



## **Clarus Capital – Leveraging Deep Experience as a Programmatic Capital Markets Issuer**

### **Equipment Finance Advisor**

July 26, 2022 - Clarus Capital’s executive team has a long history of success in the capital markets as a programmatic securitization issuer. Michael Eisenstein, CFO, and Jeff Greene, CIO, provide a detailed look at the company, and outline a vision for utilizing securitization technology to fund carefully constructed investment portfolios of equipment loans and leases.

All successful companies are invariably shaped by the background and experiences of their founders. It stands to reason that the more diverse those experiences, the more flexible and nimble the organization can be during periods of uncertainty and change. That is certainly the case at Clarus Capital, where our unique approach to the market reflects the diverse heritage of our senior management team. In Clarus’ case that includes a complementary skill set fusing many decades equipment finance, leveraged finance and securitization expertise. Here, we provide a brief history of the organization, leadership and its experience as a programmatic capital markets issuer.

A confluence of events during the 2017 - 2020 timeframe presented the optimal conditions for the launch of Clarus Capital in 2021 by former NewStar Financial executives; executing on a strategy that they had considered for several years. During this period, a flurry of mergers and acquisitions in the equipment finance space resulted in a wave of consolidation, with many independent organizations absorbed by banks. Not long after, global markets witnessed the sharp COVID-19 dislocation which roiled through the first half of 2020. In response, the Clarus management team seized on an attractive blue ocean opportunity to lay the groundwork for a well-capitalized, specialty finance company that would concentrate on delivering large scale capital solutions to fund mission critical, tangible assets for corporate borrowers. The firm brought together a talented group, led by Chief Executive Officer Steve O’Leary, Chairman Tim Conway and Chief Financial Officer Mike Eisenstein, combining deep private credit market competencies with a proven track record in executing securitizations.

The securitization markets function as a vital epicenter of wholesale credit formation and distribution into the U.S. economy, allocating capital to both consumer and commercial financial intermediaries, and ultimately to their end users. Historically, the asset-backed market has served as an anchor source of funding for many high caliber commercial and specialty finance companies through careful architecture and design. Achieving ‘benchmark issuer’ status has been a gold standard measure for numerous platforms over the past few decades.

Securitizations are powerful funding vehicles that offer a continuum of economic advantages, and the market itself is infinitely scalable. These structures provide issuers with access to committed, long-term capital from a broadly diversified, global institutional investor base. Furthermore, they permit for the duration match funding of assets and liabilities, and in many instances, minimize or stabilize interest



rate, refinancing and market-to-market risks. The asset-backed capital markets supply custom engineered solutions that further every corporate Treasurer's goal of fine tuning and achieving the optimal capital structure.

Across from issuers stand the universe of structured credit investors, which consist of an assortment of sophisticated, educated and engaged fixed income managers. As part of any strategic asset allocation framework, fund and portfolio managers invest tremendous resources in researching, analyzing and comparing the relative value of asset classes, issuers and their verticals. Issuers are advised to be well prepared prior to engaging with asset-backed securities investors, and post transaction, proactively maintain a collaborative dialogue with a high level of positive engagement. Credit rating agencies also play an instrumental role during, and following, every securitization offering.

Recently, the U.S. securitization market has experienced a degree of volatility as public and private markets adapt to a new inflation and interest rate regime. Over the course of several decades, the securitization capital markets have proven to be strong, resilient and viable. Asset-backed issuers and investors successfully withstood the test of the Great Recession emerging from a harsh cycle and adjusting to new rating agency and regulatory frameworks, and appear to be poised to evolve again. At over \$700 billion in securities outstanding per SIFMA, this is a dynamic, sophisticated exchange that we expect will remain fluid throughout any potential near term economic turbulence.

Clarus Capital's management team has a long-standing history and exceptional track record in the commercial securitization markets dating back more than 25 years. Over the course of a quarter century together, members of the firm have brought constructive, innovative leadership to the asset-backed markets. From issuing the inaugural collateralized loan obligation (CLO) backed by middle market and syndicated loans in master trust format in 2000 to completing the market's first commercial loan securitization following the Great Financial Crisis in 2009 to building a premier direct lender (NewStar Financial) that was one of one of the largest managers of private credit securitizations prior to its sale in 2017, the structured credit markets are deeply engrained in the Clarus team's DNA.

Just as there are many different recipes for building a great financial services organization, there is no single blueprint or path to becoming a benchmark, durable issuer. But the formula does, at a minimum, require the right combination of talent, institutional quality infrastructure (i.e., business methods, processes, systems and controls) and capital.

First and foremost, building a cohesive team with the right chemistry and a mutually shared vision and investment philosophy, is key. At Clarus, we carefully recruited the right talent at the right time and never compromise on quality and integrity. Since our inception in 2021, we have been collaborating in our Boston, Massachusetts headquarters, in-person, full-time, which has allowed us to uniformly instill our corporate culture. Our business is powered by high performance, versatile corporate athletes with an entrepreneurial drive.

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Second, a robust infrastructure is imperative. Not only does a top-notch independent equipment finance company require core competencies on the asset side of its balance sheet – a strong direct origination franchise, capital markets presence, underwriting capabilities and structuring acumen – but also an agile, integrated operating platform to support the right-hand side. That necessitates allocating substantial resources to liability management and optimization, debt compliance management, investor partnerships, rating agency relations, corporate governance, compliance, business analytics and data science, financial planning and analysis, accounting information systems and technology. This foundation requires careful planning, disciplined construction, and execution with intention, and it is absolutely critical to success. Our Controller and Head of Administration, Dan Crowley, leveraged his extensive background and experience at public financial institutions to develop the framework for Clarus Capital. Infrastructure alone can make or break a commercial finance company and market cycle is often the trigger that distinguishes those who have institutionalized their operating platform, and leverage it as a source of value creation, from those who are ill-prepared.

The third element is knowledgeable investor partners with a long-term vision and commitment that can provide stable funding through all-weather market conditions. Strategically aligning with a sponsor experienced in commercial finance, private credit, and alternative investments that understands the comprehensive lifecycle of the business, enables shareholders to achieve maximum franchise value. Our sponsor, BharCap Partners, led by Bharath Srikrishnan, is a specialist in the financial services sector. The private equity firm has access to a long duration capital base from which it made an initial \$300 million commitment to Clarus Capital. As a seasoned investor-operator, BharCap recognized the value of constructing a world class platform that would support a scaled portfolio and serial securitization issuance. Under BharCap's stewardship, Clarus invested early in its lifecycle in a modern, state-of-art infrastructure, including integrated systems, processes, and technology, and is well prepared for accelerated growth.

Having successfully navigated the debt capital market issuance process on more than two dozen occasions, through unforgiving macroeconomic conditions, credit cycles and across micro market dislocations, the Clarus team has leveraged best practices, historical experience and deep insights to design and architect a sound framework to support its capital markets ambitions. We are excited at the prospect of returning to the securitization markets as a serial issuer of asset-backed securitizations collateralized by equipment leases and loans originated, structured and underwritten by the Clarus Investment Management team.



#### Mike Eisenstein, CFA

Prior to co-founding Clarus Capital, Mike spent 15 years as a member of the executive team at NewStar Financial. There, he led the public company's treasury, capital markets, investment valuation, liquidity and capital planning, hedging, securitization and data analytics functions as Corporate Treasurer and Head of Asset Management. The firm was an early pioneer of the private credit markets and successfully executed dozens of benchmark securitizations through partnerships with market-leading institutions. Prior to NewStar, Mike spent 5 years at MUFG, where he worked in the corporate investment bank in the securitization, transportation and lender finance groups. In that role, he focused on structuring and executing asset-backed financing and leasing transactions for clients in the aviation, container, shipping, specialty finance, and rail industries. As Chief Financial Officer at Clarus, Mike is responsible for all internal financial controls and reporting, planning and oversees external financing and capital raising efforts. Mike is a member of Clarus' Management Committee, Operating Committee, Investment Committee and serves as a member of the Board of Directors.

#### Jeff Greene

Jeff joined Clarus after 15 years with NewStar Financial where he served in a variety of capacities within its leveraged finance group including as a Senior Portfolio Manager and Head of the Analyst & Associate Pool. In his portfolio management role, Jeff provided underwriting oversight and risk management on new transactions while managing a dynamic portfolio of sponsor-backed middle market credits with hold positions ranging from \$10M to \$50M across a variety of senior, unitranche and junior debt positions. As Head of the NewStar's Analyst & Associate Pool, Jeff oversaw the recruitment, training, management, and development of the entire underwriting pool. As the Chief Investment Officer of Clarus Capital, Jeff is responsible for establishing and maintaining all underwriting and portfolio management processes and guidelines, as well as recruiting and developing the expansion of the investment team as the organization scales. Jeff works closely with originations and portfolio teams, executive leadership, capital partners and the Board of Directors, and is a member of Clarus' Management Committee, Operating Committee and Investment Committee.