



Distressed Credit Risk Management Solutions – Innovation and Customization

Merrill Lynch has been advising corporations on risk management, with an emphasis on credit risk, for well over a decade. As the economy enters a potential transitional stage, credit exposure to stressed and distressed counterparties has become a primary concern for our clients and we have responded with streamlined and customized solutions. As an early pioneer of receivables protection on distressed credits, Merrill Lynch continues to innovate to address our clients' specific credit protection needs. The range of our products, most notably our highly customizable **Receivables Protection Put ("RPP")**, has helped scores of companies in a broad range of industries mitigate their credit exposures to trading partners, customers and longterm contract counterparties.

RECEIVABLES PROTECTION PUT ("RPP")

Description

Merrill Lynch's Receivables Protection Put offers you the right, on a non-cancelable basis, to put receivables due from a specified customer or counterparty at a pre-determined price (often 100 cents on the dollar) for prompt payment in the event of the customer or counterparty's insolvency during a specified period. Fees for this product are determined as basis points per month or year on the notional amount of protection.

Benefits

In cases where you face a stressed customer, an RPP allows you to maintain an uninterrupted relationship with that customer on consistent trade terms. In cases where you are looking to expand business to an existing customer beyond established credit limits, or develop a trading relationship with a new customer, an RPP allows you to move quickly without the burden of clearing new or modified internal credit approvals. The use of an RPP in each case is kept strictly confidential and not disclosed to your customer or any other party.

Customization

Merrill Lynch has distinguished itself in the market as the premier provider of innovative credit protection solutions. Our RPP product is highly customizable and has been applied to meet our clients' specific needs, including:

- ▶ varying protection balances over the life of the RPP (including mark-to-market balances on long term commodity contracts)
- ▶ varying payout percentages (i.e. client preferred deductibles)
- ▶ customized durations
- ▶ varying trigger events
- ▶ multiple subsidiary coverage
- ▶ variable settlement features
- ▶ blended pre- and post-petition protection
- ▶ varying fee payment features
- ▶ forward starting contracts
- ▶ credit basket protection
- ▶ structured solutions

Merrill Lynch has developed a portfolio of proprietary variations on our basic RPP product that our clients have found helpful to address their specific needs and we continually innovate to address new client applications. Merrill Lynch has the ability to provide you with highly tailored solutions; at the same time, our documentation continues to be the most user-friendly in the industry.

Industry Coverage

Merrill Lynch's vast resources in research, investment banking and trading allow us to provide RPP solutions across a broad array of companies and industries. Recent most active industries in which our clients have sought RPPs include:

- ▶ automotive and auto parts
- ▶ airlines and airline services
- ▶ cable, telecom and media
- ▶ chemicals
- ▶ energy
- ▶ general industrials
- ▶ healthcare
- ▶ home builders
- ▶ paper and packaging
- ▶ retail



