



Trade Receivables Securitization Presentation for:

The Financial Executives Networking Group

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Background

- Finacity was founded in 2001 through the collective efforts and investment capital from Euler Hermes, ABN AMRO, Bank of America, and Amroc Investments
- These companies continue to be active in supporting Finacity and each holds a position on Finacity's Management Board
- As an independent financial company, Finacity is not tied to using the services of strategic partners
 - ✓ Finacity has sourced funding from a range of other banks including Rabobank, Barclays Capital, Nord LB and Harris Nesbitt
- For credit insurance however, Finacity has a preference for working with Euler Hermes with which it has negotiated a proprietary credit insurance policy and operating agreement
- Credit Insurance is not required for all Finacity transactions. However there is often benefit when:
 - ✓ There are high customer concentrations
 - ✓ Buyers are located in difficult/ non-OECD countries
 - ✓ Requirement for Off-Balance Sheet treatment under IFRS



Bank of America.



Receivable Securitization Methodology

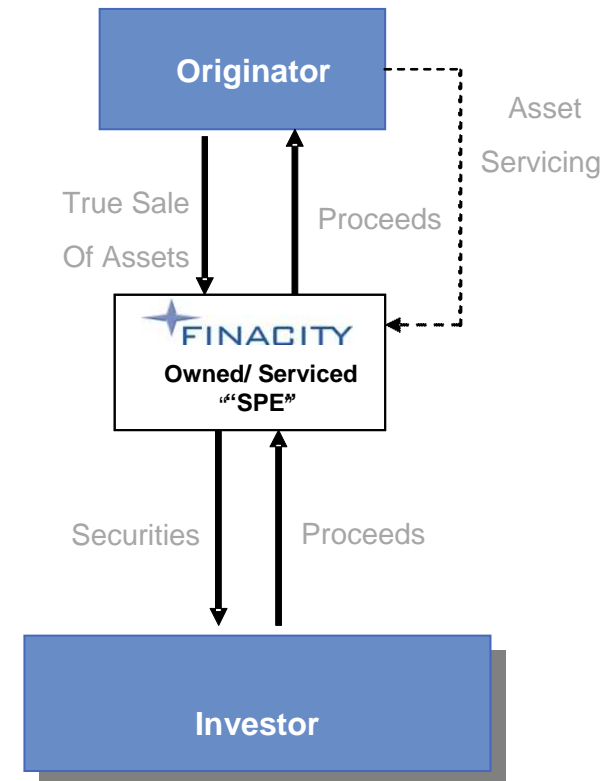
The securitization process involves the “filtering” of an asset portfolio through a series of eligibility criteria, reserves, and concentration limits to determine an eligible balance.

- As trade receivables were among the first asset classes to be securitized through asset-backed commercial paper (“ABCP”) programs, the major rating agencies established a recommended methodology to derive advance rates on receivables.
- Deriving the advance rate depends on the historical performance trends of the receivable pool. If inadequate performance necessitates credit enhancement of the pool, an increase in the level of “Reserves” is required to ensure that there are sufficient collections to repay investors and to address any excess concentration risk.
- Excess concentrations are determined by the balance of each obligor and that obligor’s short-term rating. Concentration is calculated as a percentage of the Eligible Outstanding Receivables balance. All balances due from affiliates of one obligor are consolidated when calculating excess concentrations.

Structural Overview

- Client (“Originator”) sells its portfolio receivables on a “true sale” basis to a bankruptcy-remote special purpose entity (“Seller” or “SPE”) that can be owned by Finacity.
- The SPE raises highly-rated (A-1/P-1/F1) commercial paper, bank financing or sells directly to private investors to fund the acquisition of the assets.
- On a daily basis, the SPE reinvests incoming cash into additional client-originated receivables.
- On a daily basis, Finacity, as Servicer of the receivables, will track loan repayments to the SPE. Collections of receivables throughout the month flow into the SPE, thereby offsetting the seller’s advance balance and restoring funds availability.
- Finacity, as Servicer, subject to maintenance of the required reserve accounts, will oversee advance amounts.

Transaction Structure



Securitization vs. Other Structures

Product	Collateral	Recourse ¹	Covenants ²	Spread	IR Rate ³ Benchmark
Securitization	A/R	No	No	Fixed	Fixed
Traditional Factoring	A/R	No	No	Fixed	Fixed
Secured Credit Facility	A/R, Inventory, etc.	Yes	Yes	Tiered	Choice
Unsecured Credit Facility	None	Yes	Yes	Tiered	Choice

1. This refers to Recourse to the Company
2. Some examples of debt covenants would be maintaining certain Debt to Equity Ratios, EBITDA and Fixed Interest Coverage Ratios,
3. In this case the Credit Facilities traditionally can provide borrowers with the option of choosing various rate benchmarks such as Federal Funds, Bankers Acceptance, LIBOR and Prime in order to provide them additional flexibility and options

Current Environment

- Current market environment has resulted in a reduction of able funding sources
- Furthermore, funding sources require higher spreads
- Finacity's independent status allows it to "reach out" across all funding sources to identify suitable funding:
 - ✓ Sector
 - ✓ Deal Size
 - ✓ Risk Appetite
 - ✓ Country/Region
 - ✓ Currencies

Eligibility

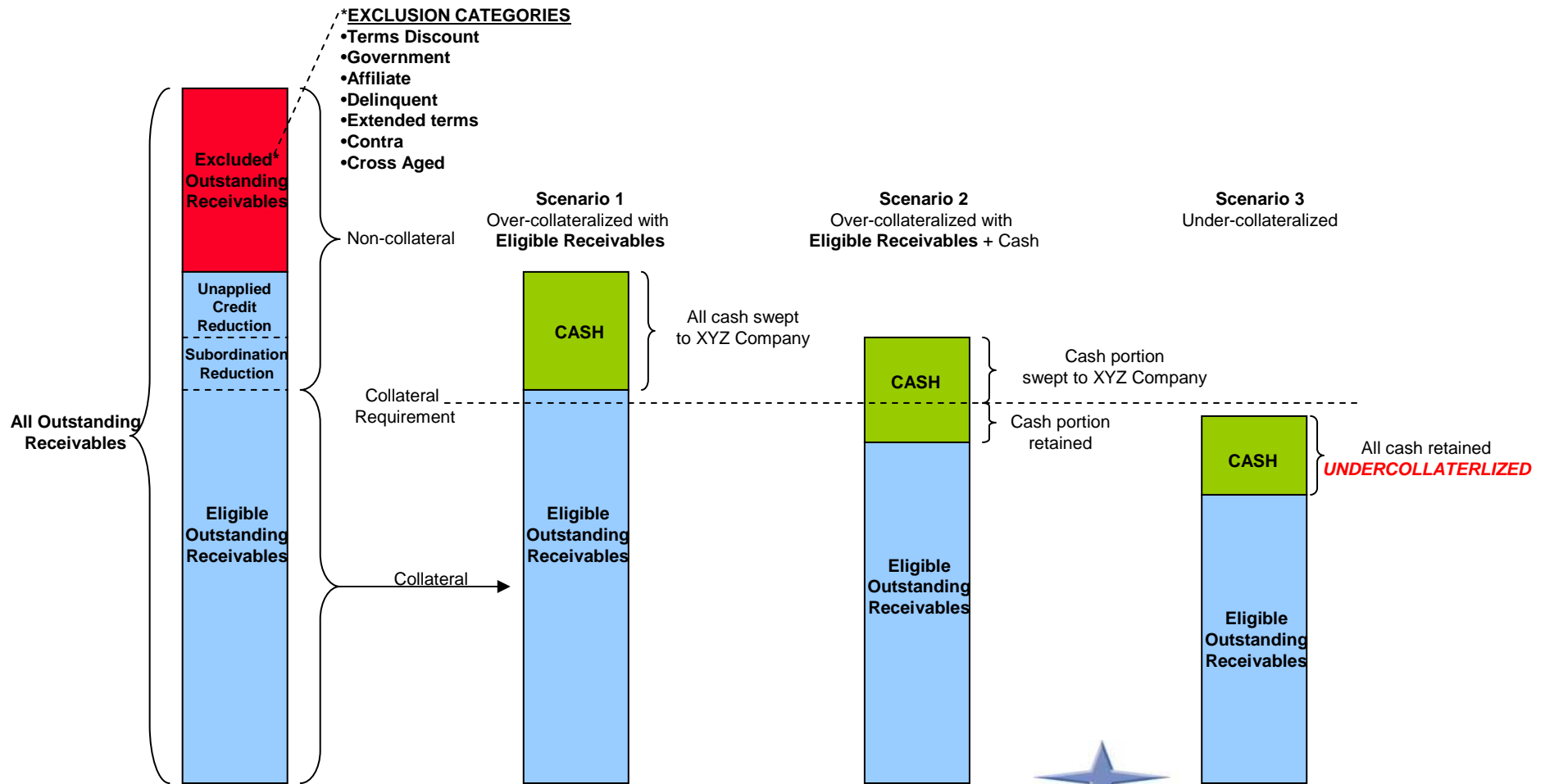
Eligible Outstanding Receivables are based largely on rating agency criteria:

All Outstanding Receivables: This is the sum of all receivables

- Less Excluded Receivables: U.S. Federal Government Receivables
 - Less Ineligible Receivables: Terms of Sale Discounts, Cross-Aged Obligor, Affiliate Obligor, Delinquencies, Extended Terms, Contra, Ancillary Charges and Taxes
 - Less Excess Concentrations: Obligor, Division or Currency
 - Less Reserves: Loss, Dilution, and Yield which are calculated daily to reserve against future credit losses, advances against non-cash discounts on receivables, program fees and expenses
- Eligible Outstanding Receivables

Eligibility

Finacity's daily reporting enhances the perceived credit quality of an accounts receivable portfolio, while comforting investors by ensuring adequate collateralization.



Reserves

Reserves are calculated daily to reserve against future credit losses, advances against non-cash discounts on receivables and program fees and expenses.

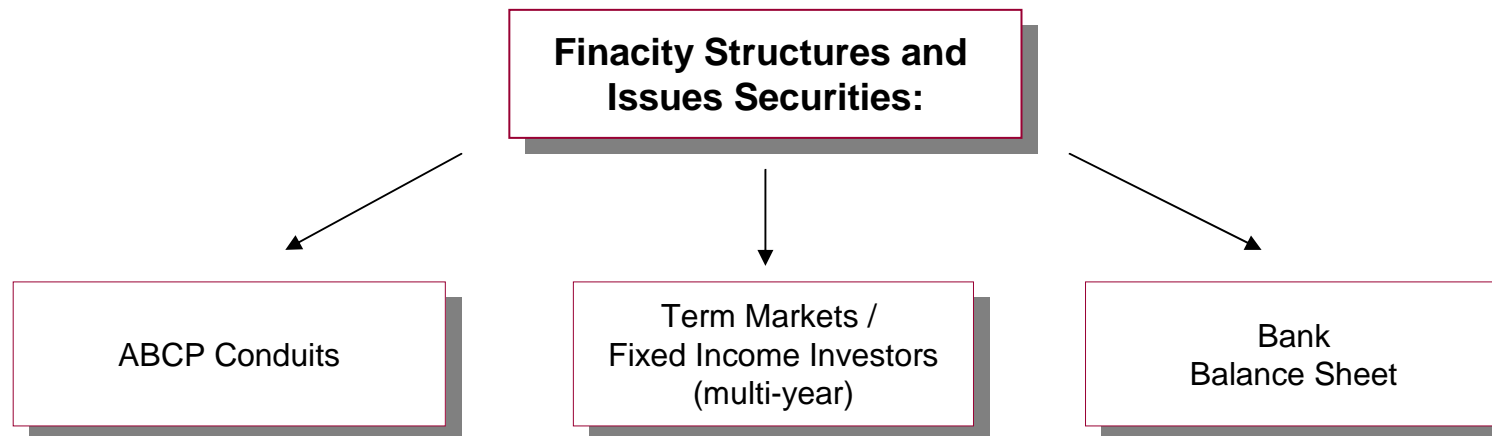
There are generally four reserve buckets in these types of transactions:

- **Loss Reserve:** Designed to address future credit-related losses embedded in the existing receivables. The Loss Reserve is subject to a floor.
- **Dilution Reserve:** Calculated to ensure that the investor does not advance against receivables that will be discounted for promotional or other non-cash-related reasons.
- **Collection Agent Fee Reserve:** Created to discount the receivables for the cost of servicing.
- **Yield Reserve:** Implemented to discount the receivables for the amount of interest due on the underlying notes issued.

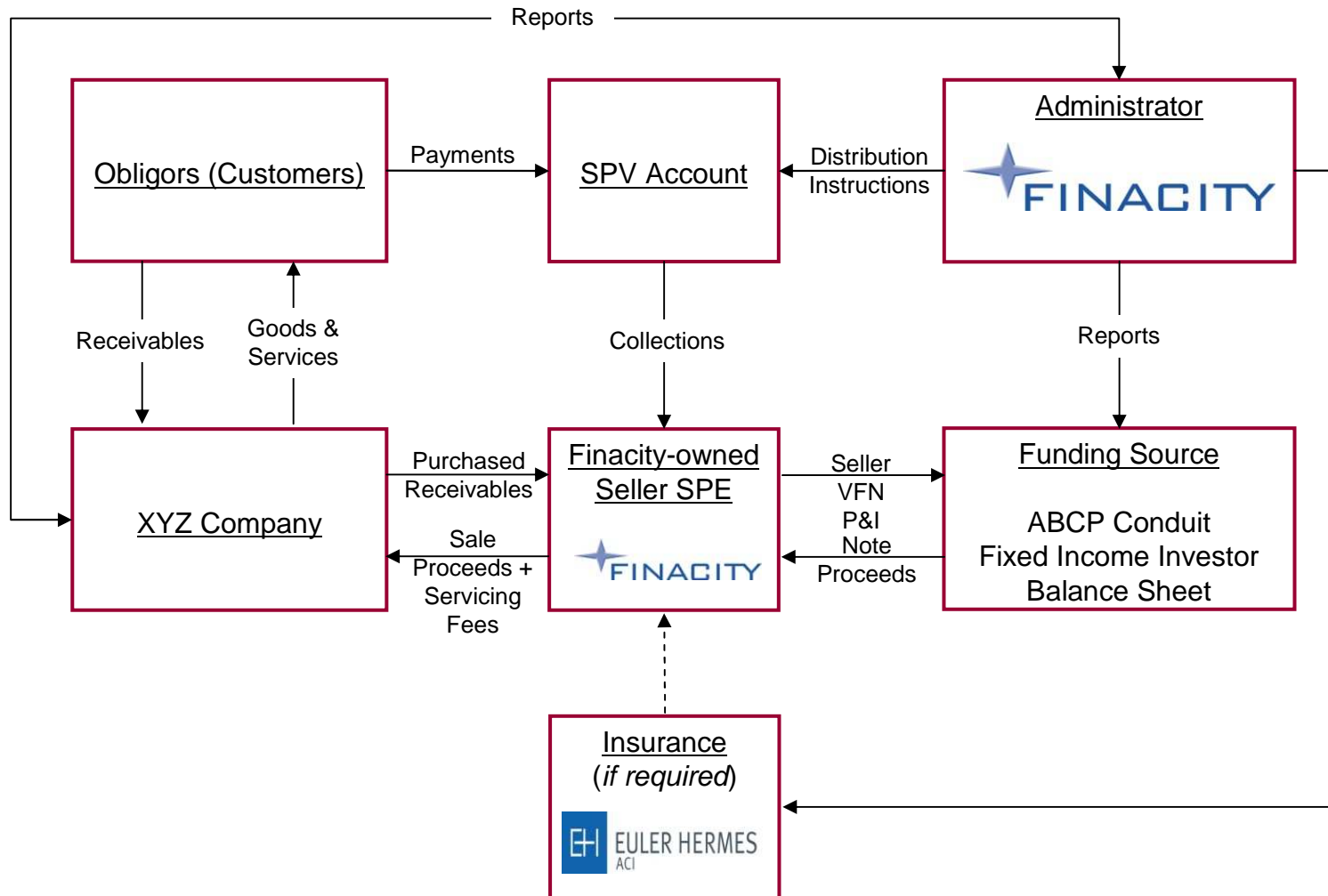
Placement

Finacity issues note/securities to select investors to fund the Seller's receivables and handles all ongoing administration and reporting for the securitization.

Three primary funding options are:



Cash Flow



Administration and Auditing

Administration:

- Finacity is required to perform the administration and all reporting on the transaction.
- While Finacity can administer the SPE account, it is not a requirement.
- Administrative cost will depend on the program size and complexity.

Auditing:

- These transactions require one to three audits:
 - 1) Finacity audit
 - 2) Funding source's third-party audit
 - 3) SPE accounting audit

Lockbox and Reserves

Lockbox:

- While the structure will require a bank account, the funding source or rating agencies will determine whether or not a lockbox is required. Under most circumstances it is likely that clients can collect as they normally do, so long as cash is immediately forwarded to the SPE. Reconciliation capabilities typically provide companies more flexibility with funding sources when negotiating these matters.

Reserves:

- In most circumstances a loss reserve is required; however, such reserves will be minimal if trade credit insurance is provided. There will also be subordination for dilution risk, the exact amount of which will be determined after due diligence. In addition, there will be a yield and fee reserve. Reserve fluctuations will be minimal and based on performance and frequency of monitoring.

Default Events or Non- Compliance

While rare, default or non-compliance issues sometimes arise:

- Determined by the Rating Agent or the Funding Source
- There are generally two or more performance related trigger events
 - 1) Finacity identifies trigger events as those that are at least two standard deviations from the one or three-month average. Essentially, any event that is far from the norm
 - 2) Bankruptcy is always a trigger event

Waterfall payments follow the order below:

- 1) Fees
- 2) Interest
- 3) Principal
- 4) Excess to client

Reporting

Reporting capabilities can provide real-time visibility to asset activity.

Sellers look for:

- Flexible reporting with extensive sorting and filtering capabilities
- Customized reports to address special requests and requirements of all transaction constituents
 - ✓ Investor, Rating Agency, Insurer, Trustee, Customer
- Web-based, real-time visibility
- Operational reports - Daily, point-in-time status and activity reports
- Production reports - Event based reports (e.g., funding event, settlement event, month-end bond administration)
- Historical reports - Trended data warehouse, and risk analysis reporting

Reporting

Depending on servicing capabilities:

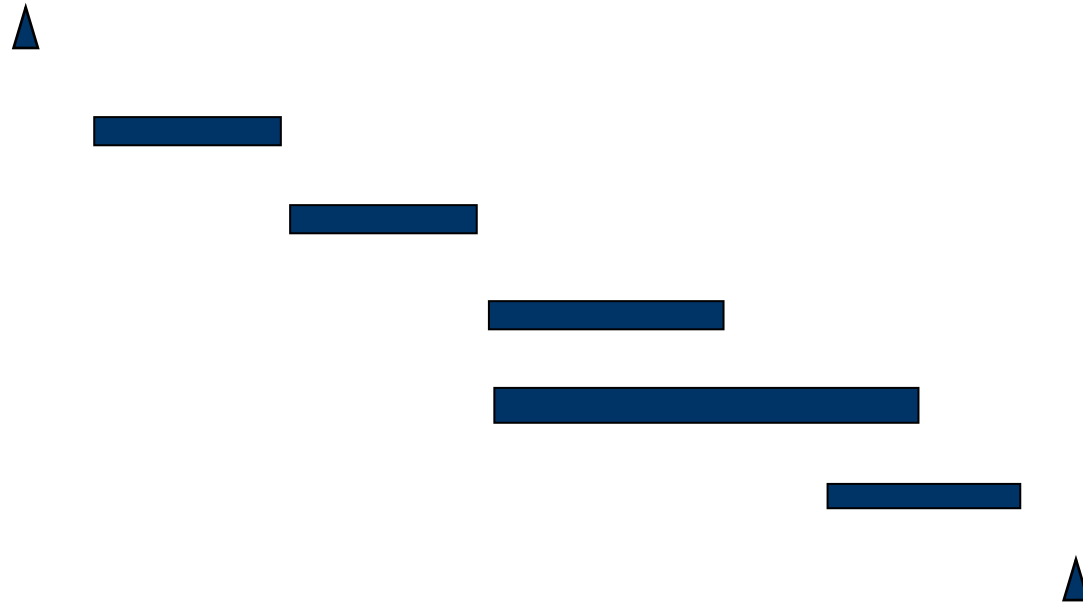
- Reveals valuable knowledge and information trapped within the asset processing value chain
- Provides insightful recommendations for improvements throughout the product service and delivery supply chain
- Potential results include:
 - ✓ Improved supply chain efficiency
 - ✓ Shortened sales cycle
 - ✓ Increased customer satisfaction
 - ✓ Lower costs and boosted profits
 - ✓ No cost to user

Critical Path

Finacity's securitizations typically take 10 to 12 weeks from Proposal Letter to Funding.

	Month 1				Month 2				Month 3			
	1	2	3	4	1	2	3	4	1	2	3	4

- Signed Proposal Letter
- Preparation for Due Diligence
- Perform Due Diligence
- Credit Package Preparation
- Legal Documentation
- Onboarding
- Funding



Capabilities & Representative Transactions

Capabilities

Finacity's unique construct and execution capabilities enable corporations to benefit through:

- Lower cost of funds
- Greater liquidity from higher advance rates via foreign assets eligibility and daily availability calculations
- Reduced execution costs
- Simplified management of domestic and complex global securitization operations
- True sale treatment
- Vendor financing solutions without the creation of debt

Capabilities

- Highly skilled in structuring receivables portfolios
 - ✓ Maximizing eligible receivables
 - ✓ Minimizing reserves (identifying aspects such as contractual dilution)
 - ✓ Maximizing level of funding against receivables

- Effective relationship with the central and local rating agencies
 - ✓ Enhancing approval process through confidence in Finacity's:
 - Due diligence
 - Ongoing program control and administration
 - ✓ Maximizing cash advance while achieving an investment grade rating

- Finacity provides ongoing guidance and advice to the client
 - ✓ Securitization structure and processes
 - ✓ Operational support

Capabilities

- Advanced process management and technology platform
 - ✓ Simple download from client systems
 - ✓ Consolidates receivables data from multiple sources
 - recent acquisitions
 - different countries
 - multiple divisions / subsidiaries
 - ✓ Infrastructure for daily reporting and settlements
 - ✓ Insightful reporting and analysis – process improvements

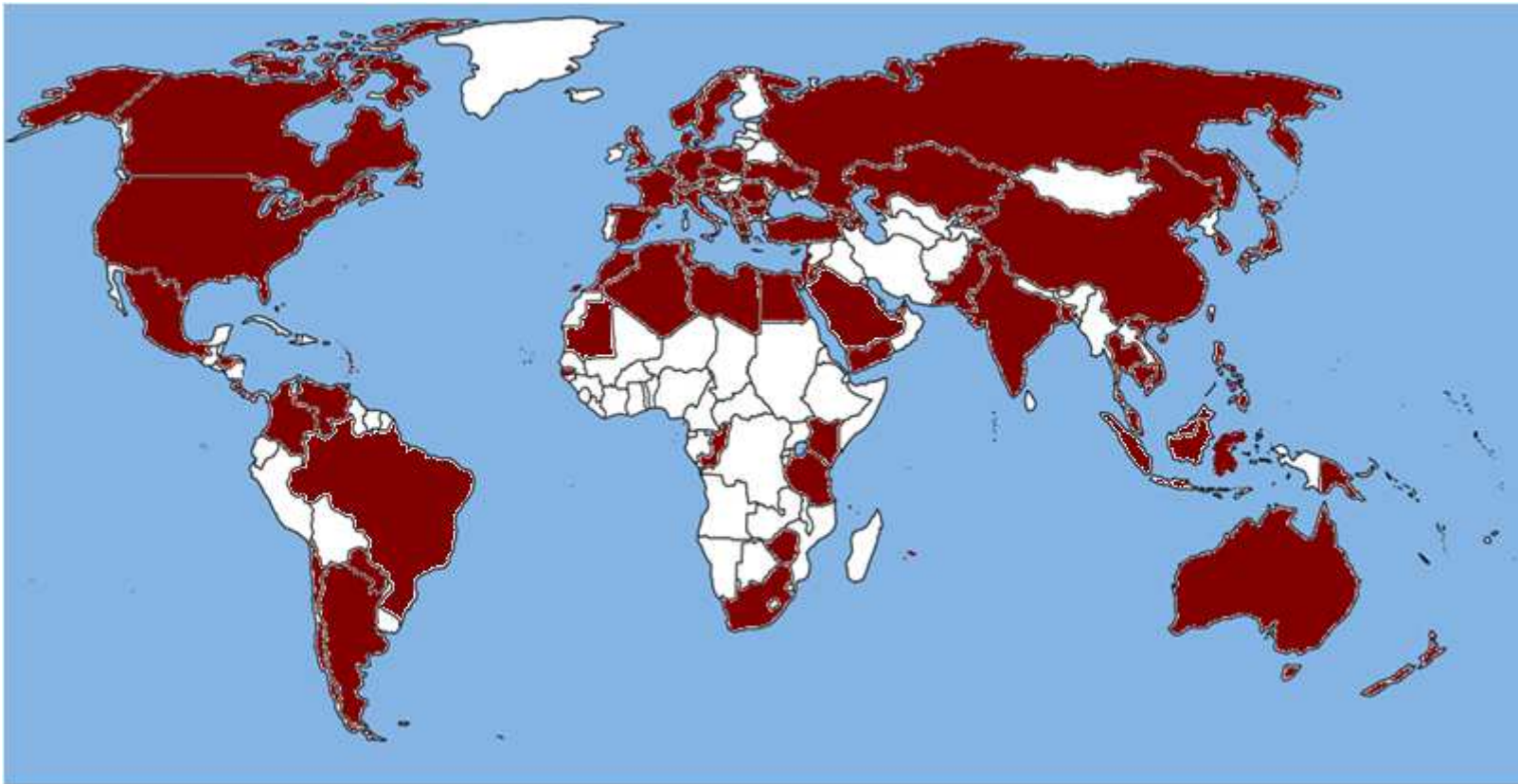
- Domestic, International and Emerging Market Capabilities
 - ✓ Skilled in pursuing internationally challenging deals
 - ✓ First public trade receivables securitization in Mexico (Vitro Glass – 2005)
 - ✓ Finacity advanced in being first in a number of developing markets

Proprietary Credit Insurance

- Policy helps address standards of the capital markets by removing restrictive conditions typically associated with Credit Insurance
- Policy is supported by separate operating agreement between Euler Hermes and Finacity
- Finacity owned SPE is the insured and beneficiary
- Policy excludes many typical aspects and conditions including:
 - ✓ Overdue reporting - Accomplished through Finacity's daily data transfer
 - ✓ Claims filing - Triggered automatically
 - ✓ Discretionary Limits - Discretionary coverage may be replaced by designated limits for eligible buyers based on the EH Risk Grade

Representative Transactions – Global Reach

Finacity transactions span much of the globe.



Representative Transactions



Representative Transactions - Alcoa



\$150 Million Trade Receivable Securitization

Asset Type: Cross-Border Receivables
Facility Size: \$40 million; upsized to \$150
Facility Tenor: 364-Day Revolving
Funding By: ABN AMRO ABCP Conduit
Insurer: Euler Hermes ACI

Transaction Highlights

- Underlying assets comprised of domestically-originated foreign trade receivables including clients in Latin America and the Middle East
- Receivables insured to mitigate both political and credit risk
- Achieved true-sale treatment across complex jurisdictions
- Obtained commercial paper pricing for challenging portfolio of assets

\$300 Million Trade Receivable Securitization

Asset Type: Domestic Trade Receivables
Facility Size: \$300 million
Facility Tenor: 1-Year Revolving
Transaction Agent: Finacity Corporation
Pricing Agent: Finacity Corporation
Collection Agent: Alcoa Inc.

Transaction Highlights

- Finacity acted as Transaction Agent and Pricing Agent on behalf of the world's leading aluminum producer
- Facilitated true-sale treatment and provided daily multi-division reporting
- Implemented daily adjustments to pricing algorithm

Representative Transactions – Sprint Canada



\$55 Million Receivable Securitization

Asset Type: Canadian & Cross-Border Receivables

Facility Size: \$55 million

Facility Tenor: 5 Years

Funding By: National Bank ABCP Conduit

Transaction Highlights

- Underlying assets included billed and unbilled, commercial and consumer receivables from nearly one million obligors
- Deal rated 'AAA' despite Sprint Canada's 'Caa3' corporate credit rating from Moody's
- Achieved commercial paper pricing on highly fragmented portfolio of assets
- Daily funding



Representative Transactions - Vitro



MXN \$550 Million –Plus- US\$ 19 Million Trade Receivable Securitization

Asset Type: Mexican Trade Receivables

Facility Size: MXP \$550 million + USD \$19 million

Facility Tenor: 4 Years

Funded By: Capital Markets Investors

Broker Dealer: ABN AMRO Mexico

Finacity provided two additional programs (for Vitro Plan and Vitro America) aggregating over \$60 million.

Transaction Highlights

- First ever Peso denominated trade receivable securitization sold to the domestic Mexican capital markets
- Transaction rated and structured by both S&P and Moody's as AAA/Aaa (national scale)
- Unique construct that increased Vitro's advance rate from a 50/50 recourse/non-recourse structure to a 76/24 senior/subordinated structure. Both tranches were placed with investors, thereby providing Vitro with 100% liquidity for its trade receivables
- Daily reporting (a requirement by the CNBV) and funding

Representative Transactions - Manitowoc



\$105 Million Trade Receivable Securitization

Asset Type: US and Canadian Receivables

Facility Size: Upsized to \$105 million

Facility Tenor: 5 Years

Funding By: Nord/LB's CP Conduit

Transaction Highlights

- One of the world's leading heavy lifting equipment manufacturers.
- Finacity facilitated the subsequent integration of Manitowoc's food-service receivables
- Access to Finacity's competitive banking relationships to achieve up to 85% liquidity
- Ongoing optimization of obligors' concentration limits allows Finacity to maximize the collateral value of Manitowoc's receivables pool, improving liquidity for the company.
- Daily, weekly and monthly monitoring and reporting of outstanding portfolio

Representative Transactions - Copamex



US\$ 40 Million Trade Receivable Backed Loan

Asset Type: Mexican Trade Receivables

Facility Size: US\$ 40 Million

Facility Tenor: 5 Years

Funding By: Multinational Bank

Transaction Highlights

- Dollar denominated trade receivable securitization backed by Mexican Peso assets.
- Finacity securitization construct allows Copamex to maintain its 'A' Fitch credit rating by enhancing the risk profile of its assets and significantly reducing company debt
- Copamex achieved long term cost-efficient financing using short term assets

Representative Transactions - ABB



US\$ 250 Million Trade Receivable Securitization

Asset Type: American Trade Receivables

Facility Size: US\$ 250 Million

Facility Tenor: 3 Years

Funding By: ABN AMRO

Transaction Highlights

- Managed input from 19 different operating entities, each using a different A/R system
- Finacity owns the SPV for enhanced off-balance-sheet treatment
- Improved pricing over ABB's previous securitization program that was provided by a top-tier banking institution.

Representative Transactions – Alliance One International



US\$ 100 Million Trade Receivable Securitization

Asset Type: International Trade Receivables
Facility Size: US\$ 100 Million
Facility Tenor: 3 Years
Funding By: NORD/LB

**Winner of Euromoney *Trade Finance Magazine's*
Deal of the year in 2006**

TRADE FINANCE
The global magazine for export and commodity finance



Transaction Highlights

- Underlying collateral comprised of foreign assets from OECD and non-OECD countries (including Argentina, Bulgaria, China, Egypt, Indonesia, Jordan, Pakistan, Philippines, Russia, South Africa, Ukraine, and the United Arab Emirates)
- 100% insurance of the obligors, with 10% co-insurance
- Achieved true-sale treatment across complex jurisdictions

Representative Transactions - PCD



MXN \$270 Million Peso Trade Receivable Securitization

Asset Type: Mexican Trade Receivables

Facility Size: MXN \$270 Million

Facility Tenor: 7 Years

Funding By: Rabobank

Transaction Highlights

- One of Mexico's leading paperboard and containerboard manufacturers
- Achieved a successful execution for a variable amount of accounts receivable, thereby allowing PCD to raise the amount of its securitization by 25% as its sales grow over time

Contact

**Key
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