



www.receivablesXchange.com

Corporate Receivables Program

in association with



February 2013

Corporate Receivables Program



The Receivables Exchange's Corporate Receivables Program provides new opportunities for institutional investors to broaden their short term investment portfolios.

Attractive Returns

- Attractive, risk adjusted returns on short term capital
- Structured for yield protection

Portfolio Diversification

- Broadens reach into corporate trade receivables
 - Access to TRE's network of Sellers; NYSE companies
- Flexibility to adjust risk profile of investment portfolio
- Freedom to participate in auctions at will; all or partial

Electronic Marketplace

- Efficient platform for receivables investment
- Nominal origination costs
- Effortless trading
- Simplified back office administration

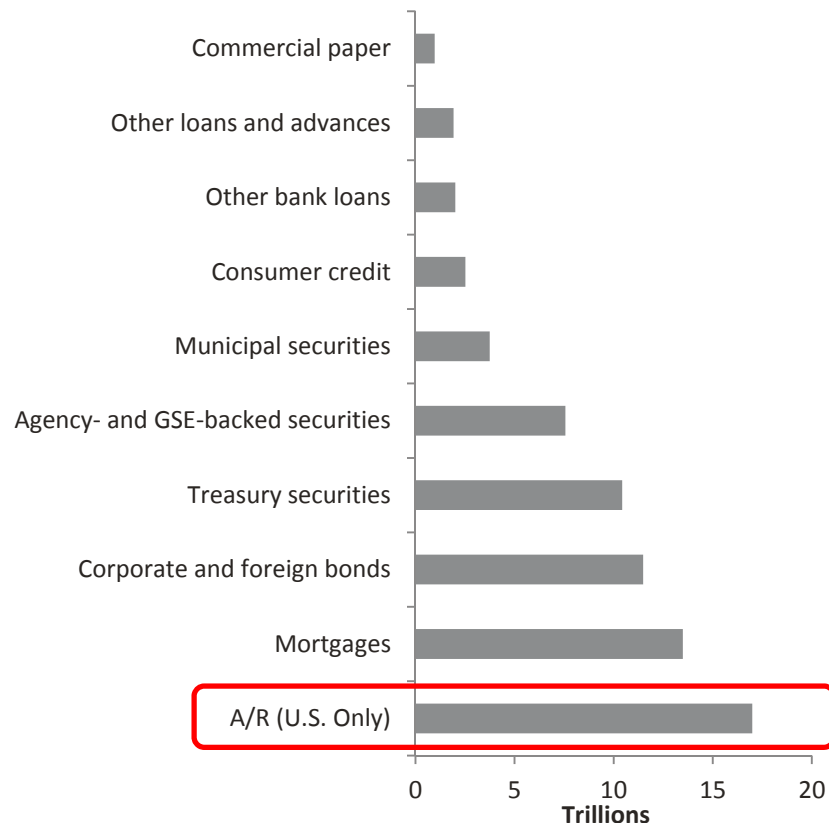
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\$17 Trillion Market Opportunity



Asset Class Volume in Credit Markets ⁽¹⁾



Trade Receivables

- Largest asset class in the US, exceeding \$17 trillion dollars
 - \$11T Small and Mid Size Business
 - \$6T Large Corporate Receivables
- Investment in corporate receivables historically limited to large national and global banks

The Receivables Exchange

- Electronic auction platform for direct investment in trade receivables
- Corporate Receivables Program developed in association with the NYSE Euronext
- Open to accredited institutional Buyers
- Attractive risk adjusted returns on short term capital: LIBOR + 100-450bps⁽²⁾
- Buyer access to large pools of AR
- Enhanced cash management product; alternative to commercial paper

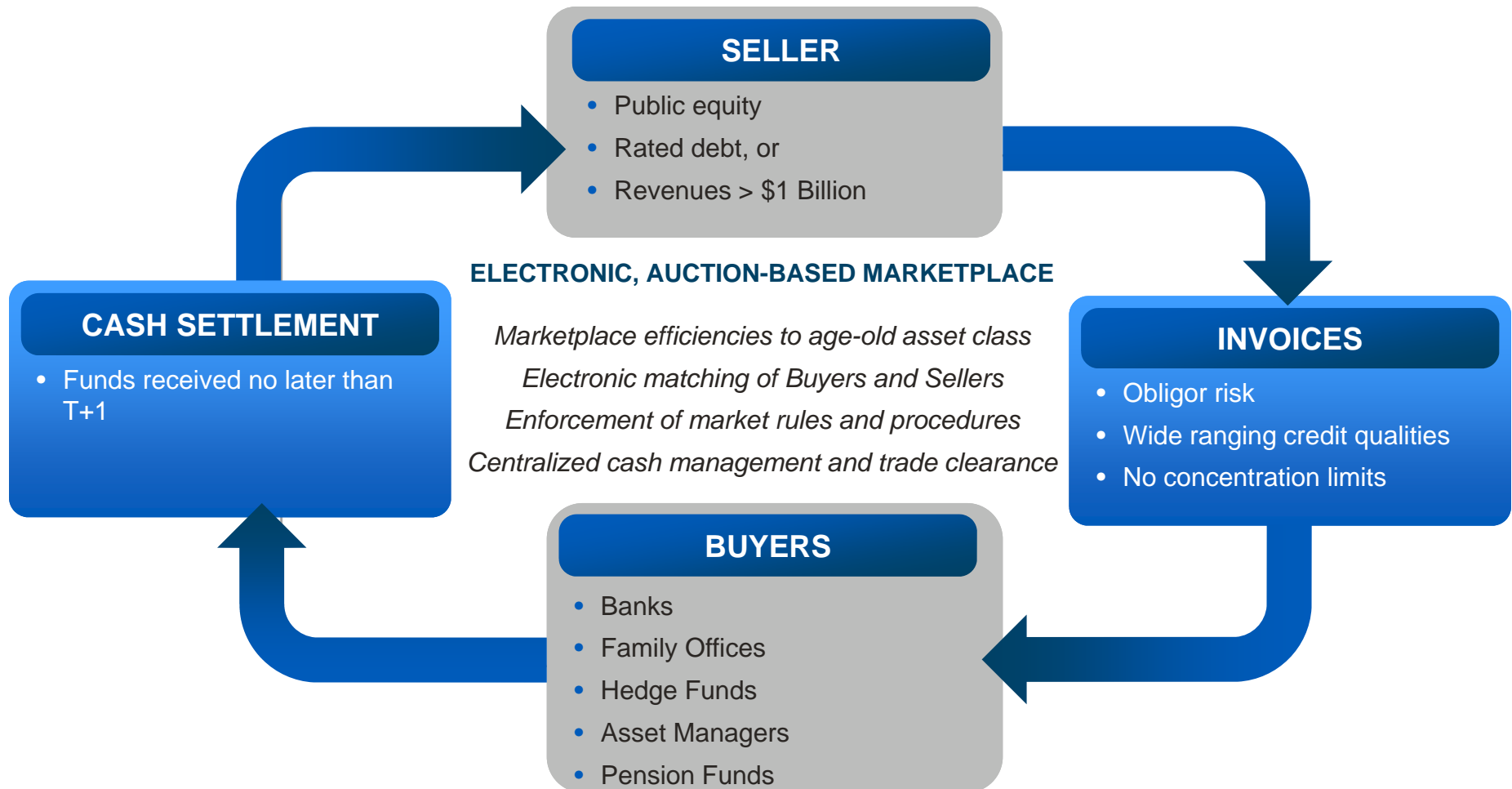
(1) Source: The Federal Reserve Board, Flow of Funds Accounts of the United States, Table F4 "Credit Market Borrowing, All Sectors, By Instrument", 4Q2011

(2) Before TRE fees and expenses

Corporate Receivables Program

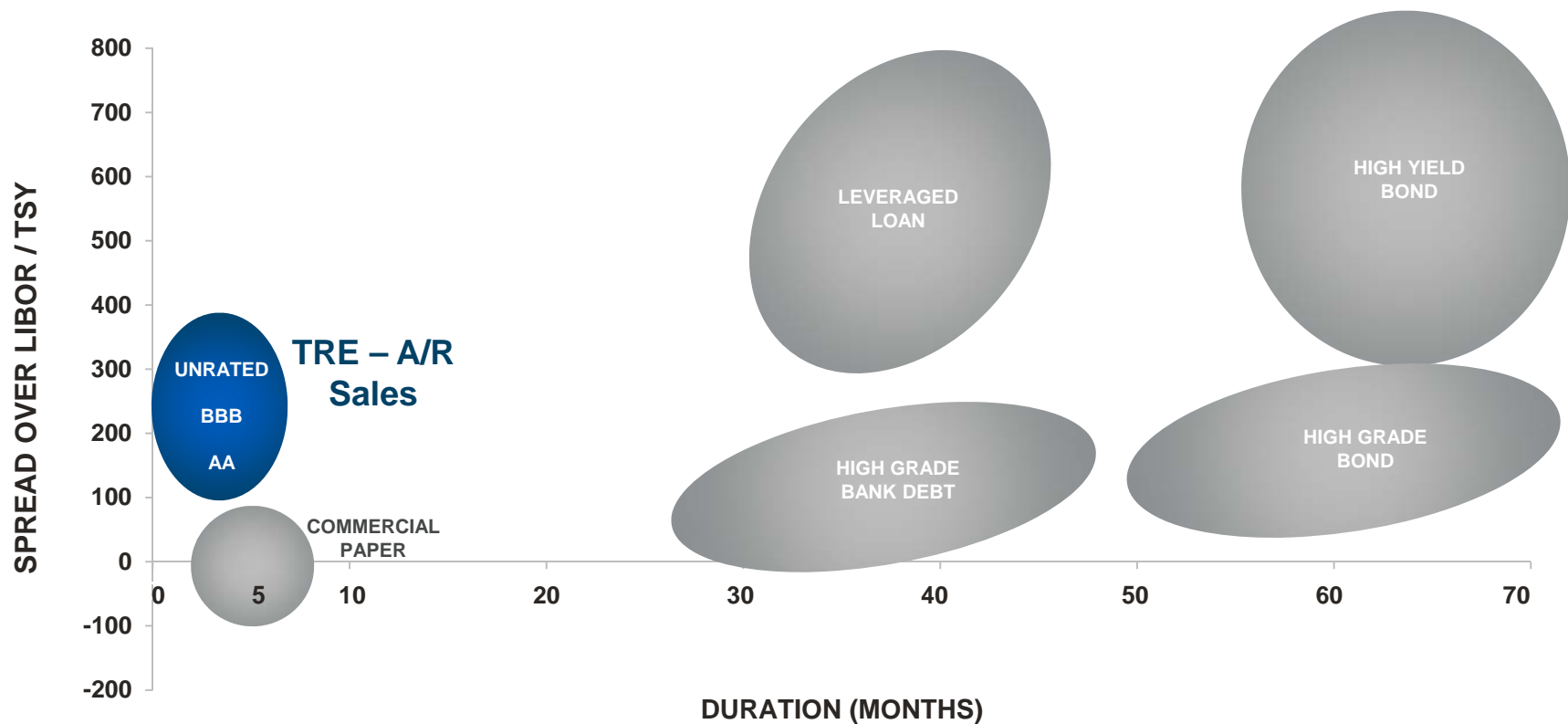
THE RECEIVABLES
EXCHANGE

The **Corporate Receivables Program** lets Corporate Sellers sell auctioned invoices to accredited institutional Buyers in accordance with a regimented market protocol.



Access to Attractive Yields

Buyers on TRE's platform have been able to achieve premium yields with short duration assets.



Current Seller Examples



Global Pharmaceutical	Global Construction Equipment	Global Food	Global Technology Supply Chain
<i>Need - Balance Sheet Mgt. NYSE Euronext</i>	<i>Need - Term extension Public</i>	<i>Need - Risk transfer Private</i>	<i>Need - Diversify funding Nasdaq</i>
<i>Annual Sales ~ \$25BN</i>	<i>Annual Sales ~ \$5BN</i>	<i>Annual Sales ~ \$100BN</i>	<i>Annual Sales ~ \$30BN</i>
<i>Term 30–40 days</i>	<i>Term 30–210 days</i>	<i>Term 30–48 Days</i>	<i>Term 20–30 Days</i>
<i>Obligor Credit Range A- / Baa3 to A- / Baa2</i>	<i>Obligor Credit Range B+ / B2 to BB- / B1</i>	<i>Obligor Credit Range A / A1 to B / B2</i>	<i>Obligor Credit Range AA / A1</i>
<i>Average Discount Rate L+90</i>	<i>Average Discount Rate L+300</i>	<i>Average Discount Rate L+210</i>	<i>Average Discount Rate L+120</i>
THE RECEIVABLES EXCHANGE	THE RECEIVABLES EXCHANGE	THE RECEIVABLES EXCHANGE	THE RECEIVABLES EXCHANGE

- Sellers posted approximately \$500 million of volume across multiple obligors
- Sellers domiciled in UK, S. Korea, Singapore, as well as US
- Average Auction Size ranges from \$3 million to \$20 million
- Sellers typically begin in a pilot program and ramp up 3-4 times volume at full scale

Pending Seller Examples



Global Engineering and Manufacturing

*Need - Risk transfer/
Balance sheet mgt.
NYSE Euronext*

*Annual Sales
~ \$100BN*

*Term
30–90 days*



Global Chemicals

*Need - Liquidity /
Diversify funding
NYSE Euronext*

*Annual Sales
~ \$2BN*

*Term
30–90 days*



Global Specialty Chemicals

*Need - Liquidity
Private*

*Annual Sales
~ \$5BN*

*Term
30–60 Days*



Global Industrial Conglomerate

*Need - Risk transfer
NYSE Euronext*

*Annual Sales
~ \$140BN*

*Term
30–120 Days*



CRP Buyer Case Study

Community Bank - Southeast Region Purchase of Trade Receivables

Total Bank Assets	> \$2Billion
Total Value of Receivables Purchased	~ \$380 Million
Total # of Auctions	145
IRR (% / \$)	~ 2.30%
Range of Receivables Terms	30–150 Days
Range of Obligor Credits Purchased	AA – B
Range of Discount Rates*	L + 80–450 bps
Number of Obligors Purchased	9

* Dependent upon credit quality and term

- Community Bank in the Southeast looking to diversify away from real estate while looking for attractive risk-adjusted return opportunities with short term maturities. The client used TRE to supplement and over time replace other similar risk, lower yielding cash alternatives.
- Client initially purchased receivables of highly rated obligors, then moved into domestic, speculative-grade obligors once their comfort level with the transaction/program increased. Over time, client began purchasing a broader range of obligor credits, recognizing that there was a great yield opportunity for limited duration risk.
- After 9 months of successful trading, client increased capital allocation from \$50MM to \$100MM with potential to further grow allocation as client's internal growth strategy unfolds.

Auction Process - How it Works



AUCTION PARAMETERS

- Aggregate face value of at least \$50,000
- Multiple invoices may be “batched” together
- Buyers may purchase a 1%–100% pro rata interest

PRICING

- Invoices are sold at discount to par
- Buyer pays a percentage of the invoices’ aggregate face value; annualized rate (LIBOR + spread)
- Lowest discount fee (%) wins auction

AUCTION TIMING

- 24-72 hours. Bidding can be halted early if:
 - Buyer places bid at Seller’s “buy-it-now” price
 - Seller accepts the leading bid(s)

RESERVE

- Amounts withheld out of proceeds
- Structured for Buyer yield protection
- Credited for future remittances

CASH MANAGEMENT

- Funds wired to Seller on next business day
- Seller responsible for billing and collection
- Payment remitted to lockbox
- TRE directs funds to Buyer and Seller upon payment

COLLATERAL

- First lien on auctioned receivables
- TRE files UCC-1 to perfect a security interest in the auctioned receivables

Collateral Information



OWNERSHIP

- TRE platform serves as record of each sale over the Exchange. Sale transaction reports are available online 24/7
- Buyer takes ownership of purchased A/R upon the Net Purchase Price being delivered to the Seller's designated deposit account
- Buyers can manage ownership reporting by generating auction closing statements once a trade is executed

UCC INFORMATION

- TRE files UCC-1 to perfect a security interest in the auctioned receivables
- Legal guarantees in place from Seller that A/R being sold is owned by Seller free and clear from any and all Security Interests
- Source copy of the UCC-1 Financing Statement against each Seller, as well as search to reflect and other notices, filings, recordings and registrations filed by TRE or by Seller in connection with such financing statement are available on the platform for Buyers to review
- Name of secured party on the UCC Financing Statement reads: *The Receivables Exchange, LLC ("TRE") as Collateral Agent for itself and all Buyers of Seller's Traded Receivables*

LOCKBOX

- Seller has no ownership or other rights, title or interest in or to TRE/Buyer Funds in Lockbox
- While the lockbox account is in TRE's name, TRE holds lockbox funds in trust for and on behalf of the owner(s) thereof, separate and apart from TRE's general operating and other funds
- Lockbox is either segregated through TRE's dedicated JP Morgan account or with another financial institution that TRE is authorized to access

Auction Parameters

The auction process results in funds being received no later than **T+1**.

	Action	Example
Day 1	<p>Seller issues invoice and enters relevant invoice details.</p> <p>Seller indicates auction parameters, including pricing constraints.</p> <p>Seller initiates auction and bidding commences. Bid includes discount rate and the percentage of the invoice's face value that bidder will purchase.</p>	<p>Amount: <i>\$1,000,000</i> Issue Date: <i>Today</i></p> <p>Obligor: <i>Any Co.</i> Due Date: <i>T+30</i></p> <p>Anticipated Payment Date: <i>T+45</i></p> <p>Deadline for Bids: <i>Tomorrow</i></p> <p>Maximum Price: <i>L+150 bps</i></p> <p>"Buy-it-Now" Price: <i>L+100 bps</i></p> <p>Bid 1: <i>100%</i> of invoice at discount rate of <i>1.69%</i></p> <p>Bid 2: <i>100%</i> of invoice at discount rate of <i>1.64%</i></p> <p>Bid 3: <i>50%</i> of invoice at discount rate of <i>1.54%</i></p> <p>Bid 4: <i>100%</i> of invoice at discount rate of <i>1.48%</i></p>
Day 2	Bidding Concludes. Invoices allocated to winning bidder(s).	<p>Bid 4: <i>\$1,000,000</i> allocated at discount rate of <i>1.48%</i></p> <p>Weighted average discount rate of <i>1.48%</i> is equivalent to a daily rate of <i>.0041%</i>. Total discount on 44-day advance (days from today to anticipated payment date) equals <i>\$1,808</i>.</p>
Day 3	Seller receives wired funds equal to invoice face value LESS the buyer discount and a reserve, which will protect Buyers against limited extension risk.	<p>Invoice Face Value: <i>\$1,000,000</i></p> <p>Buyer Discount: <i>(\$1,808)</i></p> <p>Reserve (20¹ days of Discount Fee): <i>(\$822)</i></p> <p>Due to Seller²: <i>\$997,370</i></p>

¹ Standard number of days, which may be amended according to Seller preferences

² Before TRE Fees

Buyout View

The Receivables Exchange - Auction - #2575 - Sale Pending

2575 Reed Industries

[View Profile](#)

Auction Status: Sale Pending (bidding complete)

Auction Details

Face Value: \$1,000,000.00
Basket Type: Current
1 month LIBOR Rate: 0.2400% as of 04/02/2012
Retained Days: 20 days
Average Weighted Discount Period: 05/28/2012, 48 days
Repurchase Date: 07/27/2012, 108 days
Scheduled End Date: Tue Apr 10 2012
Auction Ending Time: Mon Apr 9 2012 04:22:29 PM
Auction Closing Date: Tue Apr 10 2012
Buyout? Yes

Closing Values

Face Value: \$1,000,000.00
Purchase Price: \$998,026.67
Retained Amount: (\$822.22)
Net Purchase Price: \$997,204.45
Transaction Closing Fee (0.125%): \$1,250.00
Net Amount: \$998,454.45

	Days to Pay (DTP)	Days to Settlement (DTS)
Average:	45	48
Last in Basket:	45	48

Invoices

Face Value	1 ▲	Originator	AD Name	Invoice #	Invoice Date	Invoice Due Date	DTP	DTS
\$1,000,000.00		Reed Biotech	ConAgra Foods	TRE000AB	03/11/2012	05/10/2012	45	48

Bid Book

Time	Allocation %	Notional %	Purchase Price %	Purchase Discount Margin %	Purchase Discount Fee %
04/09/2012 16:22:29	100	100	99.8027	1.2400	1.4800
04/09/2012 15:58:56	0	50	99.7947	1.3000	1.5400
04/09/2012 15:37:54	0	100	99.7813	1.4000	1.6400
04/09/2012 15:37:26	0	100	99.7747	1.4500	1.6900

Auction - Remittance Timing

Proper allocation of invoice remittances depends upon the timing of cash receipts.

Example: AUCTION DETAILS

Face	\$1,000,000	Reserve Period	20 Days ¹
Discount Fee	\$1,808	Reserve Amount	\$822
Daily Discount Fee	\$41		

	TO SELLER ²	TO BUYER ²
>=20¹ Days Early	Reserve + Daily Discount Fee * 20 \$1,644	Face - Reserve - Daily Discount Fee * 20 \$998,356
1-19¹ Days Early	Reserve + Daily Discount Fee * Days Early \$822 + \$41 * Days Early	Face - Reserve - Daily Discount Fee * Days Early \$999,178 - \$41 * Days Early
On Time	Reserve \$822	Face - Reserve \$999,178
1-19¹ Days Late	Reserve - Daily Discount Fee * Days Late \$822 - \$41 * Days Late	Face - Reserve + Daily Discount Fee * Days Late \$999,178 + \$41 * Days Late
>=20¹ Days Late	Nothing \$0	Face \$1,000,000

¹ Standard number of days, which may be amended according to Seller preferences

² Before TRE Fees

Key Considerations



PAYMENT EXTENSION

- 20 day discount reserve deducted from purchase price
- Reserve returned to the Seller if invoices are paid on time

EARLY PAYMENT

- 20 day discount reserve protects against early payment risk
- Caps the amount returned to the Seller; instead returned to Buyers

OBLIGOR FAILURE TO PAY

- Seller obligated to repurchase invoices that remain unpaid 60 days after the expected payment date unless an Account Debtor (Obligor) Insolvency Event has occurred

CREDIT RISK

- Obligor and Seller transparency facilitates Buyer credit underwriting
- Financial information on the Obligors generally available through TRE or via public databases

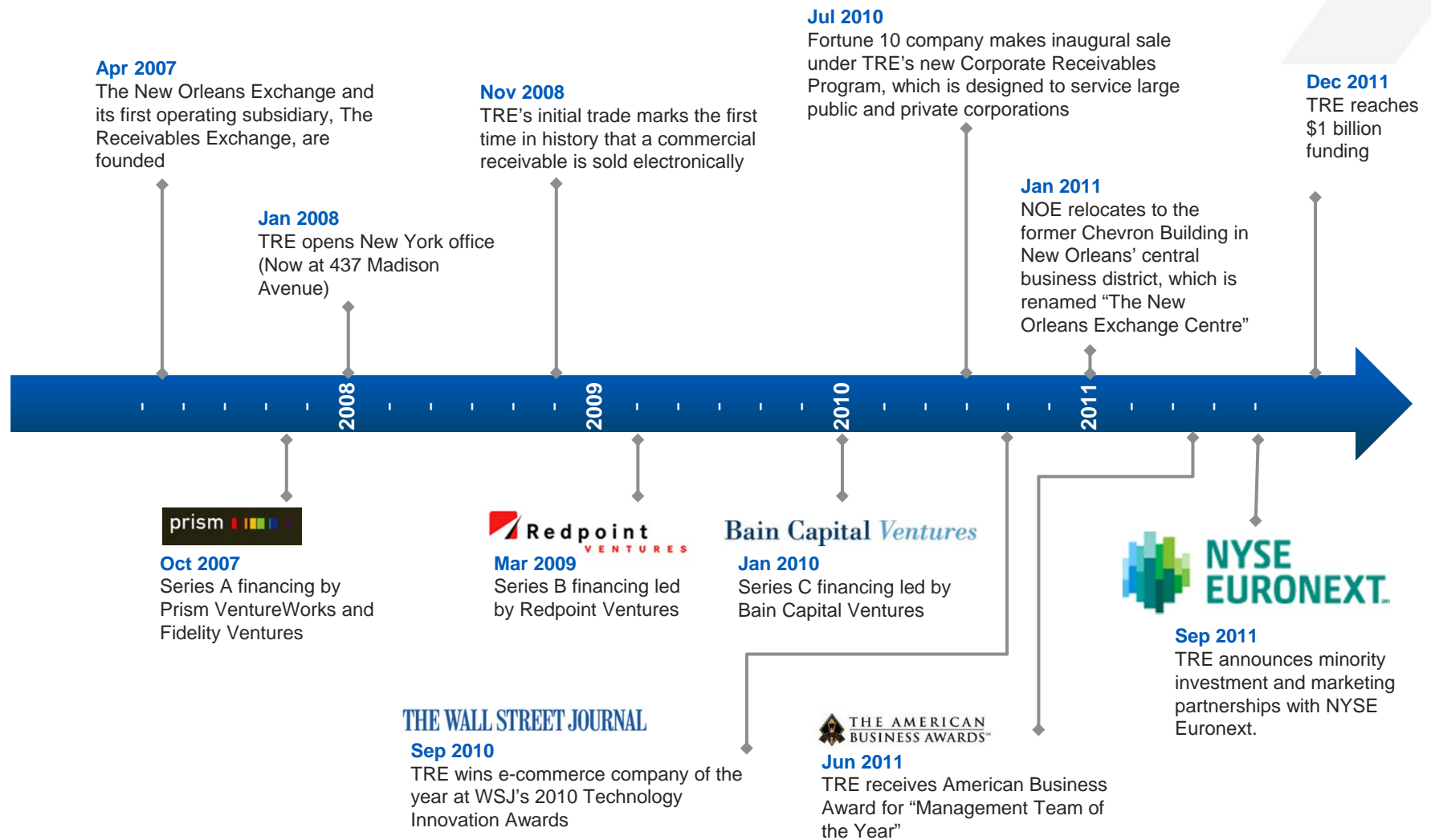
DILUTIVE INVOICE ADJUSTMENT/DISPUTES

- Seller obligated to fund invoice adjustments within 1 business day of identifying the shortfall or disputes

COLLECTIONS

- Lockbox required, either segregated through TRE's dedicated JP Morgan account or with another financial institution that TRE is authorized to access
- Obligors sign a change of payment address form; acknowledgment of a change in payment address is confirmed by TRE
- Remittance detail posted daily for review on the platform by date, invoice number, and amount

The Receivables Exchange



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