

# Custom Hedging Solutions, LLC

**Custom Hedging Solutions, LLC** (a Commercial Defeasance company) facilitates hedging transactions by applying extensive knowledge of interest rate swaps, caps, floors, swaptions, GICs and other hedging instruments to help you bid out interest rate caps, execute swaps, or hedge your defeasance costs. Whatever your derivative needs, we can help you Hedge with Ease™.

## Services Offered

Custom Hedging Solutions will:

- Help you identify and analyze your interest rate risk
- Present hedging solutions to help you mitigate that interest rate risk
- Facilitate the execution of the selected hedging solution
- Review all documentation and trade confirms for accuracy

When advising on competitive bid or offer transactions, we always utilize our knowledge and relationships to make sure you are receiving competitive pricing. For negotiated transactions, we work with your hedge provider of choice to manage the process and provide you with price transparency.

## Typical Hedging Strategies Implemented by Clients:

### Interest Rate Swap

An interest rate swap allows a customer to exchange a stream of interest payments for another party's cash flow. Swaps can be used to synthetically change or refinance your debt by effectively fixing the rate on

your floating rate debt or synthetically floating the rate on your fixed rate debt. The interest rate swap can be transferable as a hedge and can even be used to hedge a future transaction.

### Interest Rate Cap

An interest rate cap is purchased when a party needs protection from interest rate increases but also wants to enjoy the benefits of interest rate decreases. Interest rates are capped at a certain rate or strike level. The price of the cap is affected by interest rate volatility – the more volatile the rate environment, the more expensive the cap. The price of the cap also is affected by the strike level – the higher the strike level, the lower the cap cost. This product could be appropriate if you have floating rate debt and want to benefit from lower interest rates while protecting yourself from higher interest rates. A cap can even help you protect against interest rate increases on future borrowings.

### Interest Rate Swaptions

Swaptions are derivatives in which a party pays up front for the option to enter into a specific interest rate swap at a later date. All the terms of the underlying swap, such as maturity and interest rate, are agreed to at the time the swaption is purchased. Swaptions can be used when you want the option to hedge future interest rate risk, but do not want to lock yourself into a swap.

## Hedging Process and Costs

In general, depending on the product type, the hedging process will be completed in a week or less. We can, however, execute a hedge in as little as one day from our initial engagement, if the client is motivated to do so. Our fee is two basis points on the face amount of the hedge transaction with a minimum charge of \$5,000.

Please note that hedge providers charge a transaction fee and may charge an additional fee based upon their review of the client's credit. Depending on the product, these costs are either paid up front or embedded into the hedge provider's price or interest rate. However, Custom Hedging Solutions' fee is always clearly defined in our engagement letter and is never built into the cost of the hedge product. We will work hard to keep the process transparent and our clients aware of the costs involved.

## Why Custom Hedging Solutions?

Our professionals have not only advised about hedging, but have traded and marketed derivatives for and with many leading derivative providers. We have a broad knowledge of derivative products and hedge providers in the market. We are not owned by any bank or hedge provider, so our only interest is in providing our customers peace of mind through an unbiased, transparent process. Whatever your hedging needs, we can help you Hedge with Ease™.

## Contact Us

Contact us today at **866-762-1506** or **info@hedgewithease.com** to answer your questions, explain the process and discuss your hedging options. You can also visit us on-line at **www.hedgewithease.com**.

