2026

The Future of Orange Capital

A COMPARATIVE EVALUATION OF IIX'S WLB BOND STRUCTURE AND RECOMMENDATIONS FOR SUBSEQUENT ISSUANCES

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A Comparative Evaluation of IIX's WLB Bond Structure and Recommendations for Subsequent Issuances

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International Development Law Practicum

Spring Term 2026

ABSTRACT

The Women's Livelihood Bond (WLB)™ series, initiated by the Impact Investment Exchange (IIX) to advance gender equality and climate action in the Global South, relies on a traditional loan-issuance bond structure. While successful in mobilizing capital for microfinance institutions, the current framework introduces significant administrative and bureaucratic complexities. High operational demands on portfolio managers and loan administrators, strict traditional repayment deadlines that escalate default risks, and the burdensome, costly requirements of stock exchange listings threaten the scalable efficiency of subsequent issuances.

This study employs a qualitative, comparative evaluation framework to assess five alternative debt structures against the operational realities of impact lending in South and Southeast Asia. The analyzed financing structures include (1) loan facilities; (2) evergreen financing; (3) warehouse lending; (4) revenue-based financing; and (5) convertible debt. Each mechanism is systematically evaluated across six critical institutional and market dimensions.

The comparative analysis demonstrates that loan facilities and revenue-based financing emerge as the optimal debt structures for future WLB issuances but must be calibrated to meet the needs of the end-user of these loans. Loan facilities (e.g., revolving credit lines) reduce administrative overhead by eliminating repetitive issuance setups and offering flexible access to capital without collateral. These loan facilities may also be securitized into Asset-Backed Securities (ABS) and listed on stock exchanges with the added advantage of avoiding recurrent stock exchange re-listing costs.

Alternatively, revenue-based financing is less structurally complex, and avoids the risk of defaults risks by aligning repayments by charging a fixed percentage of the borrower's revenues rather than demanding repayment based on inflexible principal and interest terms with strict maturity dates. Conversely, evergreen financing, warehouse lending, and convertible debt are determined to be less suitable due to heightened foreign exchange convertibility risks, severe default consequences, or extensive equity-dilution and securitization challenges.

Table of Contents

Part I: Introduction

Since its inception, IIX has played a critical role in the field of impact investing throughout South and Southeast Asia. Led by Professor Durreen Shahnaz and her experiences in both the world of high finance and the Global South, IIX has grown significantly in its mission to empower disadvantaged communities from Afghanistan to the Philippines with social and financial capital.[1] One of its success stories, Koperasi Simpan Pinjam Mitra Dhuafa (KOMIDA), is an Indonesian savings and loan cooperative dedicated to helping low-income women meet their business capital needs.[2] In response to an earthquake and tsunami in the Indian ocean in 2004, KOMIDA launched to aid victims in the province of Aceh in 2005.[3] In 2009, the company transformed itself into a savings and loan cooperative, adjusting its mission to focus on providing savings and loans for low-income women without access to the traditional financial sector.[4] As of December 2024, KOMIDA had over 900,000 women borrowers with a total loan portfolio of $132.16 million.[5]

Though KOMIDA was one of 9 original borrowers during IIX's Women's Livelihood Bond 7 (WLB 7) bond offering[6], KOMIDA's structure, mission, and borrowing history distinguished it from the other 8 borrowers from the start. As a savings and loan *cooperative*, KOMIDA is owned by its members, 100% of whom are women.[7] The onboarding process to join KOMIDA is rigorous, but ultimately worthwhile, as KOMIDA offers its members a wide variety of loan offerings, including: (1) general loans, (2) micro business loans, (3) sanitation loans, (4) house renovation loans, and (5) education loans.[8] Moreover, KOMIDA's business structure is particularly beneficial for low-income women in the Southeast Asia region because KOMIDA does not require its borrowers to put up any collateral.[9] The absence of the traditional collateral requirement in lending enables more women in these regions to access business capital, as low-income women in Southeast Asia are less likely to possess typical forms of collateral, such as vehicles, real estate, or securities.[10] KOMIDA also provides critical non-financial services to its members, including health training, educational motivation for members' children, and family financial management.[11]

KOMIDA's growth and success is evident through its past borrowing history with IIX. In three of IIX's previous issuances in the Women's Livelihood Bond series, including the WLB2, WLB3, and the WLB4Climate, KOMIDA borrowed capital to help fund and grow its operations.[12] Its efforts were ultimately successful, as KOMIDA was able to fully repay the loans it obtained

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[1] *Our Story,* IMPACT INV. EXCH., https://iixglobal.com/who-we-are/ (last accessed Mar. 21, 2026).
[2] *About Us*, KOMIDA, https://mitradhuafa.com/tentang-kami/ (last accessed Mar. 21, 2026).
[3] IMPACT INVESTMENT EXCHANGE, WLB ASSET VII INFORMATION MEMORANDUM 101 (2025),
[4] *Id.*
[5] *Id.*
[6] *See id.* at 21.
[7] *Id.* at 101.
[8] *Id.*
[9] KOMIDA, *supra* note 2.
[10] *See* Ana Staples, *What is Collateral on a Loan – And When Do You Need It?*, CNBC (June 10, 2025), https://www.cnbc.com/select/what-is-collateral/.
[11] KOMIDA, *supra* note 2.
[12] IMPACT INVESTMENT EXCHANGE, *supra* note 3, at 101.

from these offerings at maturity[13], demonstrating KOMIDA's ability to strategically use impact investment capital for the betterment of its members while satisfying its financial obligations.

Although KOMIDA has had its successes in microfinancing and impact lending, it has also faced challenges. Notably, KOMIDA has faced challenges in implementing new technologies for its members' benefit, as evidenced by a failed smart card pilot project in 2010.[14] The goal of the project was to create a digital mechanism that could capture all transactions and customer information and increase borrower and officer efficiency, as well as reducing data entry errors.[15] Although the concept behind this initiative was well-intentioned, the program failed due to cost and implementation concerns, and it was ultimately terminated in 2012, which was prior to IIX and KOMIDA's business relationship.[16] Nonetheless, KOMIDA has grown to become a positive agent for social impact and microlending in Southeast Asia with the support of IIX's Women's Livelihood Bond program.

KOMIDA's success underscores the importance of IIX's WLB program and why its issuances are necessary to drive meaningful social, environmental, and economic change in the Global South. The Women's Livelihood Bond program was designed as a blended financial product to empower women and girls across South and Southeast Asia in microfinance, agriculture, housing, sanitation and other impactful areas.[17] With over $250 million in capital mobilized and over 3,000,000 lives impacted, the Women's Livelihood Bond program has become a driving force behind female economic empowerment throughout countries in South and Southeast Asia, and even reaching Africa.[18] As such, its continued operations are critical towards the advancement of gender equality and economic growth in developing nations.

As each WLB offering is unique, the question arises of whether the most recent issuance, the WLB 7, uses the optimal debt structure to best help IIX achieve its goals. While the WLB 7 structure follows a more traditional loan-issuance structure, this paper argues that ultimately, a loan facility or revenue-based financing model may be a better suited debt structure for the WLB Bond moving forward.

Part II: Opportunities for Enhancement

The most recent iteration of the WLB Bond Series, the WLB 7 Bond, was issued in July 2025 in the amount of $60 million. The goal of the WLB7 is to empower underserved women and girls and gender minorities from low-income, rural, minority, or otherwise disadvantaged communities to improve their quality of life and advance climate action through investment.[19] The current WLB7 involves eight (8) entities that drive the organization and structure of the offerings, ultimately leading to loans made directly to borrowers based in India, Sri Lanka, and other

[13] *Id.*
[14] ADRIAN YEOW & WEE-KIAT LIM, KOMIDA: MAKING MICROFINANCE DIGITAL IN INDONESIA 3 (2018).
[15] *Id.*
[16] *Id.*
[17] *Women's Livelihood Bond*, IMPACT INVESTMENT EXCHANGE, https://wlb.iixglobal.com/ (last accessed Mar. 21, 2026).
[18] *Id.*
[19] IMPACT INVESTMENT EXCHANGE, *supra* note 3, at 18.

countries in South and Southeast Asia (collectively, the "Borrowers").[20] The general structure of the bond involves the Issuer's[21] aggregate raising of the principal, followed by the Subordinated Investor's provision of first-loss capital, with the ultimate issuance of individual loans and the monitoring of their disbursement and repayment. The Portfolio Manager (IIX) and Loan Administrator[22] continually evaluate business operations of the Borrowers, conduct investment impact analyses, manage loan records and repayments, and ensure the flow of capital occurs smoothly.[23]

While this bond structure has functioned so far, certain aspects can be enhanced. First, the bond structure presents a level of administrative and bureaucratic complexity for IIX operations. For example, the current structure involves risk assessment partially through the Portfolio Manager's consistent evaluation of the Borrower's business operations and the investment impact. This requires a strong level of manpower and analysis that alternative debt offerings may not require. Moreover, the Loan Administrator possesses a great level of responsibility that rivals only the Portfolio Manager and is responsible for monitoring disbursements and repayments, managing records, and liaising with borrowers.[24] As such, the Loan Administrator role involves multiple complex, hands-on responsibilities that are all crucial to IIX's mission. Under other alternative debt structures, such roles could be spread out in a simpler fashion.

Additionally, other issues may arise under the current structure regarding repayment deadlines for loans issued to borrowers and stock exchange listing requirements. Under the current structure, loan repayment deadlines follow a more strict traditional deadline than other alternative debt instruments (e.g. evergreen financing).[25] This is because repayment of the loans is a prerequisite to repayment of the principal to the bondholders.[26] Even though the Swedish International Cooperation Agency (Sida), as guarantor for the bonds, partially mitigates default risk to the bondholders by guaranteeing up to 40% of the net losses on the principal amount incurred by IIX as the issuer due to non-payment of the principal[27], other alternative debt structures may further mitigate risk by providing avenues for extending repayment deadlines.

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[20] *Id.* at 11. The 8 entities include: (1) the Issuer/Portfolio Manager, who is responsible for issuing the aggregate principal, conducting virtual field visits to Borrowers to assess business operations, and other key functions; (2) the Issuer Corporate Services Provider, which comprises the Issuer's board of directors and is responsible for the Issuer's administration; (3) the Subordinated Investor, which provides first-loss capital for the bonds in the amount of $7,200,000; (4) the Issuer's subsidiary (WLB Asset VII), which uses bond proceeds to make loans to borrowers outside of India and Sri Lanka; (5) the Guarantee Partner (SIDA), which provides a partial guarantee of any of the Issuer's net principal losses due to nonpayment; (6) the Loan Administrator, which oversees administration and repayment of loans to borrowers; (7) the Placement Agents, which connect investors to the fund; (8) the Bonds Trustee, which holds the Issuer's covenant to pay principal and interest on the bonds and may act on behalf of bondholders.

[21] The Issuer is a corporation based in Mauritius named "WLB Asset Pte. Ltd." IMPACT INVESTMENT EXCHANGE, *supra* note 3, at 11.

[22] The Loan Administrator for the WLB 7 is CSC Global Capital Markets (Singapore) Pte. Ltd. *See id.*

[23] *Id.*

[24] *Id*.

[25] *See id.* at 154.

[26] *Id.* at 43.

[27] *Id.* at 154.

Finally, the WLB7 is listed on the Singapore Stock Exchange (SGX).[28] And while IIX may be considering making listings on other stock exchanges, listing requirements can be burdensome, complex, and expensive.[29] Although these requirements present difficulties, analyzing possible listings on alternative market exchanges fall outside the scope of this paper, as the analysis would require a "compare and contrast" approach of SGX's rules to another country's stock exchange. To circumvent this challenge, an analysis of alternative debt class securities that "revolve" or have a perpetual existence shows that a one-time stock issuance that expires upon removal from IIX (notwithstanding any required yearly updates) may be a better option to consider, as further demonstrated below.

Part III: Alternative Financing and Operational Considerations

This paper will analyze five different alternative debt structures to determine which would serve as the best structure for the WLB Bond, depending on the needs of its end-users. These structures are (1) loan facilities; (2) evergreen financing; (3) warehouse lending; (4) revenue-based financing; and (5) convertible debt.

a) Loan Facilities and Methods for Securitization

The first debt structure analyzed in this paper is a loan facility. Loan (or credit) facilities are financial arrangements between lenders and borrowers that provide borrowers with access to a predetermined amount of money during a specified term.[30] Common types of loan facilities include revolving credit lines, term loans, and overdraft services.[31] Revolving credit lines allow borrowers to borrow up to a predetermined limit, repay the money, and borrow again over time as necessary without the need to enter into separate credit agreements.[32] Term loans are commercial loans typically used to finance large investments or acquisitions.[33] These loans have a set interest rate and maturity date, and can have loan periods from less than 3 years to up to 20 years.[34] Overdraft services provide short-term loans to companies when the company's cash account is empty, with the lender charging fees and interest on the short-term loan.[35] Loan facilities typically lend out predetermined amounts and do not require collateral, with lenders making money through interest payments and fees.[36]

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[28] *See Linklaters advises Impact Investment Exchange on the Issuance of US$52.8m Women's Livelihood Bond*, LINKLATERS (Aug 4, 2025), https://www.linklaters.com/about-us/news-and-deals/deals/2025/august/linklaters-advises-impact-investment-exchange.

[29] *See Is Your Company IPO-Ready? The Singapore Exchange (SGX) Checklist*, MANDALORE PARTNERS (Oct. 28, 2025), https://www.mandalorepartners.com/research/is-your-company-ipo-ready-the-singapore-exchange-sgx-checklist#:~:text=Going%20public%20is%20a%20transformative,consolidated%2C%20avoiding%20any%20legal%20ambiguities.

[30] https://swoopfunding.com/us/business-glossary/credit-facility/

[31] Mitchell Grant, *Understanding Financial Facilities: Types, Purposes, and Examples*, INVESTOPEDIA (Nov. 1, 2025), https://www.investopedia.com/terms/f/facility.asp.

[32] Karen Axelton, *What is Revolving Credit?*, EXPERIAN (Oct. 23, 2025), https://www.experian.com/blogs/ask-experian/what-is-revolving-credit/.

[33] Grant, *supra* note 29.

[34] *Id.*

[35] *Id.*

[36] *Id.*

Given IIX's history of listing its debt offerings on national security exchanges, a WLB bond using a loan facility would have to be securitized for the instrument to be offered to borrowers as a listing on the SGX (or other stock exchanges). One method to do this is by turning pooled facilities into an asset-backed security (ABS). Asset-backed securities pool together asset types, such as commercial or other loans, and sell these obligations to investors as a way to raise funds.[37] Interest and principal payments are passed to investors, while defaults are generally more difficult to incur because each security comprises only a small portion of each loan.[38] Specifically, securitizing loans into an ABS is a multi-step process, namely: (1) issuance of loans, (2) creation of asset pools, (3) creation of a special purpose vehicle (SPV) to handle the securitization process, (4) transfer of loans to the SPV, (5) dividing the loans into tranches based on risk and return, (6) credit enhancement and rating, (7) marketing and sale of the ABS, (8) distribution of cash flows, and (9) consistent monitoring of the loans that comprise the ABS.[39]

Alternatively, collateralized loan obligations (CLOs) present another method of securitizing loan facilities for issuance to investors. Similar to ABSs, CLOs are securities that combine a pool of loans, divided into tranches, and are sold to investors.[40] Unlike ABSs, CLOs can be divided into debt and equity tranches, with debt tranches being paid out first and carrying lower risk, while equity tranches have higher potential returns at a higher risk.[41] CLOs are actively managed, with managers holding decision power over the types and specific loans that make up the portfolio.[42] While CLOs holding traditional bank loans are somewhat secured due to the underlying collateral securing the component loans, it is important to recognize that a CLO consisting of loan facilities may not achieve the highest level of security as it does not require borrowers to post or pledge collateral. Nonetheless, investors purchasing CLOs consisting of loan facilities are likely to be well-informed of any additional risk and still inclined to purchase these securities due to their commitment to the borrower's underlying mission. The process of creating and operating a CLO is similar to that of creating an ABS, albeit with some key differences.

Specifically, the CLO creation process involves: (1) establishing a capital structure, including different levels of debt and an equity tranche, (2) raising capital from investors, (3) having investors choose tranches based on their risk appetite, (4) purchasing loans to comprise the underlying portfolio, (5) creating an SPV, (6) repaying investors, and (7) termination of the CLO upon maturity or sale of the component loans.[43] Securitization through asset backed securities or collateralized loan obligations present effective and proven methods for a potential WLB bond offering that operates through loan facilities.

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[37] *Asset-Backed Securities: Definition, Types, and Examples*, STONEX, https://www.stonex.com/en/financial-glossary/asset-backed-securities/ (last accessed Mar. 21, 2026).
[38] *Id.* While defaults are less likely, they are not impossible to incur if loans are defaulted upon throughout an entire industry, such as in the 2008 U.S. financial crisis.
[39] James Chen, *Securitization: Definition, Benefits, Risks, and Real-Life Example*, INVESTOPEDIA (Aug. 16, 2025), https://www.investopedia.com/terms/s/securitization.asp#:~:text=Fast%20Fact,own%20risk%20and%20return%20profile..
[40] Troy Segal, *Collateralized Loan Obligation (CLO) Structure, Benefits, and Risks*, INVESTOPEDIA (Sept. 1, 2025), https://www.investopedia.com/terms/c/clo.asp.
[41] *Id.*
[42] *Id.*
[43] *Id.*

b) Evergreen Financing

The second debt structure that IIX may consider when designing subsequent WLB offerings or related debt instruments is evergreen financing. Evergreen financing is an alternative form of debt financing that involves a more structured, gradual infusion of capital into an enterprise, instead of traditional lump-sum financing.[44] The gradual infusion of capital into a business receiving evergreen financing occurs either through a fixed schedule upon agreement by both the financier and borrowers, or at the specific request of the company's management team.[45] Moreover, evergreen financing is particularly beneficial to borrowers because the arrangement allows borrowers to renew their debt periodically by pushing back the maturity date.[46] This method of debt financing prevents companies from growing too fast and instead, allows them to establish a solid business foundation.[47]

Although critics of evergreen financing may argue first that evergreen financing ties up capital, which prevents money from being invested in other ways, and second, investor confidence in returns may dwindle if companies continually request to push back loan maturity dates. It is important to keep in mind that impact investors are the primary purchasers of WLB issuances. Though financial return is critical, impact (or Orange) investors should (and likely do) have more patience than traditional investors because they invest in social, environmental, and economic change instead of simply opportunities for making monetary returns. Nevertheless, IIX should carefully consider whether creating a "forever" financing vehicle matches the needs of its investors. If it does, this may be a pathway forward into a new investment protocol for IIX.

As with loan facilities, evergreen financing agreements are not easily tradeable on stock exchanges. Consequently, these investments must be securitized in order to serve as a WLB offering to investors. Since evergreen financing agreements differ from traditional loans or loan facilities with regard to returns, using alternative methods (other than securitization) may present greater benefits. For example, securitization by using collateral may not be a viable course of action where the borrower lacks the necessary kind of assets upon which to base securitization. Moreover, securitization through an ABS or CLO may also not be feasible in many cases. Instead, securitization of evergreen financing agreements may be undertaken by conversion to an exchange-trade fund (ETF). One of the major benefits of securitizing evergreen financing agreements through an ETF is that ETFs and other index funds do not have to "re-list" on stock markets.[48] Instead, ETFs and index funds normally make announcements of any changes in the

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[44] Adam Hayes, *Understanding Evergreen Funding: A Smart Investment Approach*, INVESTOPEDIA (Feb. 11, 2026), https://www.investopedia.com/terms/e/evergreenfunding.asp. It is important to recognize that evergreen funding is **not** the same as an evergreen fund, which is an investment vehicle that allows investors to make long-term investments in private companies without a fixed end date. The lack of a fixed end date enables investors to have greater freedom to enter and exit the fund, as well as enter the fund with lower investment minimums. *What are Evergreen Funds?*, HAMILTON LANE, https://www.hamiltonlane.com/en-us/knowledge-center/evergreen-funds (last accessed Mar. 17, 2026).

[45] Hayes, *supra* note 42.

[46] *Id.*

[47] *Id.*

[48] Adam Hayes, *Index Rebalancing: What Every Investor Should Know*, INVESTOPEDIA (Feb. 28, 2025), https://www.investopedia.com/index-rebalancing-7972596.

composition of the portfolio, undergo an adjustment period followed by reweighing of the index, and lastly finalization of the changes.[49]

c) Warehouse Lending

Third, IIX may also consider warehouse lending as a method to issue new WLB offerings. Warehouse lending, commonly used for home mortgages, is a debt offering structure where a small to mid-sized lending institution borrows money from a larger financial institution (AKA warehouse lenders) to provide loans to other borrowers.[50] Warehouse lending is beneficial for lenders who do not possess as large of a capital volume as major financial institutions since smaller lenders are not using their own capital for loans.[51] As such, the small to mid-sized lenders may issue a greater number of loans than they could without the help of a major financial institution.[52] Through this structure, warehouse lenders profit by charging fees and interest for capital loaned to smaller lenders, as well as the eventual sale of loans made by smaller lenders to the secondary market.[53] Smaller lenders profit from origination fees and the eventual sale of loans to a secondary market.[54] With regard to the risk profile, however, warehouse lending tends to fall on the higher end of the risk scale as profit revolves around a high volume of loans made and sold to the secondary market. Similar to loan facilities, securitization of warehouse loans can be accomplished through CLOs or ABSs.

d) Revenue-Based Financing

Fourth, IIX may consider revenue-based financing as a method to market new WLB offerings. Revenue-based financing occurs when investors provide capital to businesses in exchange for a share of their ongoing gross revenues.[55] This type of financing is unique because there is no transfer of equity to investors, nor is there any interest on capital raised.[56] As there is no interest owed on the initial investment, investors profit by requiring repayment of 3-5 times of the original investment.[57] Revenue-based financing provides both benefits and drawbacks for borrowers and investors alike. Benefits to borrowers include no fixed payments or interest owed, as well as no relinquishment of equity, while benefits to investors include a steady stream of returns and an opportunity to multiply their initial investment significantly.[58]

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[49] *Id.*
[50] Caroline Banton, *Understanding Warehouse Lending in Banking: How It Works and Benefits*, INVESTOPEDIA (Aug. 23, 2025), https://www.investopedia.com/terms/w/warehouse_lending.asp.
[51] *Id.*
[52] *Id.*
[53] *Id.*
[54] *Id.* Origination fees are up front charges by lenders to create, process, underwrite, and finance a loan.
[55] Adam Hayes, *Revenue-Based Financing: Definition, Benefits, and SaaS Business Examples*, INVESTOPEDIA (Oct. 14, 2025), https://www.investopedia.com/terms/r/revenuebased-financing.asp.
[56] *Id.*
[57] *Id.*
[58] *Id.*

Drawbacks to borrowers include reduced monthly revenues and long-term obligations, while drawbacks to investors may include reduced returns during times of economic hardship and having to wait a longer time before the initial investment is fully recouped or profitable.[59] Generally, the risk profile on revenue-based financing is fairly low, as the only way a business can default on its obligation is if it shuts down or goes bankrupt. Similar to loan financing and warehouse lending, the best option to securitize revenue-based financing agreements for a WLB series is most probably through an ABS.

e) Convertible Debt

Finally, IIX may consider convertible debt as a financing method to make new WLB offerings.[60] Convertible debt is a special type of debt that may be converted into a specified number of shares of the issuing company's common stock. The conversion of debt holdings to shares of stock may be exercised at the debtholder's discretion.[61] This structure is extremely beneficial for investors as it ensures returns either by interest from the debt or appreciation of the company's stock price.[62] Since there is a conversion option, however, convertible debt will usually carry a lower interest rate.[63] Moreover, the convertible debt structure helps mitigate the risk of default by ensuring the investors do not lose their entire investment in the event the company cannot pay back the debt.[64] A major drawback for convertible debt, however, is that securitization options are limited. Due to the hybrid nature of convertible debt as both debt and equity, traditional securitization methods such as pooling into ABSs, CLOs, or ETFs will likely prove to be difficult.

Regardless of the debt financing option IIX selects to implement any future WLB or other debt offerings, IIX must take into account certain operational conditions of doing business in the Global South. Factors such as legal systems, foreign currency exchange, local currency usage, and the enforceability of contract remedies in local courts, if applicable, all play roles in the creation and implementation of each debt structure. While these factors are important, this paper will not evaluate these debt structures in the context of legal systems and enforceability issues as these factors lie outside the scope of this paper. Instead, this paper considers the effects of currency and foreign exchange issues generally on debt issuances and how these issues may affect each of the aforementioned debt structures.

f) Impact of Foreign Currency Exchange Fluctuations on Alternative Debt Offerings

Generally, currency fluctuations impact debt issuance by shifting the risk between the lender/investor and the borrower depending on: (1) whether the debt is issued in foreign or local

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[59] *Id.*

[60] IIX has previously acquired equity stakes and issued convertible debt instruments. As such, there is precedence for adopting a convertible debt approach. *See* Robert Kraybill, *"Beyond Debt: The Rising Role of Equity in SME Growth,"* WORLD BANK GROUP (Jan. 29, 2026).

[61] James Chen, *Understanding Convertible Bonds: Definition, Examples, and Key Benefits*, INVESTOPEDIA (Aug. 8, 2025), https://www.investopedia.com/terms/c/convertiblebond.asp.

[62] *Id.*

[63] *Id.*

[64] *Id.*

currency; and (2) how each type of currency moves in relation to the other.[65] For example, if a U.S. investor issues a loan to a Japanese company in U.S. dollars, and the yen weakens against the dollar within the next month, the Japanese company, who assumes the risk of foreign currency exchange fluctuations, may have to struggle to meet its external loan obligation to the U.S. investor. As such, currency fluctuations create an additional level of risk for the borrower that investors and bond issuers should consider before buying or making debt offerings. External investors should consider the foreign exchange (FX) risk assumed by the borrowers in judging the financial viability of their investment.

Currency fluctuations also impact each of the five aforementioned debt structures in unique ways. In the past, IIX has relied on hedging options to reduce risks arising from currency fluctuations, and should continue to do so regardless of what debt structure it uses in subsequent WLB bond offerings. Regarding the loan facilities model, currency fluctuations impact debt repayment based on whether there is a specified repayment currency in the agreement and how the fluctuation affects that currency. As IIX only uses USD as the loan disbursement and the repayment currency, if the USD strengthens, the borrower will have a more difficult time repaying the funds it borrowed via the bond series, or other relevant financial vehicle. Although payment defaults have not occurred with IIX, to date, if the borrower does, in fact, default on its loan payments over a substantial period to time, it may raise the additional complexities of possibly drawing down on IIX's various credit enhancement features. These include, depending on the actual transaction, using IIX's first-loss reserve fund or drawing down on loan guarantees provided to IIX by its guarantors which have been negotiated and agreed to in advance. If this situation arises, lenders may potentially see their capital tied up for longer periods. In contrast, if the USD weakens, then borrowers may be expected to pay back their loans on time or faster.

Regarding the evergreen financing model, the option to push back maturity dates on debt gives the borrower an advantage in the event of unfavorable currency fluctuations. In this circumstance, the borrower may exercise its option to push back the repayment date until a time when currency fluctuations move in its favor.

As for the warehouse lending model, FX fluctuation adds an increased level of risk to the small or mid-sized lender. The small or mid-sized lender faces the highest level of risk because it must consider currency fluctuations with regard to the borrower's repayment and the money it owes the warehouse lender. Moreover, the warehouse lender faces the risk that the capital it lends to the mid-sized lender could take longer to repay than expected if the borrower's local currency weakens against the USD. For example, if the Indian Rupee is used as the local currency, it must be converted to USD somewhere along the repayment chain. In these cases, the warehouse lender may face the contingency of its loans being outstanding for longer due to FX conversion fluctuations that may affect the borrower, and which are far beyond the warehouse lender's control.

The revenue-based financing model also carries some risk as FX exchange rates fluctuate. Local currency fluctuation risks increase for the lender if the USD strengthens, as the lender's return will be less valuable when exchanged for the lender's currency. For the borrower, the risk increases if the repayment currency (i.e., the USD) strengthens because the borrower incurs a

[65] *See* Brian Beers, *How Currency Risk Affects Foreign Bonds*, INVESTOPEDIA (Feb. 9, 2025), https://www.investopedia.com/articles/investing/062813/how-currency-risk-affects-foreign-bonds.asp.

bigger hit to its bottom line. Lastly, currency fluctuations under the convertible debt model present the least risk for the lender as lenders have the option to convert unfavorable debt into equity at an opportune moment. As for the borrower, risk level of FX currency fluctuations under the convertible debt model is generally the same as with the other models. In other words, FX fluctuations that have the impact of requiring the borrower to use more local currency to make its repayments in USD will ultimately, make the debt more expensive for the borrower.

Part IV: Analysis and Recommendations

After considering all of the aforementioned debt structures and operational concerns, the optimal debt structures for the WLB Bond™ or successor debt Series, depending on the needs of IIX's end users, are either loan facilities or revenue-based financing. The following analysis will examine the relative merits of:

(A) loan facilities in comparison to: (i) evergreen financing; (ii) warehouse lending; and (iii) convertible debt; and

(B) revenue-based financing in comparison to: (i) evergreen financing; (ii) warehouse lending; and (iii) convertible debt;

a) Loan Facilities

As shown below, loan facilities emerge as one of the best debt structures for IIX to consider for its WLB Bond series:

(i) Loan facilities eliminate the need for administrators to set up multiple loan offerings. Since certain loan facilities, such as revolving lines of credit, do not require multiple offerings, this eases the burden on loan administrators. Moreover, if a borrower wishes to borrow more money upon maturity of a loan, administrators do not have to undergo a new offering process.

(ii) Certain loan facilities do not have any collateral requirements as the loan process continues based on whether the borrower is able to repay the amount they've borrowed, along with any interest attached.[66] A caveat to the lack of collateral requirements is that unsecured loan facilities may sometimes require higher interest rates,[67] but this structure nonetheless would enable IIX to lend to a greater number of borrowers in regions where access to collateral is not always feasible, but access to business capital is critical.

(iii) The multitude of loan facility types allows for flexibility in the offerings IIX may issue to potential borrowers. Specifically, access to capital on an as-needed basis and the lack of re-application requirements are two such potential benefits. In contrast, other alternative debt offerings like evergreen financing or convertible debt follow a single, pre-determined

[66] *See, e.g.*, Gerri Detweiler, *Unsecured Business Line of Credit: How It Works and Is It Right for Your Business?*, NAV (Sep. 30, 2025), https://www.nav.com/business-credit/is-an-unsecured-business-line-of-credit-right-for-your-business/.
[67] *Id.*

structure that would require re-applying if more business capital is needed. Depending on the end users, this could make WLB issuances better tailored to suit the needs of borrowers directly.

(iv) The nature of loan facilities as a "revolving" or "perpetual" debt offering allows for a one-time securitization process after they are bundled into ABSs, as their lack of expiration dates means they will not need to be re-listed on stock exchanges. This would make it procedurally easier for IIX to operate the WLB Bond Series™ and avoid any additional listing costs. Nonetheless, IIX may still choose to re-list if doing so fulfills investor requirements or helps increase the perceived value of the WLB Bond.

a. **Evergreen Financing**: Loan facilities also present clear advantages over the three alternative debt structures identified as well. In contrast to evergreen financing, capital from loan facilities does not get tied up by extensions for repayment deadlines. With evergreen financing, investors may not be able to see returns as quickly during times of economic downturn, and as such, will be prevented from using the returns they expected as business capital in other ventures. Loan facilities present a better opportunity for balancing flexibility to borrowers with mitigating return risk for investors. Moreover, evergreen financing has a greater level of risk when considering foreign currency exchange principles as well. In periods where the borrower's local currency is weak against the USD (or ostensibly against a different repayment currency), the borrower will need more time to repay loans back fully. Moreover, the borrower's option to push back deadlines under an evergreen financing agreement solidifies their ability to extend the repayment term of the loan until foreign currency exchange rates are more favorable. This, in turn, may lead to the lender's invested capital being tied up for longer. Overall, the author's assessment is that loan facilities appear to be a superior option over evergreen financing.

b. **Warehouse Lending:** In contrast to warehouse lending, loan facilities do not run the risk of defaulting to a major financial institution as a source of capital. IIX has been successful in its past WLB issuances by raising money from many investors rather than one large investor. Hopefully, this fundraising aspect will not change. Not only would it be difficult to find such a large warehouse investor that would be willing to "impact invest" on such a grand scale, but also having one large warehouse lender could present autonomy challenges to IIX in the future by giving the warehouse lender such a high level of power and influence. In contrast, IIX's current system of having many investors buying WLB Bonds has historically been successful. Moreover, foreign exchange considerations demonstrate that warehouse lending could pose challenges.

c. **Convertible Debt:** Loan facilities are also advantageous over convertible debt offerings, particularly in terms of ease of execution and securitization. The end users who borrow from IIX typically are not large companies with easily tradeable stock. Although convertible debt presents clear advantages to investors regarding its flexibility to be converted from debt to equity in borrowing companies, a key

consideration is the level at which the borrowing company's stock would be diluted upon exercising the conversion option. A greater dilution of stock means less returns for lenders overall in situations where multiple lenders issue convertible debt and exercise their conversion options simultaneously or within short periods of one another. Moreover, unsecured lenders who do not convert their debt issuance to equity will get paid first if the company goes bankrupt, causing lenders who exercised their equity options to be left with little to nothing.[68]

d. **Securitization** of convertible debt has significant challenges, and IIX may have to expend a fair amount of time and effort in this process that it could avoid by using loan facilities. In particular, the securitization of convertible debt itself can be accomplished by using a special purpose vehicle, but this method may limit the number of investors that can buy into the convertible debt offerings.[69] As borrowers who raise capital through the WLB Bond Series™ likely cannot issue tens of thousands of shares of stock, the number of investors under a convertible debt structure would have to be limited. As each investor would have the option to convert their debt into shares, the conversion process and timing needs to be carefully planned. A greater number of investors would mean greater share dilution, which could have significant negative effects for both investors and borrowers, namely a potential reduction in returns/profits for both parties.

b) Revenue-Based Financing

Alternatively, revenue-based financing emerges as another excellent option for the WLB bond series because of its structure, its capacity for issuing capital without diluting owner equity, and its ease of administration. In contrast with IIX's current debt structure, revenue-based financing is much simpler for both lenders and borrowers. Instead of the traditional lending structure with fixed maturity dates and fixed monthly repayments, debt is repaid by a fixed percentage of the borrower's revenues. This provides flexibility to the borrower, makes it less likely that the borrower will default on repayments, and protects borrowers from equity dilution. Moreover, revenue-based financing does not involve any interest or collateral, which means that IIX would be able to fund many more borrowers than under traditional loan agreements.

However, revenue-based financing does have some drawbacks that are important to consider. First, revenue-based financing may crowd out subsequent investors. Since a portion of the borrower's revenue would already be tied up in repaying debt to IIX, subsequent investors would likely not see returns as strong as they could be with the current or alternative structure. Moreover, deducting a fixed percentage of the borrower's monthly cash earnings for debt repayments also means that those dedicated funds are not available for capital investments, opening new markets or products, and other uses. Additionally, both the borrower's growth rate

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[68] *See Who Gets Paid First in Chapter 11*, BRUNER WRIGHT (Sep. 30, 2024), https://brunerwright.com/who-gets-paid-first-in-chapter-11/.

[69] *See 506(b) SPV Capital Raising and Common Types of Convertible Debt*, SYNDICATELY (May 27, 2023), https://www.syndicately.com/blog/raising-capital-with-convertible-debt-an-in-depth-look-at-506b-spv-capital-raising-and-common-types-of-convertible-debt/#:~:text=506b%20SPV%20capital%20raising%20is%20a%20method,the%20future%20*%20Avoid%20certain%20securities%20regulations.

and investor return may be limited during periods of economic downturn as free cash flow will be limited during these times as well. Despite these potential drawbacks, revenue-based financing still appears to be one of the best debt structures for IIX to use in subsequent WLB bond offerings.

(i) **Evergreen Financing:** When compared to evergreen financing, revenue-based financing proves to be the better debt structure for a WLB Bond offering. Revenue-based financing has a much lower risk overall for default than evergreen financing, as the only way companies can default under a revenue-based financing scheme is by going bankrupt. Further, investors see consistent repayments under a revenue-based financing scheme whereas under evergreen financing, the option to push back repayment deadlines may leave investors without returns for significant periods of time. This, as mentioned, could lead to capital being tied up, which could be used by IIX (and its investors) in other ventures. With regard to volatility under foreign currency exchange shifts, both revenue-based financing and evergreen financing present some vulnerability to unfavorable FX shifts. In both cases, unfavorable shifts under either structure could lead to a default.
Finally, administrative requirements are generally lower under the revenue-based financing scheme as repayment deadlines occur monthly without any options for renegotiation or extension. In contrast, administrative requirements are more burdensome under an evergreen financing scheme because borrowers can liaise with capital providers on issues such as extension of repayment deadlines or alteration of the capital infusion schedule.

(ii) **Warehouse Lending:** When compared to warehouse lending, revenue-based financing also proves to be a better structure for many similar reasons to loan facilities. Default on the borrower's end would have much graver consequences under a warehouse lending scheme than it would under a revenue-based financing scheme as IIX would have to assume the risk that the warehouse lender may default under this structure if its borrowers are unable to repay their short-term loan obligations. In light of the fact that foreign exchange volatility is much more of an operational risk under the warehouse lending structure, IIX needs to take this under serious consideration. While FX exchanges could also potentially result in a lower value of returns under a revenue-based financing structure, it is far more of an immediate operational risk in warehouse financing schemes.

(iii) **Convertible Debt:** Lastly, revenue-based financing appears to be a more feasible option over convertible debt. Revenue-based financing is easier to securitize and debt agreements between IIX and its borrowers would be much simpler. As previously mentioned, conversion from debt to equity in MSMEs presents some benefits in reducing default risk for investors but also adds additional risks by potentially diluting company stock. Moreover, investor returns under the debt portion of convertible debt are lower than traditional bond offerings. The main areas for improvement in IIX's current WLB bond structure (or other debt asset class) are the current structural complexities of the bond offerings and the administrative overload. These factors require IIX to expend additional negotiating time with investors, financial resources, staff time, and increase the number of parties to a transaction. Under a convertible debt

structure, new WLB Bond offerings would simply be trading one issue (i.e., administrative and structural complexity) for another (i.e., the risk of lower returns under stock dilution occurrences or bankruptcy proceedings). Thus, the pros and cons of each vehicle need to be carefully weighed in the appropriate country and investment context.

Part V: Conclusion

In conclusion, a loan facility or revenue-based financing model may be the best debt structures for the WLB Bond Series™. Though evergreen financing, warehouse lending, and convertible debt structures can be effective methods of capitalization in other circumstances, IIX's WLB Bond Series™ is likely best suited under debt structures that are minimally complex; have comparatively less volatility to FX volatility; have a low risk of capital being tied up; and are less exposed to the consequences resulting from possible borrower default. The table below outlines the overall benefits and risks of each debt structure covered in comparison to each critical issue, leading to the overall conclusions that loan facilities or revenue-based financing have the best potential for success as part of the WLB Bond Series™, depending on the needs of its end users.

	Frequency of Issuance	**Structural Complexity**	**Administrative Requirements**	**Volatility to Foreign Currency Exchange Shifts**	**Potential for Capital to be Tied Up**	**Default Risks**
Loan Facilities	Single Offering	Low/Medium	Low/Medium – primary roles include issuance and repayment oversight	Medium	Low	Medium – risk is capped to the full amount of capital the borrower is allowed to use
Evergreen Financing	Single Offering	Medium	Medium/High – roles include repayment oversight, liaising for repayment deadline changes, & scheduling for capital infusion/issuance	Medium	High	Medium/ Low – risk of default is lower overall because of options to extend deadline, but may still occur
Warehouse Lending	Single Offering	High	High – requires extensive oversight and management of lending and repayment	High	High	High – though risk of borrower default isn't above average,

			operations for both warehouse lender-IIX and IIX-borrower relationships			consequences of borrowers defaulting are much more severe due to repayment obligations to the warehouse lender
Revenue-Based Financing	Single Offering	Low	Low – structure involves a lump sum issuance of capital. Primary roles include oversight of repayment and disclosure obligations under securities law	Medium	Low	Low
Convertible Debt	Single Offering	High	Medium – roles include oversight of issuance and repayment, as well as any debt-to-equity conversions and disclosure obligations	Medium/ Low	Low	Low

Further research on this matter should involve a more quantitative analysis involving IIX's past issuances and analysis of revenue-based financing and convertible debt offerings with borrowers that have a similar profile to IIX's borrowers. Since public information on the full list and performance of IIX's past offerings is limited, IIX may build upon this initial qualitative analysis by using real-world data to create the optimal debt structure for a subsequent WLB (or other debt asset class) issuance. Though perfect results are never guaranteed, a combination of quantitative and qualitative analyses should provide a clearer picture of IIX's best options for debt structures underlying the WLB Bond.