The Techniques and Tactics of Project Financing (PF) teaches the financial know-how and negotiating approaches needed by Borrowers to implement Project Finance transactions. The Course builds upon the broader strategic material covered in The Strategy of International Project Financing.

However, Techniques and Tactics will go into more depth on topics such as credit assessment, deal structuring, choosing advisers, and the final negotiation and documentation of a financing. A significant objective of this course is to teach methods which equip students to plan and execute project finance “deals” that succeed in accomplishing strategic objectives.

To present the material in a practical setting, Case Studies will be extensively used in this course. The cases used will emphasize the energy and petrochemical industries. Multiple cases involving the Terrasia Petroleum Products Pipeline (Teppline) and the Soro Dondar petrochemical complex (Soro Dondar) will be used to allow students to observe the evolution of an actual project financing from inception to execution. Senior executives from Societe Generale and/or ExxonMobil will join us for one or more classes and discuss specific PF cases in which they have been involved.

The course will feature a new case focused on developing the type of financial model which lenders require in a PF Information Memorandum. The course ends with a “Capstone case”, Pioneer Chlor-Alkali, which deals with financing a Leveraged Buyout. Several of the principals from that transaction will join us for this last class.

The essential theme of the course is that PF borrowers should endeavor to control their project financing from the outset. This can best be done by making a realistic appraisal of a project’s potential to support financing, the definition of clear financing objectives and an assessment of challenges standing in the way of realizing those objectives. Based upon this assessment, borrowers should prepare their own preliminary financing plan. This work should be undertaken before the borrower’s organization commits to do PF, before talking about PF with partners and before hiring a financial adviser. Only by undertaking this upfront assessment will borrowers know the issues to discuss with other stakeholders. Being equipped to shape these conversations also will enable borrowers to seek only that external advice needed and to control key aspects of the PF process through to execution.

Attention will also be given to the perspective of lenders and their different tactical responses to borrowers’ demands under varying market conditions. Attention will also be given to the economics of the Project Finance business from the lenders perspective, and how this influences borrower’s negotiations of interest rate spreads, fees and related terms.

Specific topics to be covered in the course include:

- Proper structuring of projects to facilitate project financing
- Credit assessment to determine degree of achievable leverage
- Quantitative testing to assess loan sizing and amortization
- Managing partner discussions about financing objectives and tactics
- The role for financial advisers, their selection and mandates
- Necessary project financing information and documents to access financial market
- Shaping loan structures and security packages to achieve financing objectives
- Designing a project financing to hedge or mitigate risk, including political risk
- Negotiating key loan economic terms: amount, tenor, spreads/fees
- Executing the deal in different markets: bank, bond and ECA/MLA
- Restructuring insolvent/defaulting project financings
- Securing financing for a Leveraged Buyout

The course will be taught as a combination of lecture and case study work. A good portion of the case studies will be based upon transactions with which the instructor is personally familiar.

Each student will present at least one case study during the course. Grading for the class will be based 30% on the midterm, 20% on the case study presentation, 40% on the final exam and 10% on class participation. The Final Exam may either be a take-home case study or an in-class exam. Students will receive further information about the Final after the midterm exam results are determined.

The course text will be a course pack of the case studies to be examined in class. This course pack should be purchased at the Bauer energy case study website, www.bauerenergycases.com. In addition, the instructor will post on Blackboard additional readings from various technical publications and periodicals that focus on project financing.

The specific class topics are as follows:

<table>
<thead>
<tr>
<th>Class</th>
<th>Topic</th>
</tr>
</thead>
<tbody>
<tr>
<td>I</td>
<td>Connecting Project Finance Strategy &amp; Tactics</td>
</tr>
<tr>
<td>II</td>
<td>The Initial In-House Finance Plan</td>
</tr>
<tr>
<td>III</td>
<td>Sizing the Loan and Scoping the Security Package</td>
</tr>
<tr>
<td>IV</td>
<td>Structuring the Project for Financing</td>
</tr>
<tr>
<td>V</td>
<td>The Use, Abuse and Selection of Financial Advisers</td>
</tr>
<tr>
<td>VI</td>
<td>Necessary Project Technical Information &amp; Financial Model</td>
</tr>
<tr>
<td>VII</td>
<td>Choosing and Contacting Financing Markets</td>
</tr>
<tr>
<td>VIII</td>
<td>Negotiating key economic Loan terms; the Term Sheet</td>
</tr>
<tr>
<td>IX</td>
<td>Executing the Deal in the Bank Market</td>
</tr>
<tr>
<td>X</td>
<td>Executing the Deal in the Bond Market</td>
</tr>
<tr>
<td>XI</td>
<td>Executing the deal in the ECA/MLA Market</td>
</tr>
<tr>
<td>XII</td>
<td>Refinancing/restructuring Issues, Compliance, Why Deals Turn Out as they Do</td>
</tr>
<tr>
<td>XIII</td>
<td>Financing the Leveraged Buyout</td>
</tr>
</tbody>
</table>

**Students should read the Teppline (1) case prior to coming to the first class.** It will be discussed during the first two classes as a template to explore the linkages between strategy and the tactics/techniques of project financing. The case will be posted on Blackboard one week before classes commence.

The Professor’s office is 220-D in Melcher Hall and office hours are Tuesday and Thursday from 4:30-6:00 PM. Students presenting cases during that evening’s class are especially encouraged to visit during office hours for a discussion of their draft material. The Professor may also be contacted by e-mail at svarbogast@uh.edu or svarbogast@comcast.net.

At the conclusion of this course, the successful student should be ready to work on project financings for either a borrower or lender and to pursue a career in asset-based financing.

**Good Luck and Enjoy the Course!**
<table>
<thead>
<tr>
<th>Class</th>
<th>Topic</th>
<th>Case Study / Readings*</th>
</tr>
</thead>
</table>
| 1. (1/17) | Introduction to Techniques and Tactics Integrating PF Strategy & Tactics into a Winning Plan | Read: PF ABFE: pp. 1-12  
Case: Teplpline (1) |
Case: Teplpline (1) continued |
| 3. (1/31) | Sizing the PF loan; spotting and working on credit issues | Read: PF ABFE: 70-79, 88-99, 58-65, 129-139  
Case: Soro Dondar’s Leverage |
| 4. (2/7) | Structuring the venture for Project Financing; key JVA terms and conditions | Read: PF ABFE: 103-121, 288-302  
Case: Soro Dondar’s Structure |
Case: Soro Dondar’s RFP |
| 6. (2/21) | Anticipating loan structuring issues; preparing the PIM and project financial model | Read: PF ABFE: 164-174  
also: IM excerpts: Kemya & Cerro Negro  
Case: Ban Diego LNG builds its Financial Model |
| 7. (2/28) | Selecting target PF markets and positioning markets/lenders to compete | Read: PF: 47-50,57-65  
PF ABFE: 205-238  
Case: Lenders for Soro Dondar |
| 8. (3/7) | MIDTERM | |
| 9. (3/21) | Executing PF in the bank market; tactics for borrowers to control the deal; negotiating the bank Term Sheet | Read: HBS Case: Hong Kong Disneyland  
Case: Teplpline (A & B) |
| 10. (3/28) | Executing PF in the bond market; targeting Investment grade ratings and piercing ‘The Sovereign Ceiling’ | Read: Moody’s: Project Financing  
Case: Great Project, Primitive Country revisited |
| 11. (4/4) | Executing PF in the ECA/MLA market; managing political requirements and compliance burdens | Read: PF: 67-73  
Case: US Ex-Im’s Soro Dondar Term Sheet |
Financing new, unconventional energy projects in the PF market – technical, credit & economic issues for PF banks

PLEASE NOTE: NO CLASS ON 4/18

Discussion w/Clay Jones, Societe General Bank
Case: OsoMcMurtrey Ethanol

CAPSTONE CASE
Guests: Rick Kellogg: Buyer Doug McMurray: Senior Lender Tom Schnitzius: Advisor

Read: Case: Pioneer Chlor-Alkali

Exam Review and presentation of OsoMcMurtrey Ethanol Case Study

* Cases are to be read in the week assigned in the syllabus. Groups presenting case study solutions will present during the subsequent week’s class. Thus, for example, the Tepline A/B cases should be read for 3/21 but will be presented only on 3/28. The exception for this is the Capstone case, Pioneer Chlor-Alkali, which will be presented when the guests come in on 4/18.

Final Words:

Academic Honesty:
The University of Houston Academic Honesty Policy is strictly enforced by the C. T. Bauer College of Business. No violations of this policy will be tolerated in this course. A discussion of the policy is included in the University of Houston Student Handbook, http://www.uh.edu/dos/hdbk/acad/achonpol.html. Students are expected to be familiar with this policy.

Accommodations for Students with Disabilities:
The C. T. Bauer College of Business would like to help students who have disabilities achieve their highest potential. To this end, in order to receive academic accommodations, students must register with the Center for Students with Disabilities (CSD) (telephone 713-743-5400), and present approved accommodation documentation to their instructors in a timely manner.