

Moderator: Steve Everett, SVP/Director, Northern Trust

Panelists:

- Albert Ciafre, VP, Corporate Funding & Investment, Capital One
- Craig Calle, VP/Treasurer, Gateway, Inc
- Jim Colby, Asst. Treasurer, Honeywell Int'l Inc.

# Global Liquidity

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**Northern Trust**

*Treasury & Risk's 12th annual*

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BEST PRACTICES SUMMIT

# Liquidity Management

## 2007 Alexander Hamilton Awards

November 6-7, 2007

# Gateway History

*1985-1999*

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Pioneers direct-to-consumer PC model

*2000-2004*

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Develops then abandons Country Stores  
Acquires eMachines; transitions from Direct to Retail  
Cumulative losses of \$2.4 billion

*2005-2006*

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Maintains both a BTO and CTO business  
Small profits each year  
Cash burn continues

*2006-2007*

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Concentration on Consumer market  
Liquidity issues threaten turnaround

# Liquidity Challenges: Q4 '06 - Q1 '07

Demand for Security to  
Factor AR Held by Supplier



Vista Launch Reduces Liquidity

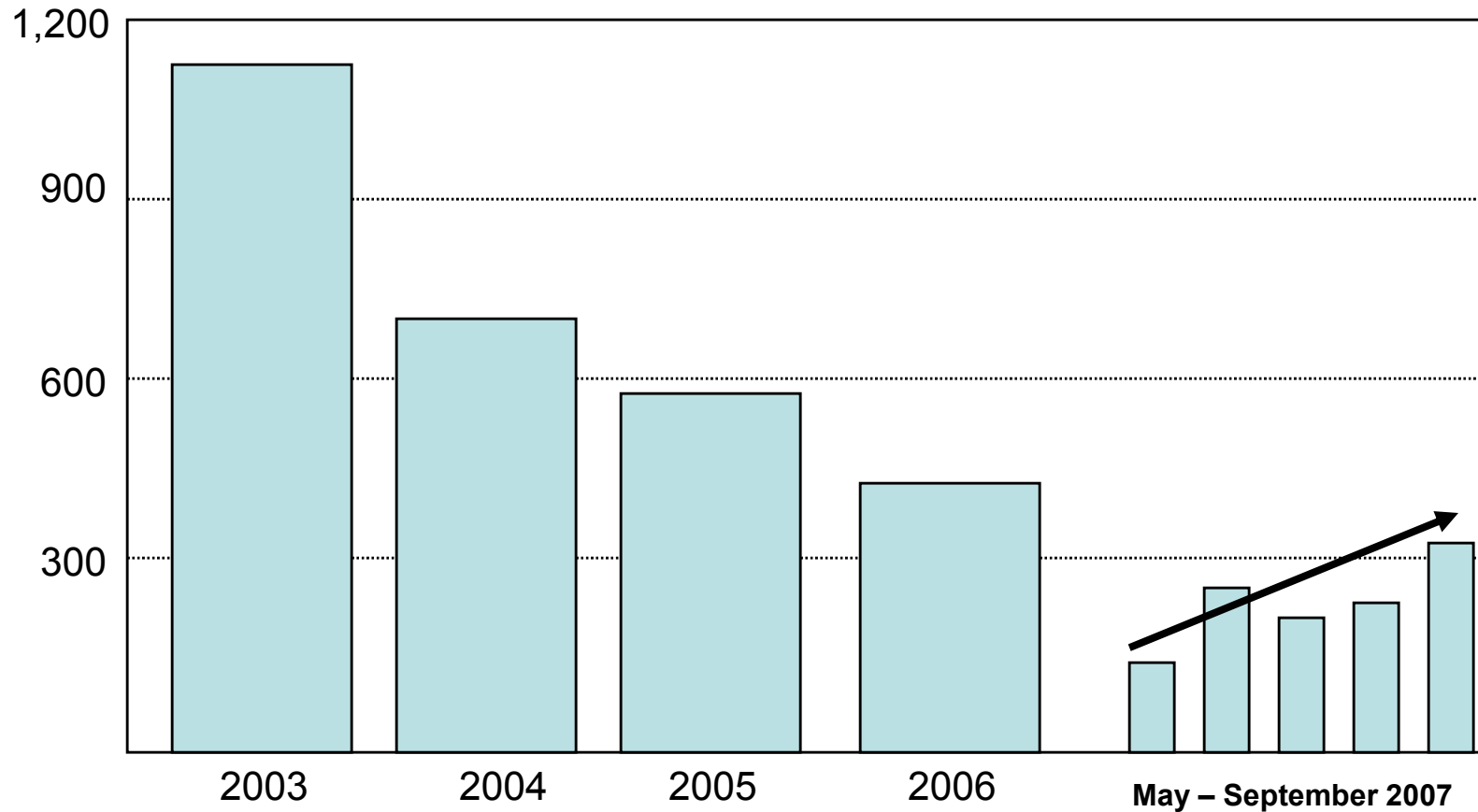


ERP Implementation



# Cash and Securities

(dollars in millions)



## Situation

- Top 3 supplier required 100% credit protection on AR from US customers
- Supplier had relied on \$50 million GMAC factoring line and \$10 million of credit insurance coverage
- Without GMAC, supplier demands \$50 million LC from Gateway to continue shipments
- Conventional solutions were not feasible
- Sophisticated supplier, but unfamiliar with credit derivatives

## Solution: Credit Puts

- Holder puts AR at face value upon credit event
- Pioneered by hedge funds; market now liquid and competitive
- Name specific, flexible size and term, non-cancelable
- Precedent rich, ISDA documentation
- Lower cost compared to factoring
- Strong vendors don't need cash, just efficient protection

## Benefits

- Bridging liquidity gap avoided a default and enabled turnaround to remain on-track
- Better supply chain finance practices lowered cost and accelerated growth
- Scholarship strengthened customer/supplier relationships
- Stronger ties to derivatives market improved availability and pricing

# Epilogue

Supply Chain Improved



New Products Get Launched



Acer Sees Value

