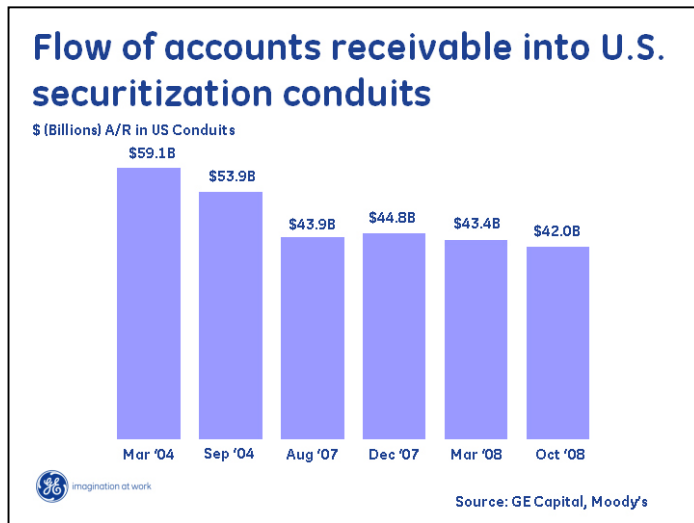




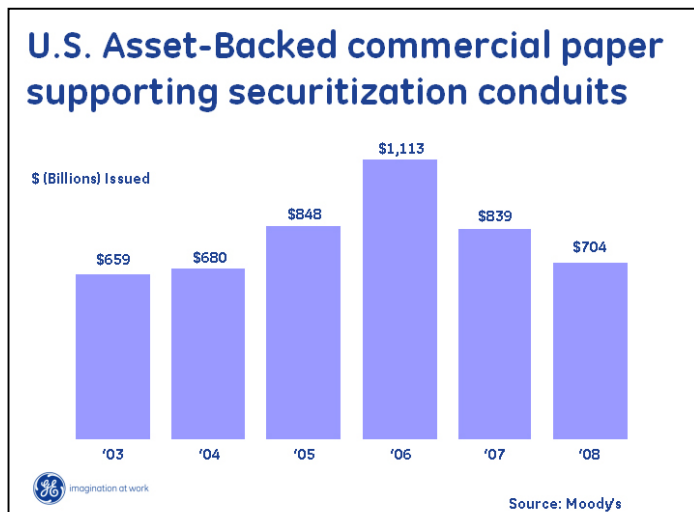
Market Minute

I'm Glenn Autorino, managing director, GE Capital Markets.

Securitizing trade accounts receivable is a popular financing tool used by industrial companies to supplement their revolving credit capacity. **(Figure 1)** In part, these structures are popular because they are off balance sheet and typically do not increase debt at the operating company. However, dislocation in the capital markets has diminished access to this form of capital. **(Figure 2)**



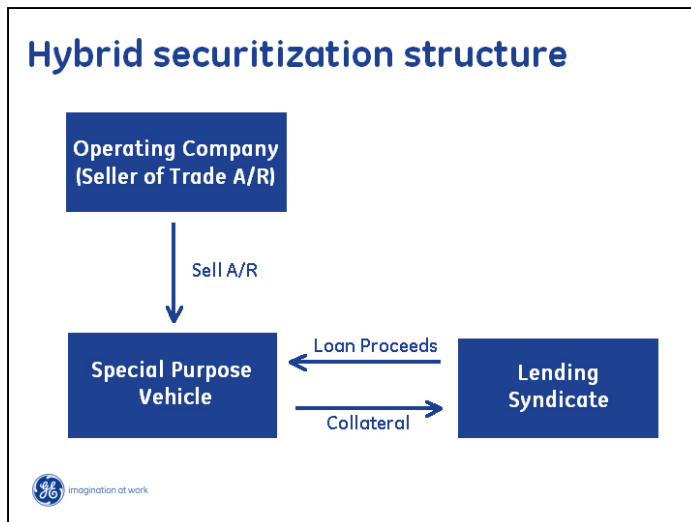
(Figure 1)



(Figure 2)

With few alternatives, companies have turned to their revolving lines of credit to refinance their receivable securitization programs. This not only diminishes precious revolver capacity, it may impact loan covenant compliance in some instances.

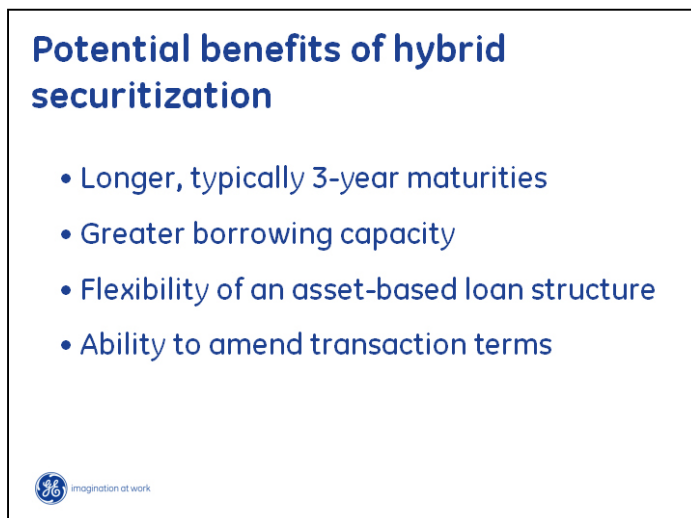
Increasingly, borrowers are turning to hybrid securitizations to replace their conduit securitizations. **(Figure 3)** With hybrid securitizations, receivables are sold to a special purpose vehicle set up by the borrower instead of using a conduit. A syndicated asset-based loan secured by the receivables is provided to the special purpose vehicle.



(Figure 3)

The loans are frequently without recourse to the operating company seeking the funding, and usually qualify as "off balance sheet" debt.

(Figure 4) These hybrid facilities provide many of the attributes of legacy securitizations and may offer other advantages such as: longer, typically 3-year maturities, greater borrowing capacity, the flexibility of an asset-based loan structure and the ability to amend transaction terms.



(Figure 4)

Maintaining securitization programs can be an important component of a company's overall capital structure. Hybrid securitizations may allow companies to refinance maturing programs without dipping in to their revolvers or requiring amendments to existing loan agreements.

This is Glenn Autorino for GE Capital, Market Minute