



INTRODUCTION TO ASSET-BASED LENDING  
2020



## BACKGROUND ON ASSET-BASED LENDING

White Oak Global Advisors, LLC (“White Oak”), established in 2007, and its financing affiliates\* have been active in the asset-based lending (“ABL”) space since its inception. We classify ABL into three broad sub-product categories:

**1. Receivable “only” financing** - A borrower seeks upfront financing for goods delivered or services rendered through a discount (advance rate) on the face amount of approved invoices coming in from the borrower’s customers or debtors. A borrower can obtain liquidity on its receivables or invoices through one of three products: (1) invoice discounting; (2) factoring or (3) asset based loans.



“When used correctly, an ABL facility can improve the financial stability of a company and stabilize operations for companies that are growing rapidly.”

*Andy McGhee*  
Vice Chair, White Oak Commercial Finance

A) Invoice discounting. Under invoice discounting a borrower can obtain up to 85% of the face amount of an approved invoice (15% discount) subject to an agreed credit limit for each debtor by the financing source. The lender is usually providing undisclosed or confidential financing supported by each invoice. The borrower retains control of the billing and collection process and pursues their customer or debtor for collection. All cash collections from an invoice discount borrower are directed to an account controlled by the lender. Once a discounted invoice is collected the funder provider nets out any fees and expenses from the 15% discount and returns the balance to the borrower. In the event the borrower’s customer does not pay an invoice that was discounted, the lender has the right to offset all future collections and discounts until repaid and will pursue the debtor. Invoice discounting is very common in the UK and Europe and is focused on borrowers with revenues or turnover of roughly £5 million to £75 million.



“Asset-based loans provide borrowers with immediate liquidity on working capital assets and select fixed assets.”

*Tom Otte*  
Chairman of White Oak ABL

B) Factoring is a second form of receivable or invoice financing. The difference between factoring and invoice discounting is that a factor usually takes responsibility for the collection of the borrower’s invoices. Factoring can be recourse and non-recourse to the borrower and non-recourse factoring typically requires credit insurance on the debtor for non-payment. due to bankruptcy or default (non-recourse factoring) subject to an agreed deductible on a claim under the insurance policy. Invoice advance rates are typically 85% depending on dilution.

One of the benefits of factoring is the legal privity provided between the factor and the borrower’s debtors, which enhances our ability to determine and confirm the integrity of the receivable. With the systems we have at White Oak, we are also able to create the client’s borrowing base and track dilution on a daily basis. Factoring remains a very common form of financing in the U.S. and Europe and is focused on SME’s in jurisdictions where a lender’s recourse rights are limited.

\* Inclusive of White Oak’s Financing Affiliates (as such term is defined in White Oak’s Form ADV), which are owned by the White Oak funds/managed accounts. White Oak Global Advisors will, from time to time, for convenience, refer to White Oak and its affiliates when describing the management company and such financing entities, even though they may not be affiliates of White Oak Global Advisors as that term is defined under the U.S. Investment Advisers Act of 1940.

## BACKGROUND ON ASSET-BASED LENDING

C) Asset Based Loans (“ABL”) financing structures provide borrowers with immediate liquidity on working capital assets and select fixed assets such as machinery, equipment and real estate. ABL receivable financing is done on a bulk invoice basis, as opposed to a one-by-one invoice basis. ABL receivable financing is generally provided to borrowers in the form of a revolving credit facility and supported by a borrowing base with discounts on eligible receivables, inventories and select equipment.. ABL borrowers are usually larger and stronger credits than factoring and invoice discounting clients. Advance rates on bulk invoices/receivable aging are typically 85% depending on dilution. ABL is flexible in that the borrower’s ability to borrow is more of a function of collateral availability and liquidity versus balance sheet leverage ratios. All cash collections from a borrower’s receivables are directed to a lender-controlled collection account and used to pay down the lender’s advances under the revolving credit facility. In the event a customer does not pay their receivable within the agreed eligibility terms (typically 90 days from the invoice date) a lender will make that invoice ineligible and deduct it from the borrowing base or create a reserve. If there is not sufficient excess collateral under the borrowing base to cover the past due receivable, the lender will use cash collections to pay down its advance on any past due receivable.

**2. Inventory Financing** In addition to discounting, a lender will also advance against a percentage of the borrower’s eligible inventories at the lower of cost or the appraised Net Orderly Liquidation Value (“NOLVs”) which are provided via inventory appraisals by third parties. The lender will also advance (for example) 50% of the cost or NOLV of a borrower’s inventory located on the borrower’s premises and where the lender has a UCC filing.

**3. Trade Finance** - Trade finance is a form of financing for both domestic and international sales of goods. It is always self-liquidating and may be used in various parts of the supply chain from pre-sold inventory to final sales of goods. Typically, the loan will be made to a securitized (ring-fenced) funding vehicle which will retain title, or own the assets, along with assignments of any contractual rights. This differs from traditional ABL structures where the loans are made directly to the borrower. Where possible, credit insurance is utilized.



“A revolving line of credit (revolver) is the most common type of ABL... commonly used to finance short-term working assets, most notably inventory and accounts receivable.”

*Bob Grbic  
President & CEO  
White Oak Commercial Finance*

To provide you more background and context on the history of ABL and the problems this lending facility can address, we have provided in-depth background on the approach and structure of ABL loans. It is important to note that banks have over 85% of the ABL market share according to the Commercial Finance Association, which we estimate constitutes 15% of their balance sheet capital base.

Invoice Discounting (“ID”); Factoring; Trade Finance (“TF”) and Asset-Based Loans (“ABL”) are specialized loan products which are fully collateralized loans to borrowers that may have high leverage, erratic earnings, operate in cyclical industries (retail; transportation, etc.) and/or have marginal cash flows. These specialized loans or facilities are based on the assets pledged as collateral and are structured to provide a flexible source of working capital by monetizing assets on the balance sheet.

The primary source of repayment for these types of lending facilities is the conversion of the collateral to cash over the company’s business cycle. Loan advances are limited to a percentage of eligible collateral (the “borrowing base or invoice”). Strong controls and close monitoring are essential features of the product.

Given the emphasis that these types of specialized lending products place on collateral, lenders must understand a borrower’s ability to convert receivables and inventories to cash over a reasonable period of less than 180 days. This is commonly achieved through an analysis of the borrower’s cash conversion cycle by reviewing the time it takes a borrower to convert inventories to receivables and receivables to cash which repays the lender’s loan. Target cash conversion cycles are usually 180 to 240 days (receivables and inventories turn in 90 to 120 days).

## BACKGROUND ON ASSET-BASED LENDING

According to the Commercial Finance Association, the total aggregate amount of asset-based lending credit line commitments at the end of 2018 was over \$246 billion, a 3.7% increase from 2017. In addition, the aggregate amount of asset-based loans outstanding was approximately \$106 billion at the end of 2018, which was 9.3% higher than the previous year. The non-bank market share has increased over the last few years as the risk appetite of regulated lenders has become more conservative.

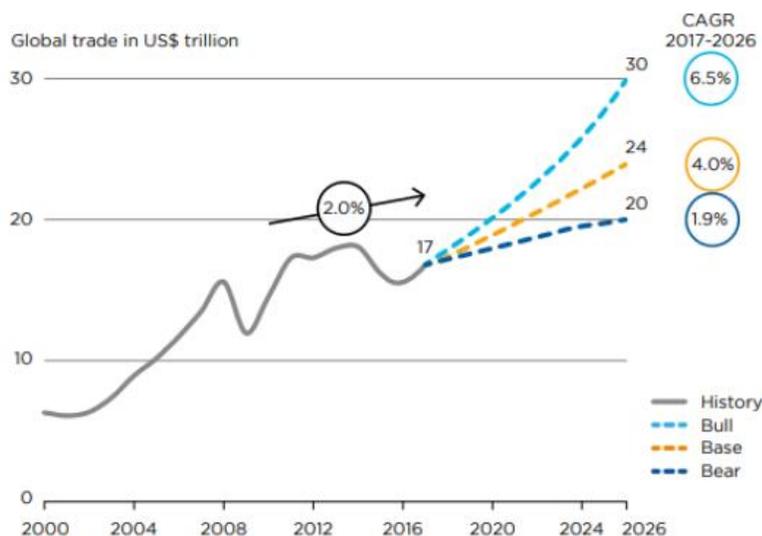
At White Oak, we segment the ABL market among bank-affiliated lenders, independent finance companies and direct lenders that provide “stretch” asset-based loans:

1. **Bank-affiliated ABL shops** are focused on sponsored\* and high yield transactions where the ABL facility is utilized as a liquidity facility versus borrowing to fund growth. As a result, utilization of bank asset-based loans will be less than 50% and regulators will view these loans through a leveraged lending “lens.”
2. **Finance companies** focus on providing asset-based loans to companies that are in transition, as well as companies that need to maximize their assets to fund growth. The risk profile of borrowers in this segment of the market is usually higher but offset by tighter collateral and cash controls than bank asset-based loans.
3. **In stretch ABL transactions**, lenders will typically advance up to 100% of the NOLV of current assets compared to finance companies that will only advance up to 85% of NOLV. The additional 15% advance provides stretch lenders with the opportunity to increase their unleveraged yields to 10% versus the 7-8% unleveraged yields for finance companies.

Increasing regulation and other factors are creating secured working capital financing opportunities with borrowers that have more difficulty getting financing from traditional lenders because of high leverage, inconsistent profits or lack of cash flow. Most new entrants to the ABL market are focused on ABL in the \$10-\$25 million range but end up at the lower end of this range due to restrictions imposed by their bank leverage providers. As a result, these type of firms have difficulty achieving scale. Focusing on the lower end of the ABL market usually results in borrowers that have poor financial controls, and in the event of a bankruptcy the process usually is resolved through liquidation instead of a sale or reorganization.

White Oak believes there is a larger market for ABL loans with commitments between \$10 million to \$50 million and unleveraged yields between 7-8%. Advances in the segment would be between 85-90% of NOLV and focused on ABL borrowers that have stronger financial and reporting controls. Targeting the larger segment of the ABL market allows White Oak to build a more scalable platform while minimizing downside risk by lending to larger enterprises.

Global trade expected to reach \$24 trillion by 2026



## By the Numbers

4%

Annual growth of global trade flows

80%

of global merchandise annual trade flows rely on trade financing

\$1.5 Trillion

Size of the global gap in trade finance

Sources: International Chamber of Commerce: 2018 Global Trade securing Future Growth, BCG Trade Finance Model 2017

\*White Oak views “sponsored” borrowers as those that generally are private equity-backed and private equity-controlled and that are subject to a broadly marketed process and in which the financial sponsor has access to committed capital at the institutional level.

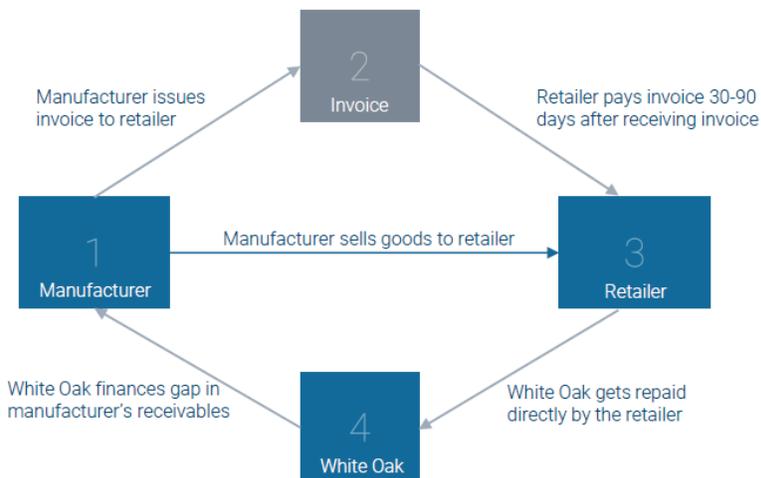
## ASSET-BASED LENDING LIFE CYCLE

The operating cycle describes the steps a business takes to purchase goods or raw materials, convert those goods to inventory, sell the inventory, and collect the accounts receivable. The operating cycle is generally calculated as inventory days plus receivable days. Operating cycles vary from different industries depending on the length of the production process and the credit terms offered. A business must take into account the duration after purchasing goods and services (cash outflow) and its ability to convert its own goods and services into cash (cash inflow). A company with a long operating cycle likely has a greater need for financing than a company with a short operating cycle.

### ACCOUNTS RECEIVABLE TURNOVER

Accounts receivable turnover measures the number of times receivables are converted to cash. A turnover rate that is equivalent or above the industry average suggests effective and efficient collection practices on the part of the borrower. A lower turnover rate may indicate a number of potential issues, including poor credit or collection practices, as well as customer dissatisfaction with the product.

### EXAMPLE - ABL Financing for Retail Business



### INVENTORY TURNOVER

Inventory turnover measures how many times a business is able to turn inventory during the year. A high turnover rate is desirable because a high rate implies successful inventory conversion and less likelihood of holding excess, stale or obsolete inventory. Inventory turnover is a measured by the cost of sales divided by average inventory.

A revolving line of credit (revolver) is the most common type of ABL. The facility allows the borrower to draw funds, repay draws, and redraw funds over the life of the loan. A revolver is commonly used to finance short-term working assets, most notably inventory and accounts receivable. Cash from the sale of the inventory and collection of receivables (conversion of working assets) is the typical source of repayment for a revolver.

## ASSET-BASED LENDING LIFE CYCLE

---

A borrower that has substantial working capital needs, such as a wholesaler, distributor, or retailer frequently uses revolving credit. A service company may also rely on a revolver to fund accounts receivable. A revolver is generally secured by working capital assets, such as accounts receivable and inventory. The value of the underlying assets determines the loan amount and the availability of funds. In some cases, a minimum amount of availability often referred to as a “hard block,” must be available at all times. Typically, a bank borrower can draw against the revolver as many times and as often as needed up to the lesser of the available borrowing base and the amount of the overall revolver commitment. The outstanding balance of the loan should fluctuate with the cash needs of the borrower, subject to the availability constraints of the borrowing base. Credit availability is restored when the principal is repaid from the conversion of assets to cash and collateral is restored to the borrowing base.

The borrower must comply with the terms and conditions stipulated in the loan agreement, including lender controls and the treatment of cash proceeds, for credit to remain available. In general, cash conversion proceeds are applied to the outstanding balance of the revolver when received. This is commonly achieved through a lockbox arrangement, in which the lender controls the borrower’s cash receipts. The terms of a revolving credit facility can vary considerably. The maturity is typically short term, which allows the lender to reevaluate the risks and adjust the loan terms (commitment amount, advance rate, interest rate, monitoring requirements, etc.) as necessary to reflect changes in the risk. In a growing number of cases, tenors have been extended to as long as five years, which introduces a greater degree of risk if not properly controlled.

In ABL, the outstanding loan balance is limited by both the total commitment of the credit facility and by the borrowing base as determined by the collateral value. Limiting the outstanding balance of the ABL to a borrowing base provides the lender with greater assurance of full repayment from the value of the collateral. Borrowing base monitoring also provides an early warning system against credit deterioration. This increased assurance allows an ABL lender to be more flexible in other areas such as financial covenants.

The borrowing base in an ABL facility is likely to consist primarily of working assets, such as accounts receivable and inventory. In certain cases, the borrowing base may also include less-liquid assets, such as equipment or real estate, or intangible assets, such as intellectual property depending on the borrower’s credit needs and industry.

## ASSET-BASED LENDING LIFE CYCLE

---

### **ACCOUNTS RECEIVABLE:**

Accounts receivable represent money owed to a business for merchandise or services bought on open accounts. Accounts receivable arise from the business by providing a customer with goods or services with the expectation of receiving payment at a later date in accordance with specified terms. Accounts receivable are self-liquidating and generally collected soon after goods or services are delivered, which are desirable traits for a collateral-based lender. For example, if a lamp manufacturer sells \$100 million of lamps to Walmart or \$25 million on a quarterly basis, Walmart will have 30, 60 or 90 days (depending on the terms of the contract) to remit \$25 million to the lamp manufacturer. During this 30, 60, or 90 days, the lamp manufacturer will go to a bank or ABL lender and get a receivables line or financing in order to meet its ongoing operating expenses (including making more lamps for the next quarter). The bank will typically lend 60-90% of the eligible receivable depending on the credit quality and diversity of the payable counterparties (i.e., Walmart in this case). What defines being considered “eligible” includes a number of factors including the quality of the borrower’s customer base, the amount of concentration, delinquency (past due) volumes and trends, and dilution. Non-eligible receivables are part of the collateral pool for the lender, however, those receivables are not advanced against it.

### **INVENTORIES:**

Advance rates on inventory are usually lower than those on receivables because inventory is less liquid. Outstanding receivables need only be collected while goods in inventory may need to be finished and must be sold and paid for. A bank typically advances up to 65 percent of the book value of eligible inventory, or 80 percent of the NOLV. When establishing inventory long-term value rates, the bank can limit risk by using the

liquidation value (rather than the higher market value) of the inventory pledged and by building a sufficient margin to protect against price risk and administrative costs. The liquidation value is usually determined by a third-party appraiser and updated every 3-6 months.

### **OTHER COLLATERAL:**

An ABL facility is usually supported only by working assets. In certain cases, an ABL borrowing base may include fixed assets, such as equipment and real estate, or even certain intangibles or intellectual property. The proportion of the loan supported by other collateral is usually a small percentage of the total borrowing base because this type of collateral is generally less liquid.

### **RESERVES:**

Most ABL agreements grant the lender the right to establish reserves against the borrowing base. Reserves are deductions from the collateral value that consider the costs required to liquidate the collateral, the possible dilution of accounts, inventory obsolescence, or other factors that could affect the collectability of the underlying assets. Such reserves are important because they reduce the probability that credit extensions will exceed the proceeds that may be generated through liquidation.

## **ABL ADMINISTRATION**

---

Prudent administration of an ABL loan is integral to controlling credit and operational risk. Loan agreements are typically complex, particularly with regard to collateral requirements, and ensuring compliance with administrative requirements is labor-intensive. To be successful, an ABL platform must have an experienced and adequately staffed back-office operation.

ABL activities should be supported by strong management information systems (MIS) that can accurately compile and track information. Good MIS enables an ABL lender to identify over-advances and changes in borrowing patterns or collateral quality. Timely identification allows the lender to take swift action to control risks.

### **THIRD-PARTY APPRAISALS:**

Collateral appraisals are an important aspect of ABL underwriting and administration. An ABL lender will obtain an appraisal during the underwriting process to determine the value of the underlying collateral. The appraisal helps establish the borrowing base and advance rates. Updated appraisals will be obtained throughout the life of the loan to monitor the collateral value, collateral trends and adequacy of the borrowing base. An ABL lender typically relies on expert appraisals or valuations performed by companies experienced in inventory and other asset liquidation. The appraisals should provide an NOLV as the standard for collateral valuation, not cost or retail value.

### **THIRD-PARTY FIELD EXAMS:**

Field exams are integral to monitoring and controlling ABLs. A field audit helps detect fraud and financial weakness and is a customary way to confirm the quality of the borrower's financial data, receivables, inventory and internal controls. A field auditor will obtain written account verifications, perform sufficient reconciliations and testing to ensure that the borrower's financial records are accurate. Testing financial records involves reviewing the borrowing base collateral, which includes physically inspecting the collateral, testing its validity and value as reported on financial statements and borrowing base certificates, as well as examining original invoices and other supporting documentation.



## BENEFITS TO BORROWERS

---

### **IMPROVED LIQUIDITY:**

An ABL facility's most important benefit to a borrower is the improvement in liquidity. When used correctly, an ABL facility can improve the financial stability of a company and stabilize operations for companies that are growing rapidly, have tight cash flows or have seasonal revenues. ABL provides ready cash to support liquidity needs, eliminating the need to wait for the collection of receivables. ABL facilities are typically underwritten with a limited number of financial covenants; the additional risk this poses to the lender is mitigated by conservative advance rates against liquid collateral, strong collateral controls and frequent monitoring. Borrowing terms and repayment schedules generally provide more flexibility and can be customized to fit the individual business requirements or business cycle.

### **A SIMPLER MEANS OF FINANCING:**

Given that a lender has a direct lien on all the pertinent assets of a business (i.e., cash receivables and inventory), it is easier to underwrite an ABL loan as opposed to a term loan. The risk associated with lending against cash is significantly lower, and as a result, the interest rates charged to the borrower are also lower. The easiest asset to leverage is a business's accounts receivable. Invoices from creditworthy commercial counterparties make great collateral because they can easily be turned into cash. Most finance companies prefer to finance invoices that pay within 70 days. Additionally, a company can use inventory, equipment, and real estate as additional collateral.

### **GREATER FLEXIBILITY:**

Usually, there are few restrictions on how an ABL borrower can spend the use of proceeds of an ABL facility as long as it is for a business purpose. The covenants are also less restrictive due to the fact that the ABL lender is lending at the top-line versus going through the expense line item of a corporate P&L. The financing line itself is tied to the value of the accounts receivable and other collateral. As a result, the line can increase sales growth. Increases in the line can usually be approved quickly, and a borrower does not need to go through the complete underwriting process again. This benefit is important for companies that are growing quickly and need additional funding. Businesses that meet the qualification criteria can get an asset based loan fairly quickly. The application and underwriting process is much faster than qualifying for a conventional loan or line of credit.

## BENEFITS TO INVESTORS

---



“For investors, a properly structured ABL transaction mitigates the risk of default by imposing controls on collateral and cash.”

*James Chan  
Managing Director  
White Oak Trade Finance*

### **COMPELLING RISK-ADJUSTED RETURNS:**

ABL requires intensive controls and supervision to effectively manage the risks inherent in this type of lending. A properly structured ABL transaction mitigates the risk of default by imposing controls on collateral and cash. The risk of loss may actually be less than with other types of commercial lending, provided that the transaction is appropriately margined against collateral and that prudent monitoring and control processes are in place. ABL expertise, a thorough understanding of the borrower’s business, good reporting systems, and in-depth knowledge and evaluation of the collateral are necessary to achieve the appropriate control.

The underwriting or credit risk is predicated upon the quality and diversity of the borrower’s counterparties (e.g., Walmart bonds are investment grade and yield less than 1% currently, however, a payable from Walmart in an ABL facility can pay LIBOR plus 5-10% depending on the terms). One can argue that the advance rate for an ABL facility (e.g., 70% of eligible receivables), can be categorized as a leverage ratio of 0.7x of top-line as opposed to a bank loan’s average leverage ratio of 4x based on the bottom-line (or EBITDA).

### **FAST TURN AND DYNAMIC RISK MANAGEMENT:**

The average tenor for a bank term loan is 7 years with minimal covenants. There are limited enforcement rights if the corporate credit deteriorates due to the economy or company- specific circumstances. The average tenor for an ABL facility is 2 years on receivables that turn every 30, 60, or 90 days. If the revenues of the business decelerate, then the size of the borrowing base also declines proportionately, and the lender pays itself back out of cash in the controlled account.

## CASE STUDY – PROJECT PANTHEON

### PRODUCT TYPE

- FILO inside an Invoice Discounting Facility

### COMPANY DESCRIPTION

- UK-based vertically-integrated producer of BOS steel long products with 5,000 employees globally and core operations located in Scunthorpe, England

### SOURCING

- Sourced by White Oak through the existing senior ABL provider

### INVESTMENT THESIS

- One of two integrated steel manufacturers in the UK with dominant market share in rail products in the UK and France at 90% and 80%, respectively, and construction products in the UK at +40%
- Working capital loan supported by A/R turnover of 8x and inventory turnover >6x
- Strong debtors and commodity inventories with limited fixed asset exposure
- Excess availability at close was £100 million
- FILO lender intercreditor that allowed for establishment of reserves

### FUNDING REQUIREMENT

- Additional working capital to finance turnaround, as well as transaction fees

### EXIT STRATEGY

- Sale of business in March 2020 with 12% gross IRR<sup>1</sup> or 1.16x investment

### SUMMARY OF TERMS

Sector:	Steel
Region:	UK
Security:	First-lien senior secured, last-out priority to senior ABL
Loan Amount/Investment Amount*:	£70.0 million FILO in a £265 million facility
Term of Loan*:	36 months (exited at 20 months)
Interest Rate*:	UK LIBOR + 8.0%, LIBOR floor of 1.0%
Transaction Fee:	0.5% at close and annually thereafter
Indicative Rating at Close <sup>2</sup> :	B
2018A Revenue:	£1.4 billion
2018A Adjusted EBITDA:	£51 million
Advance Rates:	95% on insured A/R 90% on appraised NOLV of inventory 60% on appraised NOLV of M&E, capped at £10 million
Cash Controls:	DACA/trust agreement
Call Premium:	102.5/101.5/100 with 18 month make-whole
Collateral Package:	All assets and shares of certain subsidiaries
Collateral Coverage:	>1.8x at close

\* Represents loan terms extended to White Oak ABL by White Oak Global Advisors' Clients. In addition to the debt component represented above an equity interest was granted in White Oak ABL.

1. Gross IRR here computed at the investment level. This represents the return for the affiliate's underlying borrowers, less affiliate and fund level expenses and does not reflect the deduction of management fees and other operating expenses borne by the affiliate or fund which would reduce the amount of return to the investor.
2. The companies White Oak lends to are rarely rated, but we believe if rated would earn on average the credit rating indicated.

The information contained in the case studies is for illustrative purposes only and is not intended to be and must not be relied upon as recommendations to purchase or sell such investments or indications of performance of all portfolio investments. The case studies selected are not necessarily representative of each and every transaction that could or even would be allocated to the Fund and have been selected solely for the purpose of providing examples of the types of investments made by White Oak. It should not be assumed that investments made in the future will be comparable in quality or performance to the investments described herein, nor should it be assumed that White Oak will follow the same or similar processes or procedures for analyzing and evaluating investments that may be acquired by the Fund. A full list of all investments is available and will be provided prior to any investment upon request.

## LEADERSHIP – WHITE OAK ASSET-BASED LENDING



### **Tom Otte, Head of White Oak ABL**

Mr. Otte serves as Head of White Oak ABL and White Oak Europe, and is responsible for originating and structuring ABL opportunities with potential borrowers. He previously served as Senior Advisor and Region Manager of Presidential Financial Corporation; Founder and Managing Partner of TKO Finance Group, LLC; Managing Director of Special Situations Lending, Dune Capital Management LP; and President and Chief Operating Officer of Middle Market Lending, GE Capital. He holds an M.B.A. from DePaul University in Chicago, IL and a B.A. in Finance from the University of Illinois at Urbana. Mr. Otte has also been an active board member and advisor to several entities, including GE Capital Mexico and GE Capital SE Asia, as well as to companies in the healthcare and telecom sectors.

### **Robert P. Grbic**



Mr. Grbic is the President & CEO of White Oak Commercial Finance. Mr. Grbic has more than 30 years of commercial lending experience. He has been with the company and its predecessor since 2005, previously serving as Senior Executive Vice President and Chief Credit Officer where he was involved in creating a hands-on, best-practices credit culture, as well as helping the Company expand its client portfolio. Before that, Mr. Grbic was Managing Director at Morris Anderson & Associates LTD, a turnaround-consulting firm. He also co-founded MetSource Capital, LLC, a restructuring and corporate finance firm, working primarily with small- and medium-sized companies. In addition, Mr. Grbic has also served at GMAC Commercial Credit, LLC, BNY Financial Corp and Bankers Trust. Mr. Grbic is a member of the New York Society of Financial Analysts and the Association for Investment Management and Research. He has served as an instructor for the Finance, Tax and Law Department at the NYU School of Continuing Education. Mr. Grbic holds master's and bachelor's degrees in Business Administration from Pace University.

### **Andrew McGhee**



Andy McGhee serves White Oak Commercial Finance as Vice Chairman and leads its Lender Finance vertical while assisting with the growth of the broader ABL initiatives for the firm. Most recently, Mr. McGhee was the President and CEO of AloStar Capital Finance, which he co-founded in 2011. AloStar was a De Novo Bank and which was created through the acquisition of the assets of a failed bank located in Birmingham, Alabama. The company was formed to specifically focus on middle market companies with capital needs between \$5 million and \$50 million. AloStar was sold to State Bank in September of 2017 which was subsequently sold to Cadence Bank in 2019. Mr. McGhee's experience includes corporate strategy, raising Private Capital, Leveraged Finance, Asset Based Lending, Private Equity, Corporate Banking, Capital Markets transactions and Mezzanine finance. Having held leadership positions at Citicorp, Bank South, and Bank of America Business Credit, Mr. McGhee brings a diverse level of experience. He received a BA in Economics from the University of Georgia, and resides in Atlanta.

### **James Chan**



Mr. Chan serves White Oak as Managing Director, White Oak Trade Finance with overall responsibility for the business. Prior to White Oak Trade Finance, Mr. Chan served as Senior Trader with the Noble Group and MET Commodities, Portfolio Manager with Cheyne Capital Management Structured Finance Group, Associate with BlackRock and Analyst with Nomura Securities Securitization and Asset Finance. Mr. Chan received a BSc (hons) Biochemistry from Royal Holloway College, University of London and an MSc International Management from Kings College, University of London.



**CONFIDENTIAL INFORMATION** - The information contained herein has been prepared solely for informational purposes and is not an offer to buy or sell or a solicitation of an offer to buy or sell any security or to participate in any trading strategy. If any offer of securities is made, it will be pursuant to a definitive offering memorandum prepared on behalf of White Oak Global Advisors ("White Oak" or "WOGA"), which contains material information not contained herein and which supersedes this information in its entirety. Any decision to invest in the investments described herein should be made after reviewing such definitive offering memorandum, conducting such investigations as the investor deems necessary and consulting the investor's own investment, legal, accounting and tax advisors in order to make an independent determination of the suitability and consequences of an investment.

Any investment with WOGA involves significant risk, including a complete loss of capital. Certain risks are summarized herein. The applicable definitive offering memorandum will contain a more thorough discussion of risks, which should be carefully reviewed prior to making any investment decision. All data related to WOGA's performance presented herein is unaudited. All performance and risk targets contained herein are subject to revision by WOGA and are provided solely as a guide to current expectations. The information contained herein was produced in good faith based on our books and records and understanding of the market and market dynamics, as well as from sources believed to be reliable, but there can be no assurance that WOGA will achieve any targets or that there will be any return on capital. Historical returns are not predictive of future results.

### Risk Factors Related to White Oak's Investment Program

**No Assurance of Investment Return; Risk of Loss.** White Oak's investment program is speculative and involves a high degree of risk, including a total loss of capital. There can be no assurance that the investment objectives of any White Oak-managed vehicle will be achieved or that there will be any return of capital. There is no assurance that the technical and risk management techniques utilized by White Oak, as well as the investment decisions made by White Oak, will not expose investors to risk of significant losses.

**Leverage.** White Oak may utilize leverage. While White Oak expects that it will enhance the ability of investors to acquire investments, it will also increase investors' exposure to losses.

**Lack of Liquidity of Interests; Redemptions.** Investors will generally not be able to withdraw any portion of their investments until the expiration of a lock-up period that commences on the date of investment, and then only periodically thereafter with prior written notice to White Oak. The risk of any decline in value of the investment during the period from any withdrawal or redemption request and the payment date will be borne by the investors requesting the withdrawal or redemption. An investor's ability to redeem capital at any time may be further substantially restricted by the illiquid nature of investments in certain asset strategies pursued by White Oak.

**Reliance on White Oak.** Investors rely on White Oak for the management of their investment portfolios. There could be adverse consequences to investors in the event that White Oak's principals cease to be available to devote their services to White Oak. In addition, White Oak's past experience may not improve or guarantee investors' future results.

**Changes in Applicable Law.** Changes in applicable tax laws could affect, perhaps adversely, the tax consequences of an investment.

**Fees and Expenses.** Certain fees and expenses charged to investors may not be represented in some of White Oak's performance presentations and would have the effect of lowering an investor's actual results.

**Interest Rate Risk.** The value of debt security investments may fluctuate with changes in interest rates. When interest rates rise, prices of debt securities generally fall, and when interest rates fall, debt securities generally increase in price. Interest rate changes may adversely affect an investor's return.

**Default Risk; Credit Risk.** The performance of White Oak debt investments could be adversely affected if the issuers of the instruments default or if events occur that reduce the creditworthiness of those issuers. If a bond or other debt instrument were to become subject to such an event, the value of the instrument could be significantly reduced, conceivably to zero.

**Limited Diversification.** An investor's portfolio could become significantly concentrated in any one issuer, industry, sector, strategy, country or geographic region, and such concentration of risk may increase the loss of capital.

**Non-Investment Grade/Low Quality Instruments/Distressed Debt, Generally.** White Oak may invest in non-investment grade securities and similar obligations and instruments. Investing and trading in debt instruments are subject to various risks, including issuer risk, credit risk, market risk, interest rate risk, prepayment risk, derivatives risk and liquidity risk, as well as the risk of improper valuation. Many of these risks are greater as to non-investment grade debt instruments than they are as to higher quality instruments. Trading and investing in non-investment grade instruments can be highly speculative. **Additional Risk Factors Related to an Investment in Alternative Investment Asset Classes.** As further described in White Oak's relevant offering documents, an investment in an alternative investment asset class (including hedge funds, private equity funds and managed accounts making similar investments) can be speculative and not suitable for all investors. Investing in such alternative investment asset classes is only intended for experienced and sophisticated investors who are willing to bear the risks associated with such an investment. Investors should carefully review and consider potential risks before investing in a White Oak-managed vehicle, which may include: Loss of all or a substantial portion of their investment; Lack of liquidity in that there is no secondary market for interests in the vehicle and none is expected to develop, and investors may be required to retain their exposure to the vehicle for an indefinite period of time; Volatility of returns; Restrictions on transferring interests in the vehicle; Potential lack of diversification and resulting higher risk due to concentration of trading authority in a single advisor is utilized; Fees and expenses may offset the vehicle's profits; White Oak-managed vehicles may not be required to provide periodic pricing or valuation information to investors; White Oak-managed vehicles may involve complex tax structures and delays in distributing important tax information; and Private funds are not subject to the same regulatory requirements as mutual funds.

The ultimate impact of COVID-19 on global economic conditions, and on the operations, financial condition, and performance of any particular industry or business, is impossible to predict. However, ongoing and potential additional materially adverse effects, including a further global or regional economic downturn (including a recession) of indeterminate duration and severity, are possible. The extent of COVID-19's impact will depend on many factors, including the ultimate duration and scope of the public health emergency and the restrictive countermeasures being undertaken, as well as the effectiveness of other governmental, legislative, and financial and monetary policy interventions designed to mitigate the crisis and address its negative externalities, all of which are evolving rapidly and may have unpredictable results. Even if COVID-19's spread is substantially contained, it will be difficult to assess what the longer-term impacts of an extended period of unprecedented economic dislocation and disruption will be on future macro- and micro-economic developments, the health of certain industries and businesses, and commercial and consumer behavior. The ongoing COVID-19 crisis and any other public health emergency could have a significant adverse impact on each credit, and result in significant losses in the portfolio. The extent of the impact on the performance of each credit depends and will continue to depend on a multitude of factors, virtually all of which are highly uncertain and unpredictable, and this impact may include or lead to: (i) significant reductions in revenue and growth; (ii) unexpected operational losses and liabilities; (iii) impairments to credit quality; and (iv) reductions in the availability of capital. Any adverse effects on loans in the portfolio could negatively impact the projected cash flow of the Fund.