

## ***Project & Structured Finance Workshop***

### **Course description and objectives:**

This is a comprehensive workshop on Project & Structured Finance. The workshop covers the essential business principles of project finance, including: ownership structure, role of participants, and key provisions of the major commercial contracts. It explains why project finance is a zero-sum game and introduces the risk-reward matrix as a tool to assess whether risks and rewards are balanced. The differences between project finance and corporate finance are highlighted.

The importance of counterparty risk is illustrated through a real-life case study of the credit of an EPC contractor.

The workshop discusses the collateral that is typical in a project finance transaction and there is a robust discussion of the cash flow waterfall and how it can be structured. This section on loan documentation describes the purpose of each document in a project finance transaction and highlights the key covenants that, taken together, help to perfect a lender's security. Participants also receive a due diligence checklist as a tool they can use.

A rigorous methodology (along with an exercise) is presented for screening projects across industry sectors and geographical regions for projects of all sizes. The main objective is to prioritize resources and push projects with a high probability of success. The biggest risk in the project finance business is spending resources on projects that suffer from fatal flaws and do not close. The screening methodology leads to a discussion on managing project priorities in a diversified portfolio.

A unique feature of this program is the section on negotiation. Sound commercial arrangements lie at the very heart of a project's security; however, participants in these negotiations are driven by commercial interests that often are in conflict with the commercial terms that are required by lenders. This is why commercial contracts often are not bankable; however, renegotiating complex contracts with thorny issues causes delay and so it is important to get things right the first time. This module summarizes the key aspects to formulating and implementing a negotiation strategy and introduces a real-life study on the negotiation of an EPC contract. Each participant is assigned a meaningful role and they experience first-hand why contract negotiations are one of the biggest challenges in a project finance transaction.

Participants learn about the top 10 risks in a project finance transaction and how to mitigate these risks. Two of the key challenges in the processing industry (particularly energy, oil & gas, and metals and mining) are construction and market risk. Special attention is devoted to techniques for mitigating these two risks.

This is followed by some considerations for managing a successful loan syndication process. Finally, participants are introduced to some of the key issues in negotiating Joint Development Agreements.

## **Content:**

- ✓ ***Limited recourse project finance***
  - Definition
  - Ownership & contractual structure
  - Role of participants
  - Key provisions of the major commercial contracts
  - Risk versus reward matrix and the zero-sum game
  - Differences between project and corporate finance
- ✓ ***Case study on counterparty risk***
- ✓ ***Loan documentation***
  - Collateral
  - Cash flow waterfall
  - Security package
  - Key borrower covenants
  - Description of key loan documents
    - Project documents, financing documents, security documents, and supporting documents
  - Due diligence checklist
- ✓ ***Project screening***
  - Procedure to rank projects across industries and geographical borders
  - Case study on project screening
  - Managing project priorities in a diversified portfolio
- ✓ ***Negotiation of commercial contracts***
  - Introduction to the SPIR (Stakes, Power, Interests, and Relationships) matrix
  - The Goals/Solutions matrix
  - Assessing the negotiation environment
  - Negotiation stages, styles, and tactics
  - Introducing a strategic framework for negotiation
  - Case study
- ✓ ***Risk identification and management***
  - The top ten risks
- ✓ ***Loan syndication***
  - The role of a preliminary information memorandum
  - Loan syndication strategy
- ✓ ***Joint Development Agreement***
  - Key commercial issues

**Duration:** 4 Days

**Methodology:**

The workshop is conducted through a series of lectures and presentations with case studies that illustrate the key concepts. Active participation is encouraged from participants throughout the workshop. There is a case study on project screening where teams jointly rank a project as well as a negotiation workshop.

**Agenda Highlights:**

Day 1	Day 2	Day 3	Day 4
Introduction to workshop (organization, structure, and expectations)	Collateral, cash waterfall, and key borrower covenants	Negotiation strategy: assessment of Stakes, Power, Interests, and Relationship	Risk identification and mitigation: – top 10 risks in project finance
Limited recourse project finance: definition, ownership structure, role of participants	Loan documentation (project documents, financing documents, security documents, and supporting documents)	Negotiation strategy: Goals/Solutions matrix; assessment of environment; negotiation stages &	Risk identification and mitigation (continued): – top 10 risks in project finance
Key provisions of major commercial contracts	Due diligence checklist	Strategic framework for negotiation and introduction to real-life case study	Managing the loan syndication process
Risk-versus-reward matrix and the zero-sum game.	Project screening procedure (including case study on project screening)	Negotiation case study: simulated internal negotiations	Negotiating joint development agreements
Differences between project finance and corporate finance	Feedback on workshop	Negotiation case study: simulated external negotiations	Program recap
Case study on counterparty risk	Managing project priorities in a diversified portfolio	Case study: Feedback and discussion	Q & A and program evaluation

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