

**Trade Receivables Protection (TRIPs)<sup>™</sup>**  
Vendor protection when it counts<sup>™</sup>



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# Trade Receivables Protection (TRIPs)<sup>™</sup>

## The Riskiness of Trade Receivables

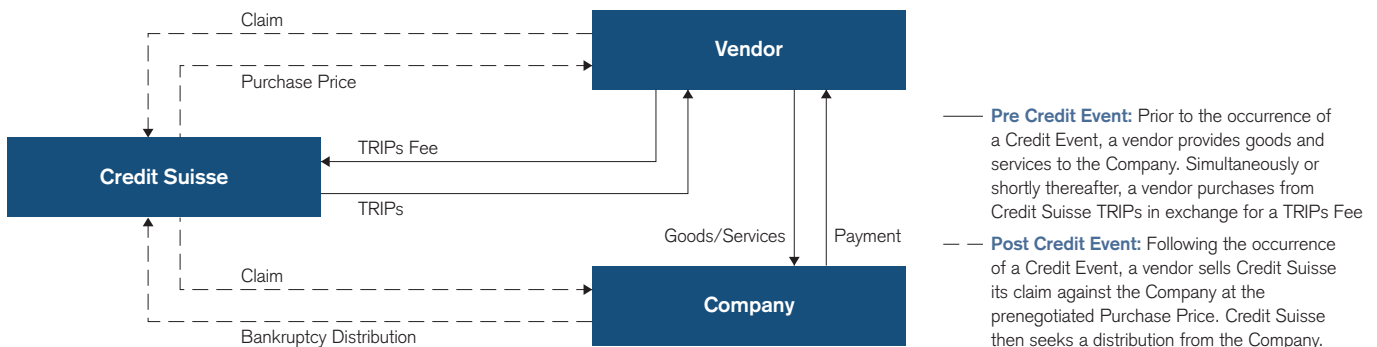
- Vendors transact with numerous customers. In terms of cost, resources and time, it is “expensive” to monitor the creditworthiness of customers, especially in the case of a customer in financial distress, undergoing a turnaround, reorganizing, liquidating or experiencing other special situations.
- Even where vendors have credit risk management options (e.g., trade insurance, receivables factoring), vendors are often left without options when particular accounts become high risk or lack credit clarity.
- Even worse, if the customer eventually files for bankruptcy, valuation of vendor claims is complex and uncertain.
- Finally, when vendors provide goods and services to customers that have sought bankruptcy protection, the circumstances and events of a bankruptcy case are confusing and uncertain.

## What Are TRIPs?

### Credit Suisse's Trade Receivables Protection

- Credit Suisse offers credit risk protection through TRIPs.
  - Through TRIPs, upon the occurrence of certain events, a vendor has the right to put trade claims to Credit Suisse.
- By shifting the credit risk of a particular account to Credit Suisse, a vendor can continue to supply or service customers, particularly high risk customers, and plan future sales volume, while receiving protection against particular credit events.
- Credit Suisse's TRIPs provide a tailored form of protection.
  - TRIPs apply to **a particular account** of a vendor, not its entire receivable portfolio.
  - The **duration** of TRIPs is also **flexible**; TRIPs can be structured to cover a period as short as 3 months or as long as 5 years, and anything in between.
  - Unlike trade insurance and factoring agreements, TRIPs **cannot be canceled or modified** by Credit Suisse to drop or limit coverage.
  - The **confidentiality** of TRIPs allows a vendor to continue to supply and thereby, support its customers without increasing risk exposure.

### Vendor Protection Process



### Types of TRIPs and Key Terms

#### ■ Each TRIPs can be tailored to meet a vendor's credit protection needs:

- There are two types of TRIPs: Prepetition TRIPs and Postpetition TRIPs

A Prepetition TRIPs is a right to sell a claim against a company that could file for bankruptcy protection.

A Postpetition TRIPs is a right to sell a claim against a company that is operating under bankruptcy protection and that could wind-down and liquidate.

- Below is a description of the salient terms of Credit Suisse's TRIPs:

**Claim Purchase Rate:** The rate at which Credit Suisse will purchase the claim upon the occurrence of a Credit Event (almost always 100%).

**Covered Period:** The period of time during which TRIPs covers a vendor's sale of goods and provision of services. The Covered Period can be as short as 3 months to as long as 5 years.

**Credit Event:** In the case of a Prepetition TRIPs, a bankruptcy filing of the company. In the case of a Postpetition TRIPs, a Credit Event includes a chapter 7 conversion, a confirmed chapter 11 plan that does not pay administrative creditors in full or court authorized distributions that do not pay administrative creditors in full.

**TRIPs Fee:** Typically, a monthly fee between 0.05% and 1.95% of the accounts receivable covered to be paid by a vendor to Credit Suisse. TRIPs Fee payable upon execution if Covered Period is less than 6 months or payable quarterly in advance if Covered Period is greater than 6 months.

**TRIPs Advantages over Alternative Forms of Protection**

	<b>Factoring</b>	<b>Trade Insurance</b>	<b>Credit Suisse TRIPs</b>
<b>Coverage Flexibility</b>	<ul style="list-style-type: none"> <li>Only available on whole turnover (all A/R) basis — not cost effective; vendor pays for coverage on good accounts</li> <li>Minimum A/R thresholds for primary factors</li> <li>Caps for maximum exposure to particular companies</li> </ul>	<ul style="list-style-type: none"> <li>Only available on whole turnover (all A/R) basis — not cost effective; vendor pays for coverage on good accounts</li> <li>Caps for maximum exposure to particular companies</li> </ul>	<ul style="list-style-type: none"> <li>Covers any account as requested by the vendor, whether high or low risk</li> <li>Any public company, most private entities, in any industry</li> <li>A range of types of coverage — length of coverage, amounts, etc.</li> <li>No minimum or limit to covered amount</li> </ul>
<b>Termination — Modification and Covered Events</b>	<ul style="list-style-type: none"> <li>Modifiable (penalty/surcharge) or terminable at the will of the factor</li> </ul>	<ul style="list-style-type: none"> <li>Normally, cancelable on notice at the will of the insurer</li> </ul>	<ul style="list-style-type: none"> <li>No cancellation/termination right: the protection is real</li> </ul>
<b>Product Availability</b>	<ul style="list-style-type: none"> <li>Not normally available in bankruptcy or prohibitively expensive</li> </ul>	<ul style="list-style-type: none"> <li>Not normally available in bankruptcy or prohibitively expensive</li> </ul>	<ul style="list-style-type: none"> <li>Available before bankruptcy and during bankruptcy</li> </ul>
<b>Pricing/Cost</b>	<ul style="list-style-type: none"> <li>Only available to fully cover outstanding receivables (cannot protect cost only)</li> <li>Surcharge added to high-risk accounts!</li> </ul>	<ul style="list-style-type: none"> <li>Deductibles</li> <li>Surcharge added to high-risk accounts</li> </ul>	<ul style="list-style-type: none"> <li>Can be structured to cover sale price or to cover cost only</li> <li>No deductibles</li> <li>Minimal capital outflow</li> <li>Monitoring of customer's credit status not necessary</li> </ul>
<b>Customer Education</b>	<ul style="list-style-type: none"> <li>Not a primary focus</li> </ul>	<ul style="list-style-type: none"> <li>Not a primary focus</li> </ul>	<ul style="list-style-type: none"> <li>Yes — forecasts for problematic companies and industries, understanding of bankruptcy process, updates on distressed situations</li> </ul>

**TRIPs Advantages over Credit Derivatives**

	<b>Credit Derivatives</b>	<b>Credit Suisse TRIPs</b>
<b>Hedge Against Receivables</b>	<ul style="list-style-type: none"> <li>Coverage on bonds and loans not vendor's accounts receivable; Hedge is not precise</li> </ul>	<ul style="list-style-type: none"> <li>Yes. Coverage on vendor's receivables not bonds, loans etc.</li> </ul>
<b>Coverage Flexibility</b>		
<b>Companies</b>	<ul style="list-style-type: none"> <li>Typically only available on certain publicly traded companies</li> </ul>	<ul style="list-style-type: none"> <li>Any public company, most private entities, in any industry</li> </ul>
<b>Amounts</b>	<ul style="list-style-type: none"> <li>In \$2MM increments. Nonconforming coverage is normally not available</li> </ul>	<ul style="list-style-type: none"> <li>No minimum or limit to covered amount</li> </ul>
<b>Duration</b>	<ul style="list-style-type: none"> <li>Coverage typically available only at 5 years</li> </ul>	<ul style="list-style-type: none"> <li>A range of tenors — typically from 3 months to 5 years</li> </ul>
<b>ISDA Agreement</b>	<ul style="list-style-type: none"> <li>Yes. Negotiated and executed ISDA agreement is necessary</li> </ul>	<ul style="list-style-type: none"> <li>Not necessary</li> </ul>
<b>Product Availability</b>	<ul style="list-style-type: none"> <li>Only available before bankruptcy</li> </ul>	<ul style="list-style-type: none"> <li>Available before bankruptcy and during bankruptcy</li> </ul>
<b>Pricing/Cost</b>	<ul style="list-style-type: none"> <li>Often, especially in distressed situations, requires large cash outlay ("points up-front")</li> <li>Only available for par protection on bonds, loans not vendor's accounts receivables</li> </ul>	<ul style="list-style-type: none"> <li>No large cash outlay</li> <li>Can be structured to cover sale price or to cover cost only</li> </ul>



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