturing: Outdoor equipment	Amended and upsized its existing senior credit facility consisting of an increased revolving credit facility of $100 million and an increased $125 million term loan. The facility also includes an uncommitted accordion feature of $50 million, for a total borrowing capacity of up to $275 million.	
JPMorgan Chase Bank, N.A., Silicon Valley Bank and Wells Fargo Securities, LLC [Joint Bookrunners and Joint Lead Arrangers] JPMorgan Chase Bank, N.A. [Administrative Agent]	Bank	**$75 Million**	PLAYSTUDIOS, Inc., an award-winning developer of free-to-play casual mobile and social games that offer real-world rewards to loyal players	Technology	Five-year secured revolving credit facility	
King Trade Capital	Non-bank	**$5 Million**	Food products company	Food	$5 million import finance facility with an accordion feature to expand to $10 million	
LBC Credit Partners	Non-bank	**N/A**	To support the refinancing of Industrial Service Group (ISG), a leading network of service-oriented companies specializing in the repair, service, distribution and sale of critical-to-process rotating equipment and add-on acquisition of Georgia Western, LLC	Rotating equipment	Senior secured credit facility	
LSQ	Non-bank	**$1.5 Million**	Packaging and distribution business, California	Packaging	Factoring facility	
LSQ	Non-bank	**$4.75 Million**	Marketing agency, Pennsylvania	Packaging	Two facilities totaling $4.75 million	
Marathon Asset Management LP	Non-bank	**$155 Million**	Avenger Flight Group LLC, a leading independent provider of enterprise flight training solutions to aviation clients worldwide, Fort Lauderdale, FL	Aviation	Senior credit facility	

Lender/Participant	Lender Type	Amount	Borrower	Industry	Structure	Service Provider (Type)
MidCap Business Credit	Non-bank	**$6.5 Million**	Horizon Mud Company, a seller of chemicals and provider of engineering and project management services into the oil and gas industry, Midland, TX	Oil and gas	Asset-based revolving line of credit	
Mizzen Capital, LP	Non-bank	**$3.0 Million**	Budderfly, the fastest-growing firm in the North American Energy-Efficiency-as-a-Service market	Energy-Efficiency-as-a-Service	Term loan	
Monroe Capital LLC	Non-bank	**N/A**	To support the refinancing of Argano, Plano, TX, and support its recent acquisitions of SCMO2 and Arbela Technologies and future growth opportunities. Argano is an existing portfolio company of Trinity Hunt Partners	Technology	Senior credit facility	
National Bank of Canada	Bank	**$25 Million**	Think Research Corporation, a company focused on transforming healthcare through digital health software solutions	Software	Amended credit agreement, consisting of a $15 million revolving credit facility and a $10 million revolving acquisition facility	
Oxford Finance LLC	Non-bank	**$27.5 Million**	Cascades Healthcare, an owner and operator of long-term care facilities	Healthcare	Senior credit facility	
Oxford Finance LLC	Non-bank	**N/A**	Paradigm Health, a leading provider of hospice and palliative care in the state of Indiana	Healthcare	Senior credit facility and revolving line of credit	
Oxford Finance LLC and Silicon Valley Bank	Non-bank	**$50 Million**	Impel NeuroPharma, Inc., a late-stage pharmaceutical company focused on utilizing its proprietary technology to develop and commercialize transformative therapies for people suffering from diseases with high unmet needs	Pharmaceutical	Debt facility	Cowen acted as the Company's sole financial adviser in connection with the debt facility.
Penfund	Non-bank	**$95 Million**	Gastro Health, one of the leading gastroenterology platforms in the United States supporting practices in Alabama, Florida, Maryland, Ohio, Virginia, and Washington, headquartered in Miami, FL	Healthcare	Consisting of a $85 million second lien credit facility and $10 million in equity	
PNC Bank	Bank	**$85 Million**	American Oncology Network, LLC (AON), a high-growth medical oncology provider with a focus on supporting the long-term viability of oncology treatment in community-based settings	Healthcare	Financing	

DEPARTMENT
INDUSTRY DEALS

Lender/Participant	Lender Type	Amount	Borrower	Industry	Structure	Service Provider (Type)
PNC Bank, N.A. and an affiliate of MSD Partners, L.P.	Bank and non-bank	**$175 Million**	Babcock & Wilcox Enterprises, a global leader in energy and environmental technologies and services for the power and industrial markets, Akron, OH	Energy and technology	Up to $50 million asset-based revolving credit facility and availability for up to $125 million of letters of credit	Evercore served as the exclusive financial advisor to B&W.
Rosenthal & Rosenthal, Inc.	Non-bank	**$30 Million**	To support the production financing requirements of an importer and distributor of solar panels, California	Solar	Inventory purchase commitment	
Runway Growth Capital LLC	Non-bank	**$35 Million**	SetPoint Medical, a privately-held clinical-stage bioelectronic medicine company developing therapies for chronic autoimmune diseases, Valencia, CA	Healthcare	Senior secured term loan	
Runway Growth Capital LLC	Non-bank	**$15 Million**	CrossRoads Extremity Systems, a leading innovator in the foot and ankle orthopedic industry, Memphis, TN	Healthcare	Senior secured term loan	
Sallyport	Non-bank	**$5.0 Million**	Company in the construction business	Construction	Financing	
Sallyport	Non-bank	**$1.5 Million**	Longstanding contact that needed funds to pay an overseas supplier for a large order, in full, prior to goods being shipped	N/A	Accounts receivable finance	
Second Avenue Capital Partners, LLC	Non-bank	**$10 Million**	Motherhood Maternity and A Pea in the Pod within the Marquee Brands portfolio	Apparel	Senior secured credit facility	
Second Avenue Capital Partners, LLC	Non-bank	**$6.5 Million**	Solstice Sunglasses, the second-largest sunglass retailer in the United States	Retail	Exit financing facility	
SG Credit	Non-bank	**$5.5 Million**	Entrepreneur-owned specialty delivery service catering primarily to the medical industry	Medical	Senior secured cash flow term loan	
SG Credit	Non-bank	**$5 Million**	Family-office-backed provider of mental and behavioral health services catering to Medicaid patients	Healthcare	Senior secured cash flow term loan	
Siena Lending Group LLC	Non-bank	**$80 Million**	iMedia Brands, Inc., a leading interactive media company that owns a growing portfolio of lifestyle television networks, consumer brands, online marketplaces and media commerce services that together position the Company as a leading single-source partner to television advertisers and consumer brands seeking to entertain and transact with customers using interactive video.	Media	Credit facility	

Lender/Participant	Lender Type	Amount	Borrower	Industry	Structure
Wells Fargo Capital Finance	Non-bank	**$400 Million**	Siena Lending Group LLC, a leading independent asset-based lending company	Lender finance	Senior credit facility increase
Silicon Valley Bank	Non-bank	**$130 Million**	Soltage LLC, a leading independent renewable power producer	Renewable energy	Debt facility
Sterling National Bank	Bank	**N/A**	CTL Medical Corporation, a medical device company that designs, develops, and manufactures spinal implants and instruments, Addison, TX	Medical	Recourse factoring facility
Synovus Bank Specialty Finance and Hudson Cove Capital Management	Bank and non-bank	**$84 Million**	Idea Financial, a provider of small business solutions, providing a unique line of credit as well as term loans to small businesses	Lender finance	Warehouse facility
TAB Bank	Bank	**$9 Million**	Chemical manufacturer, Texas	Manufacturing	Asset-based credit facility, comprised of a $6 million accounts receivable and inventory line plus a $2 million equipment loan
TD Securities (USA) LLC, Goldman Sachs Bank USA, Deutsche Bank AG, New York Branch, Wells Fargo Securities, LLC, Citizens Bank, N.A., and Nomura Securities International, Inc. [Joint Bookrunners and Joint Lead Arrangers]	Bank	**$1.25 Billion**	Aligned, a leading data center provider offering innovative, sustainable and adaptable colocation and build-to-scale solutions for cloud, enterprise, and managed service providers	Data	Increased in its senior secured credit facility
ThermoCredit LLC	Non-bank	**$250,000**	ASC Partners, a privately held holding company for a variety of assets	Finance	Line of credit
TradeCap Partners	Non-bank	**$7 Million**	Beauty and wellness company, Florida	Beauty	Purchase order finance facility
Truist	Bank	**$63.2 Million**	HireQuest, Inc., a national franchisor of on-demand, temporary, and commercial staffing services	Staffing	Credit facility comprised of a $60.0 million revolving credit facility and a $3.2 million term loan
U.S. Bank National Association	Bank	**$3 Million**	Sonic Foundry, Inc., the trusted leader for video creation, management solutions as well as virtual and hybrid event	Video management and streaming	Secured revolving credit facility

Lender/Participant	Lender Type	Amount	Borrower	Industry	Structure	Service Provider (Type)
VION Investments	Non-bank	**N/A**	GemCap, a provider of senior-secured, commercial asset-based loans and accounts receivable factoring facilities to low and middle-market businesses within the United States and Canada, San Antonio, TX	Finance	Investment capital	
Varagon Capital Partners	Non-bank	**N/A**	To support the acquisition of Zavation Medical Products, Flowood, MS, by Gemspring Capital,	Medical	Senior secured credit facility	
Varagon Capital Partners	Non-bank	**N/A**	To support Knox Lane's investment in Any Hour Services, a market-leading home services company providing thousands of residential customers in the broader Salt Lake City region	HVAC	Senior secured credit facility	
Wells Fargo Securities, MUFG Securities Americas, BMO Capital Markets, and Citizens Bank [Joint lead arrangers and bookrunners]	Bank	**$350 Million**	MaxLinear, Inc., a leading provider of radio frequency (RF), analog, digital, and mixed-signal integrated circuits, Carlsbad, CA	Semiconductor	$350 million seven-year senior secured term B loan facility, and a $100 million five-year senior secured revolving credit facility	
Wells Fargo Commercial Distribution Finance [Agent], M&T Bank, Bank of the West and Truist Bank [Lending Partners]	Bank	**$500 Million**	MarineMax, Inc., the nation's largest recreational boat and yacht retailer	Boating	Enhanced credit facility	
White Oak Commercial Finance, LLC	Non-bank	**$7.5 Million**	Manufacturer and exporter of sustainable, premium apparel products to the United States	Apparel	Accounts receivable facility	
White Oak Commercial Finance, LLC	Non-bank					
White Oak Healthcare Finance, LLC	Non-bank	**$75 Million**	To support Advanced Recovery Systems, LLC, a Goldman Sachs Asset Management portfolio company, and provider of inpatient and outpatient treatment services for patients with addiction, substance abuse and behavioral health disorders	Behavioral health care management	Senior credit facility	
Wingspire Capital LLC	Non-bank	**$50 Million**	SG Credit Partners, Inc., a family office-backed lender providing situational capital to lower middle-market businesses and entrepreneurs requiring tailored solutions and certainty to close	Lender finance	Senior secured revolving line of credit	

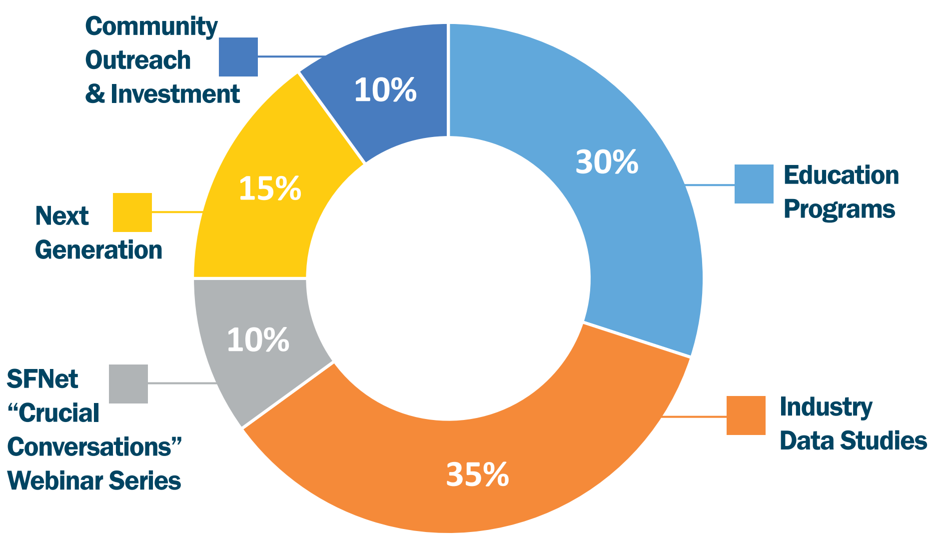
The Secured Finance Foundation's Campaign 2021 Is Underway

This year's goal is $350,000 – your support can get us there.

Networking,
Industry data,
Education,
NextGen,
Community
and Webinars/
Roundtables

When faced with unprecedented challenges, SFFound is there to help
A strong network is more important than ever in times of uncertainty. That's why the Secured Finance Foundation helps unite our industry for crucial conversations, delivers actionable data to inform smart business decisions and prepares individuals for what comes next with our Education Focus 20/20 initiative. But none of this is possible without your support.

Where does your money go?



For more information or to make a donation, please visit SFFound.org

FEATURE
STORY

Ready, Set, Disclose? ESG Lending and The Middle Market

BY JEFFREY DUNLOP, CHRIS SWARTOUT AND SALMA TALEB

The European Union's recent passage of its Sustainability Financial Disclosure Regulation marks yet another milestone in the progression of environmental, social and governance matters. This article will review this regulation and related ESG disclosure requirements, together with other notable ESG developments, and discuss their impact on middle-market lenders.

JEFFREY DUNLOP
Goldberg Kohn Ltd.

CHRIS SWARTOUT
Goldberg Kohn Ltd.

SALMA TALEB
Mayer Brown LLP

On March 10, 2021, the "Level 1" disclosure requirements under Regulation (EU) 2019/2088 of the European Parliament and of the Council of November 27, 2019 on sustainability-related disclosures in the financial services sector (the "Sustainability Financial Disclosure Regulation" or "SFDR") became effective. As a result, certain participants in the financial markets of the European Union ("EU") are now required to make mandatory disclosures in respect of environment, social and governance ("ESG") matters. These regulations, which generally require disclosure to end investors on the integration of sustainability risks, consideration of adverse sustainability impact and the promotion of ESG and other sustainability considerations in the decision-making process, reflect the latest milestone in the progression of ESG's impact on financial institutions and investors. In this article, we will review the SFDR disclosure requirements as well as certain other related U.S. and non-U.S. regulatory requirements and similar developments, and explore the impact of these matters on middle-market lenders in the U.S.

What is ESG?

First, a brief primer on ESG. In general, ESG refers to certain non-financial factors increasingly used to evaluate activities of companies and risks faced by investors in those companies as they relate to environmental, social and governance matters. Environmental factors relate to the conservation of the natural world, both as a company uses its own space or production facilities (such as energy efficiency and waste management), and its environmental footprint (such as greenhouse gas emission). Social factors relate to a company's approach to matters such as diversity, gender equality, human rights, data privacy and labor standards. Governance factors relate to a company's board composition, audit and legal compliance (such as anti-bribery and anti-corruption policies, whistleblower protections, political contribution policies and intercompany information exchange). A number of ESG frameworks and principles have been established in attempts to assess and address these factors. For example, the *Equator Principles*, originally formulated in 2003, set forth a voluntary risk-management framework now adopted by 116 financial institutions in 37 countries for determining, assessing and managing environmental and social risk in projects. Another example is the GRI *Standard for Sustainability*, which originally launched in 2000 and seeks to create a global common language for reporting on sustainability standards. However, use of these frameworks and principles by companies and investors to drive ESG investment, in practice, is a relatively recent development.

According to *Bloomberg Intelligence*, the value of ESG-related financial assets globally may reach as high as $53 trillion by 2025 and represent more than a third of total projected assets under management. This reflects an increase from approximately $15.0 trillion in 2014 and $22.8 trillion in 2016.[1] In the lending world, issuances of "green bonds" (requiring that proceeds are utilized for "green" or other sustainability purposes) and "sustainability-linked bonds" (which allow for a general use of proceeds, but tie other economic aspects of the issuance to ESG factors) have risen dramatically in recent years. Global green bond issuance was approximately $269.5 billion in 2020 and a report by the Climate Bonds Initiative predicts that number may climb to $450 billion for 2021. Sustainability-linked bonds are a more recent extension and are, likewise, predicted to increase. As one example, in September 2020, Novartis AG issued €1.85 billion of sustainability-linked bonds. In that issuance, Novartis AG set targets for increasing patient access to certain pharmaceutical treatments around the world, the results of which may have a 25-basis-point effect on the coupon rate of the bond. Private credit markets have followed a similar pattern in terms of tying economic benefits to sustainability and other ESG metrics. Global property managers such as KIMCO Realty Corporation, VENTAS Realty, LP and Alexandria Real Estate Equities, Inc., among others, have all recently entered into billion-dollar credit facilities, whereby pricing adjustments ranging from 1.0 to 6.5 basis points are driven by energy efficiency ratings (e.g. LEED) and other similar environmental sustainability metrics. These are just a few examples. A detailed review of these facilities is beyond the scope of this article, but a pattern of increased focus on opportunities for ESG investment in the credit markets is clearly emerging. It should come as no surprise, then, that regulatory bodies are engaging more on ESG matters as well.

[1] ESG assets may hit $53 trillion by 2025, a third of global AUM, Bloomberg Professional Services (Feb. 23, 2021), https://www.bloomberg.com/professional/blog/esg-assets-may-hit-53-trillion-by-2025-a-third-of-global-aum/.

The SFDR and Other ESG Regulatory Developments

The EU is the largest market in the world in terms of sustainable investment value. Accordingly, it is through this lens that the SFDR was enacted to "increase transparency of sustainability-related disclosures and to increase comparability of disclosures for end investors."[2] The SFDR is comprised of two levels of mandatory disclosure. Level 1, which covers the disclosure requirements effective as of March 10, 2021, initially followed a "comply or explain" basis. This means that covered, or in-scope, financial advisors and asset managers must either make the necessary disclosures or explain why sustainability risks are not relevant and, as a result, why such disclosures are not required. Effective as of June 30, 2021, the "explain" option was no longer available to entities with more than 500 employees. Moreover, in-scope entities are likely to have considered reputational pressures and potential uncertainty as to how an "explain" option may be perceived from an investment risk management perspective. The likely result is that most in-scope entities probably sought to "comply" with the Level 1 disclosure schedules voluntarily at the outset. In-scope entities under the SDFR are broadly defined to capture a wide range of financial market participants and financial products, including credit unions, investment firms, insurance intermediaries, asset managers and financial advisors; the SDFR is applicable to all firms outside of the EU that market funds in the EU.

Generally speaking, Level 1 requires in-scope entities to (a) disclose, via publication on their website, approaches to the integration of sustainability risks and consideration of adverse sustainability impact in their decision-making processes and (b) include, in pre-contractual disclosures, descriptions of how sustainability risks are integrated into their investment decisions or advice, together with the results of internal assessment of likely impact of sustainability risks on returns of any relevant financial products. More specifically, Level 1 disclosures require demonstration of adequate due diligence prior to making any investment with discussion of relevant policies and how they integrate applicable risks into such policies. The SFDR specifically highlights the need to review the potential adverse impact of investment decision, and the return of an investment, on sustainability factors in relation to climate and other environment-related impact and social and employee factors including human rights, anti-corruption, and anti-bribery matters. Such disclosure reporting is based on the "principle of proportionality" such that the review is required to take into account the nature and scale of activities relative to the types of financial products or investment made available. In addition, with respect to financial products with a specific sustainability focus, Level 1 requires pre-contractual disclosures of how such products promote environmental or social characteristics, or have a sustainable investment as their objective. Level 2 disclosures, which are projected to become effective in January 2022, will require the above to be disclosed periodically (as opposed to only on a pre-contractual basis under Level 1) and be subject to further detail in final guidelines and regulatory technical standards that were published in final draft form on February 2, 2021 and remain subject to EU endorsement following final review.

While the direct impact of the SDFR and disclosure requirements on in-scope entities is clear, the indirect impact may be no less impactful. Many investors, whether formally subject to the SDFR or otherwise, may require information from companies necessary to assess ESG and sustainability risk in anticipation of potential coverage by the SDFR, or such investors may just view ESG information gathering and analysis as a prudent extension of general underwriting and due diligence in light of the rapid increase of investment in this area. Though the SDFR is the first comprehensive regulatory framework to address ESG disclosure requirements, the EU is by no means the only regulatory body interested in this field.

Japan implemented a significant development in the world of ESG when, in 2015, its nationalized Government Pension Investment Fund ("GPIF") signed the United Nations' Principles for Responsible Investment and issued its own investment principles incorporating a number of sustainability factors. As a result, GPIF, which is the largest pension fund in the world with over $1.5 trillion of assets under management, grew its ESG investment in Japan by over 300% from 2015 to 2018.[3] The 2015 initiative by GPIF followed the Japanese market's adoption of the Stewardship Code as a principles-based approach to investing in 2013. The Stewardship Code, as revised in 2020, seeks to promote sustainable growth and returns through shareholder engagement and, among other principles, instructs institutional investors in the Japanese markets to consider medium and long-term sustainability factors in investment strategies and disclose, in their stewardship policies, how sustainability issues are utilized in decision-making. So, unlike the SDFR's mandatory disclosure requirements, Japan's Stewardship Code seeks similar ESG investment engagement through a core set of principles. As another example of Japan's leadership on ESG matters, it implemented the "womenomics" initiative in 2013 that aims to make the workplace more fair for women through focusing on increasing women in the workforce and female board representation.

Financial regulators in the U.S. show signs of moving in a similar direction. Following the U.S. rejoining the Paris Agreement on Climate Change in February 2021, which has been a major force behind all ESG-related regulations worldwide, the U.S. Securities and Exchange Commission ("SEC") announced the creation of a new Climate and ESG Task force in March of 2021. This task force's initial focus will be to identify any material gaps or misstatements in issuers' disclosure of climate risks under existing rules. In addition, the task force will analyze disclosure and compliance issues relating to investment advisers' and funds' ESG strategies. It is not difficult to forecast that these SEC efforts and initiatives may be the underpinnings for future U.S. regulatory changes in ESG and related disclosure requirements similar to those required under the SDFR.

Impact on Lenders in the Middle Market

There is no doubt that ESG frameworks, initiatives and related disclosures will continue to influence the credit and other investment markets. But, more specifically, how are ESG matters likely to impact middle-market lenders in the U.S.? Many U.S. lenders who transact in the middle market are already subject to the SFDR disclosure requirements, either directly or indirectly through affiliates and other

[2] Final Report on draft Regulatory Technical Standards, European Securities and Markets Authority (Feb. 2, 2021) https://www.esma.europa.eu/sites/default/files/library/jc_2021_03_joint_esas_final_report_on_rts_under_sfdr.pdf.

[3] Integration and Engagement Key to ESG Investing in Japan, Institutional Investor (Jan. 6, 2021) https://www.institutionalinvestor.com/article/b1q0dk9zksq2t1/Integration-and-Engagement-Key-to-ESG-Investing-in-Japan.

corporate relationships. Such lenders are already seeking information and analysis from their borrowers in order to comply with the SFDR requirements. Middle-market lenders not subject to the SFDR, or not likely to be subject to any similar SEC requirements, to the extent they develop in the future, are still likely to face direct and indirect ESG impact in a couple of ways.

In the near term, the most noticeable impact on middle-market lenders will be expanded ESG information gathering. Many lenders are now requiring ESG and related diligence as part of their initial underwriting. Those who have not yet started gathering this information should consider beginning the practice. What drives each lender to begin or expand such inquiries will vary by circumstance. It may be driven by disclosure requirements, investment directives, general due diligence, risk assessment or simply as a best practice to keep up with the market. But, in any event, the expansion will almost certainly continue. To that end, the Loan Syndications and Trading Association ("LSTA") published a model ESG diligence questionnaire in February 2020[4] that was updated in May of 2021. The questionnaire is designed to be completed by the borrower during initial due diligence and seeks to standardize the collection of ESG information by loan market participants. The LSTA model provides a good framework to outline the criteria and related information necessary for lenders to understand the ESG risks a company faces, and the way in which these risks are being addressed.

In the longer term, it is possible to envision the type of sustainability-linked credit transactions currently prevalent in the large bond and private credit markets, which align potential economic benefits with achievement of ESG and other sustainability metrics, trickling down to the middle market. However, this is likely some time off for a variety of reasons. The time and expense necessary to monitor compliance with these metrics, which will often include third-party audits or reviews, is significant. Many large, multinational companies are already monitoring these metrics and in many cases obtaining third-party ESG audits for other reasons, such as regulatory requirements or good corporate citizenry. For middle-market borrowers who are not already monitoring ESG metrics, the expense will make economic sense only if the interest adjustments or other cost-savings are sizeable enough to provide a meaningful incentive. To date, publicly available data suggests the market for these adjustments is typically in the range of a few basis points, though in some cases perhaps as much as 25 basis points. For a middle-market borrower with a $100 million credit facility (to say nothing of the borrower with a $10 million loan) the cost of investing in and monitoring a robust ESG-compliance program will likely still outweigh the potential savings from a sustainability-linked loan facility. But the focus on ESG initiatives is not only driven by economics. If governmental and regulatory requirements, shareholder and stakeholder interest and general societal pressure continue to emphasize ESG factors in investment decision-making, one can imagine middle-market sustainability-linked lending products on the horizon.

We conclude with one final data point: in July 2020 Refinitiv introduced a sustainable finance league table to track leading credit and other investment companies operating in ESG-related transactions. Lenders should expect their competitors to be taking ESG seriously. If nothing else, middle-market lenders should take efforts to understand ESG risks and initiatives relative to the borrowers they serve, and look for opportunities to differentiate themselves (among borrowers and fund investors) in this developing market.

Jeffrey Dunlop is a principal in the Commercial Finance Group of Goldberg Kohn Ltd. His practice focuses on the representation of banks and other commercial lenders in structuring, negotiating and documenting a variety of commercial finance transactions. His experience includes secured asset-based and cash-flow loans, leveraged buy-outs, mezzanine financings, second lien financings and unitranche loan transactions. In addition, Dunlop has extensive experience in cross-border lending transactions involving North and South America, Europe and Asia.

Chris Swartout is a principal in the Commercial Finance Group of Goldberg Kohn. His practice focuses on the representation of banks and non-bank financial institutions in structuring, negotiating, and documenting a broad range of commercial finance transactions, including acquisition and working capital financings, recapitalizations, refinancings and other complex financial transactions. His experience includes secured asset-based and cash-flow loan transactions, first-lien/second-lien, split-lien and unitranche structures, and mezzanine and hybrid lending products. He frequently represents lenders in international financings involving multiple jurisdictions and has dealt with borrowers in numerous industries, including manufacturing, technology, software, business services, healthcare and agriculture business.

Salma Taleb is an associate in the Chicago office of Mayer Brown LLP and a member of the Banking & Finance practice. She focuses her practice on receivables and supply chain financing. Prior to joining Mayer Brown LLP, Taleb worked as a commercial finance lawyer where she represented banks and financial institutions in asset-based and cash-flow finance transactions.

[4] ESG Diligence Questionnaire; LSTA (Feb. 3, 2020) https://www.lsta.org/content/esg-diligence-questionnaire.

FEATURE STORY

How Diverse Teams Make Successful Companies

BY NNEOMA MADUIKE

Nneoma Maduike of Otterbourg P.C. discusses the impact a diverse team can have on a company's performance.

F

NNEOMA MADUIKE
Otterbourg P.C.

or the past few decades, the concept of diversity, equity, and inclusion (DEI) has been merely a combination of hot buzzwords referring to filling organizations with people of varying backgrounds, including race, gender and experience. Diversity in a great number of companies was typically about making a statement, when the research has shown that, in actuality, a focus on diversity, equity and inclusion efforts via an investment beyond the resources to "meet quotas"- i.e., creating the right and inclusive conditions for people to perform at their best, can actually increase the performance of a company and make a company more successful. .

Today, DEI is easily the single most important ethical issue for businesses today. There are various reasons to adopt DEI policies. One reason is the boost that DEI gives to a company's bottom line through improved innovation, increased profits, and a boost in the problem-solving capabilities of the team members, including an increased trust and faith in the reputation of the company.

Having a more diverse team means more expansive access to a wider range of solutions, ideas and action plans, and from varying backgrounds and life experiences. A study published by Economic Geography collected data on 7,615 different firms based in the United Kingdom, and found overwhelming evidence that teams made up of a more diverse group were much more likely to develop new products than those who were less diverse. Another study published in 2018 by McKinsey & Co. reported similar findings. Of the 1,000 companies that participated in this study, findings showed that the companies that reported being in the top quartile for gender diversity also reported profits 21% higher than those who were not. This further bolsters the argument that an investment in cultural and ethnic diversity initiatives means a company will outperform its counterparts in profitability. Similarly, teams with a higher level of cultural and ethnic diversity reported a 33% increase in performance over those with a more homogenous team. A rise in a company's profits due to a more diverse workforce typically reflects a more balanced and objective team that is tackling potential challenges and addressing projected goals and company benchmarks from every angle. Diversity is therefore critical to being a company at the forefront of innovation. Innovation is a critical success factor for any business's ability to thrive and remain profitable. Innovation increases a company's competitive advantage, attractiveness to collaborators and a company's overall value to its clients and customers and allows it to remain relevant. A lack of diversity and a failure to prioritize inclusion can stifle innovation and promote "group think". Since information is generally processed and digested differently, each team member ends up considering problems and issues from different perspectives. Having a diverse team where each unique diversity is respected and valued means each member of your team will think differently, resulting in ideas that are drastically different and may be more innovative. People from different cultural and racial backgrounds will look at the world through different lens and ultimately bring more "creative" ideas that their other team members may not have considered.

Another angle with which to analyze the boost that DEI and a generally inclusive work environment could have on a company's bottom line is the improvement in employees', colleagues' and clients' trust in the company and the overall reputation of the company. There are many historical reasons why people from an underrepresented demographic feel more comfortable in a culturally inclusive work environment with colleagues of the same gender, age and cultural or ethnic background. A study conducted by PricewaterhouseCoopers showed that up to 80% of potential employees are more likely to work for a company that is culturally diverse. When a company's team is made up of people from all walks of life, the company becomes more appealing to a broader demographic and represents a more inclusive and safe environment for people of various genders, races and cultures. In today's world, employees want to work for businesses with integrity and businesses that prioritize their social responsibility. Not only will such a company be an attractive option for top talent and socially and ethically driven professionals, but the company's existing employees will feel more comfortable and at home in a place that caters to the needs of everyone, not just the typical select few.

As one can see, there are many reasons why having a diverse team at your company is not only a smart idea, but beneficial to a business as a whole. Whether it is creating new products or ideas, troubleshooting and problem-solving, or helping the company achieve financial goals, there really is no downside.

Nneoma Maduike is a partner in the Banking and Finance Department of Otterbourg P.C. and the co-chair of its Lender Finance practice and she regularly represents and advises institutional lenders and various other public and private companies on structuring, negotiation, and documentation of financing transactions.

Maduike has received various accolades in connection with her work, including recognition by Best Lawyers in America as one of the top 15 Women of Influence in America and as one of the Top 50 Women in Commercial Finance. She is an active member of several organizations, including the Coalition of Women's Initiatives in Law and the Diversity Equity and Inclusion Committee of the Secured Finance Network.

TSL
INTERVEW

Leading the Way Forward: Interview with David Marks, Head of Wells Fargo Commercial Capital

BY MICHELE OCEJO

David Marks leads Wells Fargo Commercial Capital. With a focus on speed, execution and the use of data-driven analytics, Commercial Capital provides specialized lending solutions to more than 400,000 customers globally through asset-based lending, equipment financing, floor planning, vendor financing, technology financing, supply chain financing, and other secured lending.

Commercial Capital also includes Renewable Energy & Environmental Finance, one of the leading tax equity investors in the U.S. renewable energy sector, and Strategic Capital, which supports clients and key vendors with junior capital and merchant banking activities.

DAVID MARKS
Wells Fargo
Commercial Capital

Marks has broad leadership experience across Wells Fargo, including executive roles in commercial and corporate banking, trade finance, and credit risk management. Since joining the company in 1987, he has led Corporate Banking, served as a senior credit officer for Corporate Banking, Government and Institutional Banking, and Wells Fargo's securities portfolios, and led the International Group.

Prior to joining Commercial Capital, Marks was the group risk officer for Wells Fargo's Consumer Lending and Payments, Virtual Solutions and Innovation businesses, and was a senior leader in Corporate Risk and Commercial Banking Credit Risk. As head of Commercial Capital, Marks is also a member of the Wells Fargo Management Committee and President of the Wells Fargo International Banking Corporation.

Within the organization, Marks is an active mentor, and strongly advocates for diversity, equity and inclusion (DE&I).

Within his community, he is involved in several charitable organizations and is passionate about supporting military veterans.

He earned his bachelor degree in history from Carleton College in Northfield, Minnesota.

In this interview, Marks discusses recent changes within Wells Fargo Commercial Capital to better serve clients, along with DE&I initiatives.

Client expectations are changing. What has been different as of late, and what do you think will be different in the future?

Clients have traditionally looked at our industry through the lens of a particular product because that is how the industry has presented itself and delivered solutions to clients. Customers believe, "I need an asset-based loan because I'm doing an acquisition," or, "I need an asset-based loan because I'm going through a particular period of growth or stress." The industry has gone to market to fulfill that specific need.

I think what we've learned is that clients have many different points of pressure, stress, and competing priorities through all business cycles and a narrow product focus doesn't help them accomplish all of their objectives. In the future, I think our clients will not simply expect to receive a product, even though they need that product, but they will be looking for an advocate in their financing partner.

And by "advocate", I don't mean a person who supports their transaction and takes it through the different processes. I think clients want an advocate that can integrate financing, technology and a forward-looking view around capital structure and flexibility. They're looking for their banker, as their advocate, to bring solutions, products and ideas together differently than the way they did before.

When we think about being client-centric, we've shifted our view outward and focused on making things easier and doing things faster for our clients by simplifying our business models to achieve these goals.

What are you doing within Commercial Capital to address the evolving client expectations?

We want our team to think differently, the same way our clients are thinking differently. This means giving our bankers the resources and tools they need to best advocate for their clients. And the most powerful tool we have is data — the data that comes from years of financing transactions, the data from payment histories, as well as the data around current inventory valuations and current receivable trends. Our clients want to take advantage of this data, which can provide more availability, flexibility to finance their business, and help manage risk.

How we bring data together has been one of the biggest and most exciting changes, and that goes beyond just Commercial Capital, and extends across Wells Fargo.

For example, we're currently working with one of our most strategic vendor partners on how to take advantage of the data that they have and how to deliver that through APIs. And, when we do that right, the client will benefit from a more efficient diligence process, as well as a more client-centric ongoing monitoring and portfolio management process. We know our clients want speed and thoughtful integration.

Another proof point of this approach is how we combine our asset-based lending with supply chain finance. When working with a lender, clients focus on availability, flexibility and their cost of capital. We've been able to bring asset-based lending and supply chain finance together in ways that we don't think anyone else in the market is doing. Historically, most supply chain finance providers were scared of asset-based lenders. Most asset-based lenders were scared of losing their collateral. If you bring the products together from a client view, you create more availability for the client, and you find ways to minimize their overall cost of capital to create a great client experience.

We have a number of very large programs where we're leading both the asset-based lending facility together with a supply chain finance facility. This is more client-focused because it thinks about the client's balance sheet the way a CFO does. The next step forward for us is thinking about how to integrate equipment finance with asset-based lending and supply chain finance.

Have you seen results yet from these changes?

We have. Lending demand has been softer over the last 18 months because of less demand for working capital, as clients had to adjust to many pandemic-related challenges. Since deploying these strategies over the last six months, we're now seeing growth in different segments because bringing supply chain finance together with asset-based lending, as an example, has allowed clients to grow more efficiently as working capital grows.

We're also seeing growth in terms of leading new financings, and most importantly, it's encouraging a different type of dialogue than we had before, which, over the long-term, I think will lead to more transactions. I also think it makes our platform more attractive, not just for clients, but for employees and prospective employees.

How do you ensure you have the right talent in place to address these clients' needs into the future?

It's a combination of a couple of things. We have outstanding folks who have done some of the most innovative transactions in the marketplace going back many decades. Those skills are incredibly valuable, especially in challenging times like we experienced in 2020, where we can leverage that expertise to support clients through restructuring and the opportunities that follow. And that is also the expertise that validates that our strategies to help clients grow are appropriate.

There is also a different type of skillset that's important for the future, and that includes people who understand business process, as an example. One of my direct reports is a Six Sigma Black Belt. I wouldn't have known what that was ten years ago. Today, we embrace that skillset to define our processes in such a way that they are repeatable, scalable and fast. Better process allows us to execute with clients who have invested a significant amount of money in their technology. They don't want to send us an EDI file like they did decades ago;now they want to use APIs.

Our team knows today that people who are strong in process are just as valuable as people who are strong in credit. People who appreciate data now have career paths that they didn't before because we are so dependent on using data to drive a better value proposition.

And when we look at talent in relation to how our clients are changing, this is where our DE&I strategies come into play. In Commercial Capital, we've appointed 12 new diverse client-facing leaders in the last 12 months. They are all extraordinarily talented individuals who are bringing something different than their predecessors brought to their roles. I think that the industry tended to focus DE&I efforts on middle-office and back-office activities. Well, that's not client-centric if we don't have bankers and leaders who have diverse backgrounds and experiences like our clients.

Our clients changed faster than the secured financing industry did. And we still have a way to go across the industry. I'm really optimistic about the progress, and it's terrific to see a greater focus on recruiting diverse talent and establishing programs to support emerging leaders. I know that the firms that move the fastest will win the fight for talent.

Our team knows today that people who are strong in process are just as valuable as people who are strong in credit. People who appreciate data now have career paths that they didn't before because we are so dependent on using data to drive a better value proposition.

Can you speak a bit about other DE&I initiatives within Wells and, if you could, how you think the industry, in general, could increase its diversity?

As an organization, we've been more active around sponsorship and mentorship to support our Black and African American colleagues. Wells Fargo established a new program, Building Organizational Leadership Diversity (BOLD), which brought together a group of high-potential, high-performing, ethnically diverse leaders and potential leaders and put them in a sponsorship program.

I think the industry is doing a lot to support DE&I initiatives. I believe what's most critical, though, is maintaining the focus and measuring the outcomes. That's really important at Wells Fargo, rather than simply working hard and trying. You need to make it a business imperative and constantly assess your progress.

Could you tell us about Wells Fargo's program focused on hiring veterans and how it has been implemented within Commercial Capital?

I have a personal passion for working with those who have served in our military. My family and I have always supported the military and their families, even though none of us have served. Working with both internal and external organizations, Wells Fargo is actively recruiting individuals who have left the service and are looking to transition into the corporate world. I think what's been different about our recruiting efforts is how we think about relevant experience. While they may not have experience in financial services, military veterans understand logistics, supply chain and process, and these are really important skills in our industry.

Once we've hired a veteran transitioning out of the military, we focus on a combination of traditional on-the-job analyst program training, supplemented with individualized training. And what's made the biggest difference with this program is that we have been leveraging veterans within our organization to help us better understand what it's like to have worked in the military and what that means for career development. We received feedback that a clear career path is important to our veteran employees, so we need to establish more formal milestones and steps and make it clear what their career path could be, because that's what they were used to in the military.

We are trying to be more cognizant of what motivates our employees and makes them successful. Hiring people is great, but retention is actually the bigger challenge, and I'm really proud that 80 percent of the people we've hired into the Commercial Capital veterans program over the past three years are still with our business today.

Hiring people is great, but retention is actually the bigger challenge, and I'm really proud that 80 percent of the people we've hired into the Commercial Capital veterans program over the past three years are still with our business today.

We've been living with an unusual amount of uncertainty and stress since March 2020. What tips would you offer for leading during this time or what lessons have you learned in the past 18 months?

I think, number one, we must realize that everybody's situation is really different. I've learned that from colleagues and I've also learned that from my 26-year-old daughter. I'm fortunate to have a home office where I am able to work comfortably. My daughter works out of her bedroom in the apartment she shares with three roommates, each working in their own bedroom. Parents with young kids worry too much about their kids who make guest appearances on Zoom meetings. Many of us have poor phone or Wi-Fi connections that make it challenging to work at home. We have all had to learn to be more adaptable.

I feel like I've been sleeping on the second floor of the company store for nearly 18 months and there is no separation sometimes. As productive as we have been during COVID, there needs to be separation between work and life or we won't succeed for the long-term.

For myself, a fully remote work environment has been challenging, but I know it can be a sensitive topic for some who may not feel the same way as I do. And that's why you have to start with the realization that everybody's situation is different.

I do think being in an office with colleagues has many benefits. There really is value in being able to have that conversation on the way to the elevator or to get lunch with your peers. People are more emotionally connected to their team when they are able to interact in person, right?

But honestly, I am feeling energized about getting back on the road, meeting clients and connecting with our employees across the country and globally. I am definitely ready.

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

TSL
INTERVIEW

SFNet 2021 President Jeff Goldrich Looks Back on Leading During Challenging Times

BY EILEEN WUBBE

Jeffrey Goldrich, president and CEO of SLR Business Credit, reflects on his tenure as SFNet's 2021 President, how the Association must continue to adapt and innovate as COVID continues, and accomplishments during the past 12 months.

As we close out our 2021 fiscal year, what are you most proud of having served as SFNet president this past year?

JEFF GOLDRICH
SLR Business Credit

Although things from a COVID standpoint feel like they improved, we are all still very much in it and its effects on SFNet remain very challenging. I am so proud of working with Rich Gumbrecht, CEO, SFNet, and the SFNet team during this and watching great leadership and enthusiasm. I am also grateful to Peter York, managing director and head of the Asset Based Lending (ABL), J.P. Morgan Securities LLC, Jennifer Palmer, CEO, Gerber Finance and SFNet Co-Counsels Jonathan Helfat, partner, Otterbourg, P.C. and Bobbi Acord Noland, partner, Parker Hudson Rainer & Dobbs LLP, for their partnership on the SFNet Management Committee during this time. I'd also like to thank Barry Bobrow, managing director and head of Loan Sales & Syndications for Wells Fargo Capital Finance, who chaired the SFNet Asset Based Capital Conference, and is a member of SFNet's Executive Committee, Advocacy Committee and new Management Committee member. I am indebted to and proud to have served in this role with them.

What did you learn from leading an Association during COVID, and now, in 2021, as we recuperate from the pandemic and get back to normal?

I think the lesson is that, although we are recuperating, things have undoubtedly changed forever. We are unlikely to go back to what we were pre-COVID and the changes that were caused by the pandemic will set a new standard going forward. In all of my years of being involved, nationally and at the chapter level, I always knew that SFNet was so much more than a networking organization. The pandemic made that obvious through educational programs, advocacy, data and surveys and helped redefine a new and better organization for the future.

We set records for member engagement in webinars, programs and committees. We had over 2400 people participate in last year's virtual annual convention and over 1,000 of them were first-time attendees – young people, operational people, who would never have had the opportunity to attend this kind of event before. We had similar results at other meetings, forums and roundtables. We connected more people, from more disciplines to more of SFNet's offerings than ever before in our history. Redefining oneself is a bit of a cliché but we watched it happen this past year.

While you were president, SFNet launched its Diversity, Equity and Inclusiveness Committee. Can you update readers on what the Committee has accomplished so far and what some of its goals are going forward?

From my perspective, a significant accomplishment is just the fact that it exists and creates awareness of how significant an issue this is. I know that larger banks and finance companies have diversity programs and initiatives. Independent SFNet members often do not and this helps create not only awareness but structure and education around why diversity and inclusion initiatives make businesses better in many ways. I am also grateful and proud that my business partner and friend of many years, Betty Hernandez, led this new committee and will continue to do so this coming year.

What advice do you have for our incoming president, Peter York at J.P. Morgan Securities LLC?

I have worked with and now know Pete. His business and organizational skills are as good as it gets so, I don't think my advice is needed. But, Pete, don't forget the entrepreneurial, independent members out there.

What challenges and opportunities do you see for the Association and the industry in general in 2022?

The challenges are still around: Surviving during COVID and the ability to go back to well-attended conventions and in-person meetings. We need to broaden our member base. We need to keep creating innovative content and programs to provide realizable value for existing members. We need to continue to advance advocacy initiatives. The asset-based lending and factoring industry will continue to evolve, new companies in those sectors will be created and there will be significant M&A activity in the next two years. SFNet has to remain relevant throughout this evolution. It will not be easy. It never is. But, with Rich and the SFNet team and the upcoming Management and Executive Committee guidance, there is no question that it will be a success.

Eileen Wubbe is senior editor of The Secured Lender..

FEATURE STORY

InterNex Capital's Funding Program for Minority & Women-Owned Business Enterprises

BY LIN CHUA

In March, InterNex Capital launched a dedicated M/WBE program with the vision and belief that further representation within their client base was not only possible, but something for which they are responsible. Here, Lin Chua, president and CFOO of InterNex Capital, provides details on the program.

Access to capital is a critical factor to the success and longevity of any business. Scarcity of capital among minority and women-owned business enterprises (M/WBEs) is well-known. According to the U.S. Department of Commerce, M/WBEs are more likely to forgo applying for loans for fear of rejection, less likely to receive them when they do apply, and more likely to pay higher interest rates on business loans compared to their non-minority counterparts. M/WBEs are less likely to be approved for loans by their local financial institutions. In addition, when approved for loans, M/WBEs are also less likely to receive the full amount of capital they need.[1]

LIN CHUA
InterNex Capital

COLIN CASEY
InterNex Capital

ANDREW MARTIN
InterNex Capital

Earlier this year at InterNex Capital, we launched our Funding Program for Minority & Women-Owned Business Enterprises. Sure, the program was set up with the goal of targeting a highly underserved market. But perhaps lesser known is that the founders of InterNex Capital set up the program to achieve two of the priorities we had set when we originally founded InterNex Capital. One priority was to ensure we played our part in giving back to our community – a task that has become more critical since the pandemic. The other was to ensure that our company reflected the core values about which we felt strongly.

Diversity and inclusion is a core value that we embrace at InterNex Capital – whether it be among our founders, employees, investors or partners. In the same manner, we believe that a core feature of any successful M/WBE program has to start with the composition of the team running the program itself. At InterNex Capital, taking the risk management organization as an example, 85% of the team is comprised of minority or women members. When it came to our Funding Program for Minority & Women-Owned Business Enterprises, a diverse organization has equipped InterNex with members who understand and, in many cases, have personal or more in-depth experiences with local communities and, as a result, potentially have greater openness to delivering more funding to M/WBEs. Diverse organizations also come with the well-known benefits of diverse perspectives and experiences.

It comes as no surprise to us therefore that today over one-third of InterNex Capital's clients are indeed M/WBEs. And that number will continue to increase.

As part of InterNex Capital's Funding Program for Minority & Women-Owned Business Enterprises, InterNex Capital provides a dedicated underwriting process for applications from M/WBEs. Just as InterNex does for our small business customers, we offer M/WBEs special price programs for our VelocityStretch™ funding facilities. This has translated into discounted pricing for the consolidation of higher-priced lending facilities into a more workable facility with InterNex Capital. To accommodate the needs of M/WBEs and other small-business customers, InterNex also extends below our ideal minimum $500,000 facility size.

But sourcing M/WBEs also comes with its challenges. At InterNex Capital, our broad team has given an edge in developing valuable community relationships. To enhance and expand the network, we at InterNex Capital have committed to building new channel partnerships focused on M/WBEs – including community organizations, associations and professionals who work with M/WBEs on a daily basis.

This is, of course, easier said than done. Building lasting relationships in general requires regular time investments. So far, we have partnered with a handful of regional local networks and have expanded our relationships to select Community Development Financial Institutions (CDFIs), Minority Depository Institutions (MDIs) and Certified Development Companies (CDCs) to contribute to deal flow from M/WBEs. Many such relationships are built over time. Many frequently may involve InterNex Capital participating in their outreach to expand awareness of alternative lending products generally in their local communities. As part of InterNex Capital's Funding Program for Minority & Women-Owned Business Enterprises, our Velocity™ working capital

[1] The 2021 Small Business Credit Survey found that only 13% of black-owned businesses applying for traditional forms of financing received the amount they requested, compared to 20% for Hispanic-owned businesses, 31% for Asian-owned businesses, and 40% for white-owned businesses.

cloud-based platform has proven to be a helpful tool, equipping M/WBE owners with greater visibility that helps them manage their cash flow.

As part of our commitment to the InterNex Capital's Funding Program for Minority & Women-Owned Business Enterprises, we tasked Andrew Martin to lead our W/MBE program across the country. Martin is working closely with Paul DeDomenico and Lin Chua as we continue to expand our network of relationships. In the past few months after several months of hard work, we have finally started seeing a meaningful increase in the pipeline of M/WBE prospects.

Building lasting relationships in general requires regular time investments. So far, we have partnered with a handful of regional local networks and have expanded our relationships to select Community Development Financial Institutions (CDFIs), Minority Depository Institutions (MDIs) and Certified Development Companies (CDCs) to contribute to deal flow from M/WBEs.

Lin Chua is the co-founder, COO and head of capital markets at InterNex Capital. InterNex Capital is a technology-enabled, asset-based digital lender specializing in revolving lines of credit up to $10 million for small and midsize businesses. Lin is a seasoned structured finance / capital markets executive and business leader with over 20 years' global experience.

As director of product at InterNex, Colin Casey interacts with business, technical, and operational teams to identify and prioritize development initiatives that will enhance the InterNex platform and scale the business for growth. Experienced in Agile development, Casey puts the user first, ensuring that all InterNex clients have a superior lending experience. Prior to joining InterNex, he was product manager for an ePayments company in the Bay Area, processing over $10B annually.

Andrew Martin joined InterNex Capital as a business development officer. He is responsible for originations, digital partnerships , as well as developing and managing partnership channels. Martin brings with him over eight years of sales and finance experience working with small and middle-market businesses. Prior to joining InterNex, he was the manager of channel partnerships with BlueVine Capital, helping to grow their partnership business in the northeast. Martin focuses on expanding InterNex Capital's diversity and social lending initiatives.

Diversity in Secured Finance: Interview with Anthony C. Hood, PhD, First Horizon National Corp.

BY NNEOMA MADUIKE

Nneoma Maduike, member of SFNet's Diversity, Equity & Inclusiveness Committee interviews Anthony C. Hood, PhD, executive vice president and chief diversity, equity and inclusion officer of First Horizon National Corp. Dr. Hood is responsible for cultivating and expanding First Horizon's strategic leadership in developing and implementing programs and initiatives that advance the Company's Diversity, Equity and Inclusion (DEI) efforts.

First Horizon has been touted as an example of an organization that is taking deliberate steps to create an inclusive culture. What has been the mission and commitment of the company with respect to this goal?

ANTHONY C. HOOD, PHD
First Horizon National Corp.

First Horizon is not new on its D&I journey. We have a rich history of programming, including associate resource groups, D&I Council, Diversity Impact Awards, and strategic hiring initiatives to name a few. Our associates regularly serve on the boards of nonprofits and industry groups committed to advancing DEI. Our very own Henry Sosa, vice chairman of the DEI Committee of SFNet, is a prime example of that commitment.

While we've long been committed to diversity (i.e., representation) and inclusion (i.e., belonging, authenticity, psychological safety), we're being very intentional about placing greater emphasis on equity—which involves recognizing, quantifying and eliminating disparities in areas such as access to capital, procurement, charitable giving, hiring, professional development, promotions, retention, compensation, etc. Efforts to advance diversity and inclusion are unlikely to be successful if equity is not centered. As a result, we now refer to our efforts in this space as DEI rather than just D&I.

DEI is rarely successful without the full buy-in of management. What is the participation of your management team? How did the company determine areas of concern? What policies were adopted?

Tone is always set at the top and for us that has been the leadership of our president and CEO, Bryan Jordan. Bryan is an active participant in much of our DEI-related programming such as when he opened our 2021 MLK Day celebration by discussing the personal significance of Dr. King's "Letter from a Birmingham Jail".

Members of our executive management team also set the tone by mentoring underrepresented associates and serving as executive sponsors of our associate resource groups and DEI Council.

In addition to our executive team, our board of directors have really leaned into our efforts to advance DEI, particularly in the context of our activities related to ESG (Environmental, Social and Governance). Since I've been with the company, DEI has been a permanent agenda item of every quarterly board of directors meeting. That sends a clear signal that DEI is not just an HR program or public relations tactic—but rather is a strategic priority for of the corporation.

How has both diversity and inclusion qualitatively and quantitatively contributed to the success of the company over the last decade? Why do you attribute this to DEI initiatives?

At First Horizon, we refer to our culture as Firstpower. Our company has been very intentional about embedding DEI within our Firstpower culture. By doing so, we believe that Firstpower serves as a competitive differentiator in an industry where differentiation is becoming more challenging to demonstrate.

One of the ways we assess the impact of our DEI efforts is through our Associate Value and Leadership Surveys. These are regular assessments that allow us to keep a finger on the pulse of our organization and adjust our DEI-related programming accordingly.

When we look ahead to the next decade of DEI, we recognize that our work must be much more tech enabled. Our efforts must be grounded in industry best practices and our decisions guided by advanced data analytics and insights. Only then will we be able to accurately measure our success and tell our story effectively

Nneoma Maduike is a partner in the Banking and Finance Department of Otterbourg P.C. and the co-chair of its Lender Finance practice and she regularly represents and advises institutional lenders and various other public and private companies on structuring, negotiation, and documentation of financing transactions.

Maduike has received various accolades in connection with her work, including recognition by Best Lawyers in America as one of the top 15 Women of Influence in America and as one of the Top 50 Women in Commercial Finance. She is an active member of several organizations, including the Coalition of Women's Initiatives in Law and the Diversity Equity and Inclusion Committee of the Secured Finance Network.

FEATURE STORY

DEI Spotlight: Interview with Fellicia Foster, Vice President and Head of Inclusion, Equity & Diversity, BMO

BY MICHELE OCEJO

Fellicia Foster is the vice president and U.S. head of Inclusion & Diversity. She is accountable for developing U.S. diversity talent strategies to attract, develop and engage diverse talent across the enterprise. In this capacity, Foster ensures the diversity talent strategies will help BMO develop an inclusive workforce and breakdown barriers for employees to pursue and excel in their careers.

P

rior to this role, Foster served as the head of diversity recruitment – North America, where she led an international mandate to attract, source and select diverse talent. Through innovative North American diversity recruitment strategies, Foster enhanced BMO's market profile and partnership engagement in diverse communities and increased its diverse candidate pipeline.

FELLICIA FOSTER
BMO

Foster's commitment to advancing diversity, equity and inclusion is coupled with a passion for building communities through service on various non-profit organizations. She serves as the Immediate Past-President of the National Association for African Americans in Human Resources (NAAAHR) Chicago Chapter, Steering Committee member for the Financial Services Pipeline of Chicago and member of the Board of Directors for Illinois State University's Alumni Association, YWCA Metropolitan Chicago and Illinois Diversity Council.

Foster holds a Bachelor of Science in Business Administration from Illinois State University's College of Business. Foster was named a Woman of Excellence by Chicago Defender in 2021, 40 Game Changers Under 40 by WVON and Ariel Investments, BMO's Best of the Best 2018 and 2020, one of the 2014 "Top 40 under 40" by *Collaborate* magazine, selected for the Illinois State University's 2017 College of Business Early Career Achievement Award and the American Heart Association Heart of Excellence Award. She was also featured with published article in *Savoy* magazine Spring 2021 20th Anniversary Edition.

Please provide an overview of BMO's multi-year strategy, announced in September 2020, called *Zero Barriers to Inclusion 2025*.

A commitment to creating a more inclusive society is foundational to our values at BMO. Our Diversity, Equity and Inclusion journey at BMO spans over 20 years through ambitious and action-based strategies focused on increasing diversity representation, creating bold initiatives to address racial injustice, building programs to remove barriers to equity and holding leaders accountable for creating a culture of inclusion.

Zero Barriers to Inclusion 2025, established last year, is our new multi-year strategy that builds on the strong foundation we've established. This strategy addresses gaps in representation and career progression, identifies opportunities to target economic disparity in local communities and creates inclusive experiences for our customers. More specifically, we are focused on increasing equity for marginalized groups facing systemic barriers, including People of Color, Women, LGBTQ2+, Persons with Disabilities and targeting sub-groups like Black, Latino and Indigenous Peoples, over the next five years.

This Inclusion strategy provides a platform for us to monitor and accelerate progress on our bold diversity commitments. Through leadership accountability and engagement, we are enabled to identify barriers and take action that will result in significant and sustainable change.

The program is just about a year old. Have you seen results yet? Such as effects on employee morale, hiring and retainment, customer feedback, etc.?

Last year, we made bold commitments to create an environment with Zero Barriers to Inclusion. Over the year since we have seen progress, but we also know that more work can be done.

With the complexities of rapidly evolving into a digital work environment while also addressing barriers to inclusion, we have enabled ourselves to increase workplace flexibility. Through the enablement of flexible work environments, we have been able to retain our talent and maintain employee engagement and morale.

In addition to putting our employees first, we have career advancement programs for our diverse talent. We are not only solving for equity; we are increasing our internal diverse talent pipeline for senior leadership opportunities and are enhancing leadership capabilities to ensure readiness when opportunities are available.

Additionally, we have established strong partnerships with diverse external organizations that have amplified our brand and increased our impact in diverse communities we do business in, and it has helped us identify diverse talent in market by leveraging these partnerships as sourcing agents to accelerate our efforts to fill high demand roles. We're continuing to make progress through community investments and mentorship with minority-owned businesses.

Our customers are the cornerstone at BMO and our Zero Barriers to Inclusion strategy keeps them in mind. Due to the pandemic, nearly 20 percent of small businesses in the U.S. have been forced to close. For minority-owned businesses, that number is double. We have been able to promote a more inclusive economic recovery through our BMO EMpower initiative, which pledges $5 billion over the next five years on a series of long-term commitments to advance an inclusive economic recovery that addresses barriers faced by minority businesses, communities, and families across the United States. Expanding our financial inclusion for diverse customers through inclusive banking products, services and resources requires us to consistently think about meeting customers' needs by addressing their unique expectations and experiences. We have already begun to see significant impact through new customer acquisition and business sustainability.

Forbes named BMO one of the best companies in America for women. It's well known that the COVID-19 pandemic has had a devastating effect on women in

the workforce. What programs does BMO have in place specifically for their female employees?

This is the second year we have been recognized by *Forbes* magazine as one of America's Best Employers for Women. BMO was also included on the Bloomberg Financial Services Gender Equality Index for the fifth year in a row.

The COVID-19 pandemic has caused rapid innovation in the way our teams work together, locally and around the globe, and I am proud to say that at BMO we have comprehensive employee support, benefits and incentives to make sure that all employees, including women and working parents, have flexibility in the workplace.

The pandemic amplified and highlighted challenges for our colleagues and we've allocated a daily stipend for financial support to select employees who are required to work from BMO premises, paid leave options for quarantined or childcare-impacted employees who cannot come to work and reimbursement for out-of-pocket expenses for employees who can't work from home (including Uber, mileage, meals). We've also implemented Wellness Bursts delivered through the LifeWorks app focused on resilience, mindfulness and mental health.

In cultivating change, diversity-focused priorities should include hiring, developing, advancing, and retaining a diverse workforce, ensuring products and services are inclusive, and investing in diverse communities to help foster prosperity.

Does BMO also have programs to address sustainability, the environment, etc.? Please provide an overview.

In December 2020, we announced an ambition to reach net zero emissions by 2050 or sooner across all assets under management, as a founder signatory to the Net Zero Asset Managers initiative. We understand there is a pressing need for action to address climate change by reducing greenhouse gas emissions to achieve 2050 targets. Helping our customers to adapt and thrive through this transition requires a thoughtful, balanced and accelerated approach; informed by science, common sense and bold but practical solutions.

With a purpose-driven commitment to a sustainable future, we are taking action on climate change as our clients' lead partner in the transition to a net zero world. We've implemented The BMO Climate Institute, a virtual hub that brings together science, analytics, expertise and partners to understand and manage the financial risks and opportunities related to climate change and transition for both clients and the bank. The Institute will drive thought leadership inside and outside of the bank, convene parties for climate action and provide insights and best practices for industry, government, academia and investors to unlock climate solutions.

We recognize that, as a financial institution, BMO plays a critical role to catalyze climate action, finance a just transition to a lower-carbon economy, and to work with our clients to understand the risks and opportunities of this critical transformation. There is a lot of work ahead of us to achieve this goal; it will require deep insights and innovative solutions.

What advice would you offer to smaller, independent finance organizations trying to create their own DEI strategy?

In my view, it starts with leadership commitment and accountability to DEI being a core business priority. Once the organization has a strong business commitment to DEI, building an actionable diversity strategy will be critical to generating progressive outcomes for an inclusive environment.

In cultivating change, diversity-focused priorities should include hiring, developing, advancing, and retaining a diverse workforce, ensuring products and services are inclusive, and investing in diverse communities to help foster prosperity.

If companies can look within, listen and continue to address inherent biases – not just from employees, but from their systemic practices and policies – we can start to see a more positive future take shape.

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

SFNet Education Focus 20/20

Networking
Industry data
Education
Advocacy

SFNet's education programs provide a well-rounded foundation for a successful career in secured finance. We have partnered with industry professionals to create classes across multiple discipline tracks, each with an eye to real-world application.

You decide how you want to participate in SFNet's continued learning opportunities:

1. **In Person** – Learn together. Our in-person courses resume this November with Field Exam Level One in Phoenix. We will roll out more in-person classes in 2022, while also offering an online option for those who are not yet able to travel.

2. **Live Online** – Learn at your desk. Instructors shed a light on the industry in live virtual classes with group participation and Q&A.

3. **On Demand** – Learn on your own terms. We have developed four sets of classes focusing on aspects of secured lending: Appraisals, Factoring, Legal, Workouts & Bankruptcy. Take the full set or select individual courses.

However you choose to join us, SFNet is here to help you achieve your career goals.

Secured Finance Network
An association of professionals putting capital to work

Visit SFNet.com and explore the Education section to learn more. If you have questions about Education Focus 20/20, contact Nora Walls at nwalls@sfnet.com.

LENDER INSIGHTS

Partnering with Independent ABL/ Factors Can Help Banks Secure Current and Future Business

BY SUE DUCKETT

Sue Duckett of Franklin Capital discusses the advantages to banks when partnering with independent ABLs and factors.

Do you ever wish you could put a pause on deals that come your way that need a little more time to grow, more history or are in turnaround mode? Working with independent asset-based lenders and factoring companies can act as that pause button. In fact, they can help you build your deal pipeline for the next several years by providing a source of funding for those companies that are not in the right situation for you to approve.

We have seen the world of banking get more competitive year after year. It is no longer as easy as it once was for a banking business development officer to gain more clients and grow the portfolio. Banks must focus on building their pipeline similarly to independents. Many banks now recognized that by utilizing independents as a bridge, they are guaranteed to build their book in the future.

Although clients always have a choice, I have found that by assisting businesses, even when they are not currently a fit, leaves them with the sense that you have their best interest at heart and that you will do everything you can to find them the best solution. Every client wants a relationship like that, and by doing just that, they will call you when the time is right.

As a leading independent, we see that it is our job to help our clients become bankable and, once they are, to help lead them to the bank that fits their needs best. Once upon a time, businesses would keep operating accounts with banks for years. Many companies now have accounts with more than one bank, giving them more available lending options. In my experience, relationships go a long way with smaller businesses. As a result, those that have supported and assisted them will always be the first call.

SUE DUCKETT
Franklin Capital Network

We recently received a call from a banker who had been in touch with a former borrower from 20 years ago. He had a friend who had a cold packaging company and needed funding.

The banker knew that the business was currently too small for his ABL portfolio profile; however, he saw promise in this company that was exiting from bankruptcy. The business had new investments from a venture capital group and had undergone a significant board restructuring. He knew he could take the easy road and give them a simple "no" or reach out to an independent factoring company that might be able to help them now, allowing them to grow and then be able to return to him as a client in the future. He knew that by contacting us, we would be very responsive, solution-driven and the size profile was a good match for us.

After a few weeks, Franklin funded the $750,000 factoring facility, and the client continues to grow. Once they have shown continual profits and a healthier balance sheet, they will be in a position to return to the banker for funding. It is a bittersweet situation for us as we know we will be losing a great client. However, we take pride in having a hand in their growth and knowing it provides them with the opportunity to receive less costly funding and return to an existing relationship.

The last 18 months have been horrific for many businesses, and many already are or will be in turnaround mode. Nevertheless, for some, this is not the first crisis they have faced. They believe their business will bounce back, or they may have diversified their products to combat the loss of sales they experienced. The unknown is where banks have concerns. Banks like to see regular profits and a healthy balance sheet. It is our job, as an independent, to get them back to that position. We do that with a facility that requires little to no covenants and stays close to the collateral. In addition, we make sure there is a high level of communication with the client to ensure that their targets are being met in preparation for the transition to a bank line of credit is essential.

Augmenting the bank line

Client attrition is always a concern at the forefront of every business, including banks. The chances of losing a good client because they want everything under one roof can be tough, so we have assisted banks by working with them with other products besides factoring.

Banks can provide funding against assets such as inventory, machine and equipment, real estate and receivables. Some independents provide funding against purchase orders, before it becomes a balance sheet asset.

We recently had a situation where the bank did not feel comfortable increasing the line of credit on a business, but still did not want to lose them. We were asked to fund the purchase orders, and once it became a receivable, the bank line could pay the purchase order line back. The PO funding augmented the bank's current lending program. Additionally, it did not take away from the assets they were secured against. More importantly, it provided added working capital to the company, allowing them to fulfill large orders that previously would not have been realized. The process from introduction to take on took less than three weeks, and the client was able to use the facility as needed. By suggesting this option to the client, the banker was seen as a solution provider and a valuable resource to the business when they needed him.

One of the more recurring issues that I have encountered lately is businesses set up in America or Canada, but the owners are a UK entity or UK resident ownership. This has become more of an issue since the COVID crisis, as it has been impossible for these owners to come to the U.S. and set up bank accounts personally.

Another way of augmenting a client's bank line of credit is to carve out any International receivables. Very few banks include non-domestic debt as part of their borrowing base. However, subject to the country, value, and credit worth of customers, numerous independent lenders will provide such financing options. By putting an intercreditor agreement in place with the bank, the factor can take the foreign receivable and fund against it. This financing option gives the client more working capital and the ability to sell internationally, growing their business, which inevitably grows the banking dollars.

One of the more recurring issues that I have encountered lately is businesses set up in America or Canada, but the owners are a UK entity or UK resident ownership. This has become more of an issue since the COVID crisis, as it has been impossible for these owners to come to the U.S. and set up bank accounts personally. We recognize that these businesses are highly unlikely to obtain a bank line of credit in the U.S. for these very reasons. However, some banks will provide business operating accounts for non-U.S. residents. Until they can set up a permanent residency, Franklin has been managing these accounts on a factoring or asset-based lending line of credit facility, knowing that eventually they will qualify for a bank line. As I mentioned, it is essential to be that solution-driven point of contact for businesses. When these relationships are being nurtured, you will ensure future business for tomorrow.

A recent example of this is a client that provides staffing to Google and Microsoft. He is based in Ireland and has a line of credit with a UK bank; however, the U.S. customers have insisted that he use a U.S. entity to invoice them. He had companies based in Ireland, Europe, and Hong Kong, all profitable and have been in existence for some time. His banker referred him to me to discuss funding the new U.S. entity. The client was extremely grateful that his banker could provide him with a funder in the U.S. who also understands the intricacies of funding in the UK and could explain how things would differ in the U.S. before setting up the facility. There is no doubt that this company will grow, eventually have a U.S. citizen running the U.S. business, and will be viable for a bank facility in the future.

Steve Jobs is quoted as saying, "Great things in business are never done by one person." This quote rings true for me as I have found over the years that partnerships and collaborations are an essential element of success and that is never truer than between independent ABL/factors and banks.

Sue Duckett has 25 years of experience working with prestigious firms in the commercial finance space in both the United States and the United Kingdom. Currently, Sue is executive vice president at Franklin Capital Network and is responsible for overseeing operations and deal intake, generally, and factoring specifically. Previously, she was executive vice president and managing director at Bibby Financial Services in both the U.S. and U.K. She was most recently general manager for Accord Business Finance. Early in her career, she worked for Norwich Union Plc and the Bank of Scotland. Sue has received diplomas from the Chartered Institute of Credit Management and the Asset Based Finance Association Foundation. She is a board member of SFNet Midwest Chapter and a member of the Turnaround Management Association.

INDEPENDENT LENDER PERSPECTIVE

DEI and the SFNet Independent Finance Roundtable:

CHALLENGES, CONCERNS, OPPORTUNITIES, AND IDEAS WITHIN THE SMALLER COMPANY COMMUNITY

BY TERRY KEATING

Terry Keating, a member of SFNet's Diversity, Equity and Inclusiveness Committee and managing partner of Donald J. Keating & Sons, provides highlights of the DEI session during SFNet's IFR Conference held in August.

The SFNet Independent Finance Roundtable was held in-person in Chicago on August 17-19 in Chicago. Approximately 25 industry senior executives attended from a mixture of different-sized organizations. The overwhelming majority were from companies with fewer than 50 employees and several much smaller. Some companies were based in larger metropolitan areas, others in smaller cities and towns.

As part of this intimate meeting there was a session to discuss Diversity, Equity & Inclusion, with a particular focus on how-to's, issues and concerns of smaller organizations. The session was facilitated by Betty Hernandez, chair of SFNet's Diversity, Equity and Inclusiveness Committee and executive vice president and chief credit officer of SLR Business Credit and myself. The intent was to have open conversation on what independent businesses are doing to address diversity, equity, and inclusiveness in their workplace.

DEI is a critical and challenging issue facing our industry. While many of our larger member companies have dedicated professional staff to address the issues, addressing DEI is particularly challenging for smaller organizations with limited resources and other constraints. Building on a virtual session held earlier in the year, the goals of this session were twofold:

1. Share what SFNet is doing to address diversity, equity and inclusion within the industry and within member companies.
2. Facilitate a "safe place" for candid conversation and continued exploration of these challenges and discussing tangible actions, and how resources can be shared and delivered within the SFNet community to smaller member companies.

Hernandez recapped the Committee's mission statement, the growing body of resources available to member companies and the many actions and initiatives undertaken by the Committee and SFNet. This includes the commitment to incorporate DEI conversations in every major conference and event hosted by SFNet. This is on top of the Executive Committee taking steps to ensure appropriate representation on the Association's governing bodies, Secured Finance Foundation board and committee members. Additionally, this issue of *TSL* is dedicated to DEI and many articles were written by Committee members. Also, a member survey will be conducted by Rutgers University Data Analytics Department early in 2022.

TERRY KEATING
Donald J. Keating & Sons

In our opening remarks, we stressed how diversity, equity and inclusion is much more than simply hiring a diverse group of people. Too often we don't get to the equity and inclusion pieces. Even where a business may not be hiring, there are frequently opportunities to promote equity and inclusion within an existing employee base. This can sometimes be as simple, though often overlooked, as intentional mentoring to help minorities across barriers and feel "welcome and comfortable in the room".

Following these brief opening remarks, the group broke into four sub-groups to discuss these and other ideas, issues, and concerns. To frame the discussion, the following four questions were circulated to the participants.

1. If hiring, what can be done differently to create a pathway for more diverse talent to be considered?
2. If not currently hiring, what can your company do to create a more equitable and inclusive work environment?
3. Is your company a good ally, and if so, please provide best practices and ideas for others?
4. What issues, concerns, challenges do you or your organization have related to DEI?

The conversations got off to a quick start at each of the tables, and the buzz was palpable, and the 45 minutes allotted was quickly filled.

Some of the comments, concerns and issues overheard were:

"We always hire the best person, but where my business is located, we don't see many candidates of diverse backgrounds."

While there was universal agreement to always hire the best person, there was also a good conversation about how to expand the candidate pool based on how and where they seek out job candidates.

"I inherited an executive and senior management team that had zero diversity. Without any new hiring, but by reviewing the existing professional staff with a fresh perspective, I was able to transform the team from exclusively white males to 50% female and 25% ethnic minority."

"I have a very small and very busy staff; we just don't have the time to do anything else."

"I wasn't aware of all that SFNet is doing and has to offer – keep spreading the word."

"I understand the need and support it myself, but I don't know where or how to begin."

"In my firm, diversity took an interesting turn, when we hired a young man into our accounting/finance group. This group had always been 100% female. He was a great addition to the team and made a real and lasting impact. Even though most would not consider this a diversity hire, it did represent a significant change in how this department was staffed and demonstrated the importance of adding in different perspectives to any group."

Other points of discussion included how to get out and tell the story. Getting involved with select, but more diverse, business groups, such as the local Chamber of Commerce, many of which have programs to facilitate interaction and networking across historically separated groups. This gives the opportunity to share the story of our industry, answer questions, source possible opportunities and dispel misconceptions.

College recruiting, intern programs, mentorship programs all can provide means to "expand the pool" and communicate the career opportunities within the finance industry.

"My firm created a scholarship at a local university to introduce minority students to the industry they might not otherwise have been aware of. This was at a local community college, and cost $1,000, but we've had a great response and it has clearly made an impact."

One way that SFNet directly supports this avenue is through its Secured Finance Foundation efforts, which include a Guest Lecture Program designed to introduce ABL, factoring and other secured finance products to undergraduate juniors and seniors. As an added benefit for students attending the Guest Lecture Program, internships with SFNet member companies are offered. The Secured Finance Foundation also funds scholarships for undergraduate applicants who are interested in a career in secured finance.

Conclusions and Takeaways

There was clear consensus on the importance of the topic within our industry and strong support for SFNet's efforts. There is still much work to be done and the input from this group of leading executives is helping shape additional actions the Association can implement.

This has been a longstanding issue, and it will take long-term effort and thinking.

We must be more intentional in how we attract talent to the industry, but, of equal and perhaps more importance, is how we ensure true equality in opportunity, advancement, compensation, and support of diverse team members.

We believe the participants left with a better understanding of the support that SFNet is providing and some practical ideas to take back to their organizations to apply in addressing DEI over the short, medium, and long term.

Secured Finance Network Diversity Equity and Inclusion Committee Mission Statement: "To build diversity, equality and inclusion within our member companies, industry and community. We seek to identify the issues and create awareness of the challenges, provide resources for improvements, and demonstrate sustained measurable positive outcomes throughout our SFNet community."

Terry Keating is managing partner of Donald J. Keating & Sons which provides broad-based consulting and advisory services to middle-market companies and private equity with orientation to the financial services industry. He has over 30 years of leadership and operational experience knowledge and expertise developing "best practices" necessary for success serving as the leader/advisor within the financial services sector.

From March of 2014 through June of 2021 Keating led Accord Financial's US asset-based lending and factoring business. Prior to his time with Accord, he spent five years with Amherst Partners providing strategic and growth consulting, mergers/acquisitions and capital formation services to mid-sized non-bank financial companies. From 1990 to 2005, Keating established a business unit for LaSalle Bank in Chicago, providing credit and other bank products to non-bank lenders, growing the unit to a $1bln in loan commitments over the years of his leadership.

Keating has served on numerous professional and non-profit boards of directors throughout his career and remains active in the leadership of several organizations. He is currently active with local, regional and national industry organizations including the Secured Finance Network, Turnaround Management Association, Association for Corporate Growth and others.

He can be reached at tkeating@djksholdings.com.

CORPORATE BOOK CLUBS

Context Business Lending's Book Club Fosters Communication Among Team Members

BY KENDALL COVINGTON

Kendall Covington of Context Business Lending discusses the benefits of the company's book club.

Facilitating a shared diversity of opinion and sense of belonging is crucial to our core values at Context Business Lending. Reading and discussing books together as a team through our CBL Book Club serves as a forum to enhance empathy and social cohesion amongst our colleagues. Over the past few years, we have read a wide range of books together on topics such as mastering decision-making, developing healthy habits and effectively communicating with others.

At CBL, we embrace the importance of including diverse views and ideas into all aspects of decision-making. To fully commit to that core value, it is imperative that we assure each of our colleagues – regardless of race, gender, sexual orientation, or religion – feel valued and included in our CBL family.

The year 2020 sparked a revolutionary movement of social uprisings. These uprisings affected a wide realm of minority groups. In light of the global focus on social justice that followed, we thought it important to equip ourselves as a team with the tools to better understand ourselves as individuals as well as each other. As a company, we decided to begin our journey of humility and self-reflection by engaging in activities and conversations that focused on identifying and combatting unconscious bias. In September 2020, we chose to be brave and vulnerable as a team, deciding to focus our CBL Book Club discussions on these sensitive topics. We were aware that some of these discussions could turn out to be slightly uncomfortable but, as a group, we recognized that these conversations were necessary to grow as individuals and as a collective unit in order to cultivate a true environment of equality and inclusiveness at CBL.

As a team, we read *Blindspot*: *Hidden Biases of Good People* by Mahzarin Banaji and Anthony Greenwald. In this book, Banaji and Greenwald explore hidden biases that we all carry from a lifetime of experiences with various social groups. The term "blindspot" is a metaphor used by the two authors to define the portion of our minds that house hidden biases. The authors utilize this metaphor to direct the reader to think about how social groups – without our awareness or conscious control – prematurely shape our judgments about people's character, personality, abilities, and potential. The intent of *Blindspot* is to provide a sense of guidance for well-intentioned people to align their behaviors with their good intentions. CBL credit analyst Stephen Phillips said, "*Blindspot* is a valuable read for any individual, but reading the text in a work setting highlighted its unique value. It was enlightening to participate in frank discussions around individual and collective bias while working through the book as a group. Jessica Button, CBL collateral analyst, said: "I think reading Blindspot as a company was a good way to open the door to deeper and *Blindspot* uncomfortable conversations about biases. I thought it was valuable as a group to think about; however well-intentioned we might be, there are still hidden biases beyond our immediate awareness affecting decisions and perceptions and ultimately our actions. Revisiting the lessons from *Blindspot* I think will be important as our company continues to grow."

KENDALL COVINGTON
Context Business Lending

As a minority at CBL and within the finance industry, I was nervous, but eager, to engage in these conversations with my coworkers. It is easy to avoid these discussions as they are mostly viewed as "forbidden" subjects to talk about in the workplace. But, if we don't discuss and engage, then how will we learn? Listening to others' opinions and thoughts is essential to gaining insight on personal values when it comes to delicate subjects such as race, gender, sexual orientation, religion, and many other social sectors. With that, Book Club paved a way to effectively navigate some of these tough conversations in the workplace that could have otherwise been perceived as awkward and uncomfortable. These discussions provided me with a warm feeling of reassurance that it may be impossible to be perfect, but there is always room to further enhance my knowledge of unconscious biases amongst myself and my peers. As we continue this journey of self-education and self-reflection, I am looking forward to more candid conversations with my colleagues and am excited to help create a more comfortable and inclusive atmosphere for all.

Kendall Covington is a collateral analyst with Context Business Lending (CBL). CBL has provided Kendall with many opportunities to learn more about the alternative finance industry, however, it has also opened doors to become more active in the Diversity, Equality, and Inclusion (DEI) space. In 2020, Kendall became a member of the SFNet DEI Committee where they can contribute to various DEI initiatives while also continuing to pursue their career as a collateral analyst.

Taylor Wessing: A Future-Focused Firm

With more than 1,000 lawyers in 29 offices in 17 different jurisdictions, Taylor Wessing is an international law firm serving clients across the world's most dynamic industries and economies. Tracing its routes back to 1788, in recent years the firm has handled many domestic UK and cross-border European restructuring and refinancing deals. Here, Nick Moser, Taylor Wessing's UK head of restructuring & insolvency, and banking and finance partner, Lerika Joubert, discuss the recent growth the firm has seen in the ABL space and its focus on technology.

BY EILEEN WUBBE

NICK MOSER
Taylor Wessing

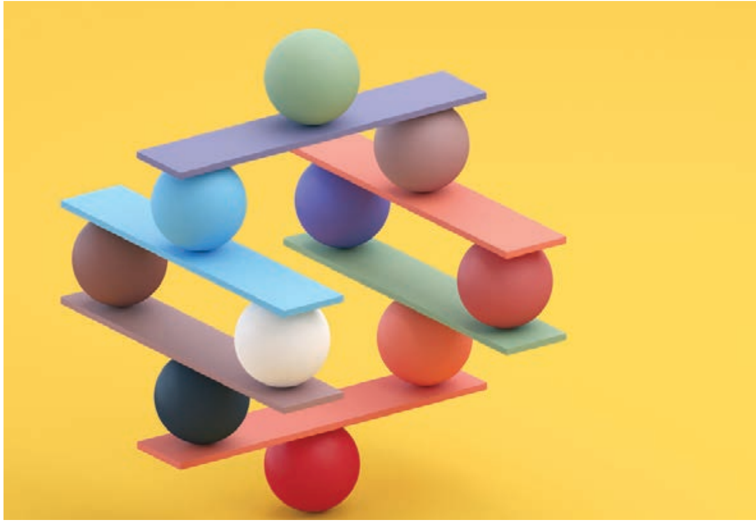
LERIKA JOUBERT
Taylor Wessing

Taylor Wessing's entry into asset-based lending was through the world of restructuring and insolvency. In the late 1990s the firm acted on receiverships for GE Capital and that marked the beginning of its relationship with asset-based lending. Since then, it has developed more broadly and Taylor Wessing now represents clients on the transactional side as well as the restructuring and insolvency side.

"We've long been active in the ABL space, but I think in the past few years especially, we have significantly grown our client base with more clients now either providing or using this particular form of financing," Joubert says. "As a firm, we have a very strong reputation in the technology sector, and what we've seen is the traditional ABL space evolving to become more accessible to technology companies which themselves continue to evolve. Many of our tech-focused clients are growing and changing rapidly, which has resulted in traditional financing structures and the ABL product having to adapt and change too."

"Traditional ABL financing still exists, but we also now see highly structured deals where there's an increased appetite to move and finance receivables off-balance sheet," Joubert explained. "That's partly in response to clients' businesses changing. We act for many technology companies and startups in the London market, and they're finding themselves in growth mode, with potential to generate large amounts of receivables. So that's extremely attractive for any receivable-based lender. Historically, you've had your traditional players, which you still see in the market, but now you'll see non-traditional players entering the field because it is such an attractive space, and because so many of these companies are now exploring receivables-based financing. Our multi-specialist skillset means we're well-placed to advise clients on ABL transactions, using structured finance features like off-balance sheet financing."

Taylor Wessing's Restructuring & Insolvency team works closely with Joubert's team, offering this multi-specialist approach to clients. They are well versed to advise clients from financial institutions to regulated businesses on innovative ABL structures. The firm's specialty expertise, combined with the experience of the banking and finance team, the regulatory team, and Moser's team, is a compelling client offering.



"You can't successfully ensure business continuity and implement change in a global crisis without strong infrastructure and collaboration."

"It's having that experience to assist with complicated, bespoke structuring and understanding where the market is, and also how to structure an ABL product so that it works within a financing utilizing structured-finance features," Joubert added. "Security remains key, fixed and floating charge security, and knowing how to mitigate the classical risks that lenders are faced with."

"We don't do this from textbooks, we do this from the flying hours that we have under our belts from working on real life situations," Moser added. "When we're structuring a deal, we can bring our experience of what happens when something might go wrong, and our clients get the benefit of that real life experience in putting together as robust structures as we can. We operate alongside our colleagues around the world and put together teams to address these issues across borders."

Winner: Finance Team of the Year

Taylor Wessing's expertise has not gone unnoticed. The firm was the winner of the Finance Team of the Year at The Lawyer Awards 2020 and Moser notes this resulted from a memorable assignment. *The Lawyer* is a monthly British magazine and the leading website publishing the latest legal industry news for commercial lawyers, barristers and in-house counsel. The firm was one of the lead advisers in respect of the liquidation of British Steel, advising the UK arm of global investment adviser White Oak as senior secured lender and acted from May 2019, when British Steel went into liquidation, through to the sale of British Steel businesses to the Chinese steel producer, Jingye, in March 2020.

"I'm really proud of this award in recognition of my and Lerika's team approach, though we probably don't miss an opportunity to mention it," Moser joked. "It's good to get recognition for our role but it's equally satisfying that the ABL industry's profile is raised."

Business continuity during COVID

With Taylor Wessing already having what Moser calls a culture of progressive processes, innovation, strong governance, and technology investments in recent years, the firm's offices across the globe were able to adjust during COVID-19 seamlessly. The firm's 700+ people in the UK all switched to remote working overnight one week before the UK national lockdown.

"You can't successfully ensure business continuity and implement change in a global crisis without strong infrastructure and collaboration. We continued to provide our services at the intensity that we always do, without our clients or connections noticing a difference," Moser added. "We pride ourselves on being a technology-focused firm. So much of our client base is in the tech sector, so, knowing how these creative organizations work, it's only natural that we hold ourselves to the same expectations, and we were geared up and already beginning to operate more flexibly and agilely."

Lenders and borrowers are continuing to innovate and financing structures are becoming more creative. It is an interesting time to be active in the ABL space as there seems to be many opportunities for those lenders who are willing to support borrowers with structuring bespoke deals that work for those particular borrower's business.

Eileen Wubbe is senior editor of The Secured Lender.