

BA4849/BA5849-Project Finance

Friday: 13:15-14:30; 14:45-16:00 (G109-FEAS)

Instructor:	Dr. Mehmet Uzunkaya
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Office Hours:	By appointment
Course Web Page:	TBA
Course Description:	
<p>This course provides a firm foundation on project finance, which is a product of financial engineering to raise long-term financing for large capital intensive projects. This recently and rapidly developed technique has become common throughout the world during the last couple of decades in the face of enormous infrastructure needs of both developed and developing countries. Project finance has the potential of offering distinct advantages in certain cases over corporate finance tools, especially for large and risky projects, and this potential makes it particularly interesting. However, it has also its own complexities, which need to be managed properly in each stage of a deal if this potential is to be realized. Therefore, the objectives of this course are to:</p> <ul style="list-style-type: none"> • introduce project finance as a technique to raise long-term debt for capital intensive projects on a limited or non-recourse basis, • provide a clearly defined framework for designing, appraising and structuring project finance deals, • provide tools to identify and manage risks in project finance transactions, • present financial modeling techniques to bring together all the elements of the course to make informed decisions in project financing. <p>Students should have completed or be taking an equivalent course on introductory finance, financial management or corporate finance.</p>	
Course Student Learning Objectives: (CSLO)	
<p><i>Upon successful completion of this course, students should be able to:</i></p> <p>Course Specific Skills:</p> <ol style="list-style-type: none"> 1. Understand how project finance differs from corporate finance in raising long-term debt, 2. Appreciate the rationale in using project finance as a useful alternative to corporate finance tools in certain cases, 3. Analyze project viability, and identify and evaluate risks that can be encountered in a project finance deal, 4. Design security arrangements in a project finance transaction, 5. Structure a project based on the advantages and disadvantages of different structural forms, 6. Design the optimal financial plan for a project finance deal, 7. Construct financial models to assess the viability and risks of a project, 8. Tailor, by using the financial model, the structure of a project to satisfy debt and equity holders, 9. Use real options to assess the value of contingencies in evaluating a project, 10. Identify different sources of project funds, 11. Understand how to arrange financing through syndication, 12. Understand how to manage project risks using derivative instruments such as swaps, options, forwards and futures, 13. Understand issues for the host government and the concept of public-private partnerships (PPPs) 14. Apply the concepts learned to real world practical examples through case studies. <p>Discipline Specific Skills:</p> <ol style="list-style-type: none"> 15. Understand the potential of project financing in certain cases in business administration 16. Develop understanding of the importance of firm-level investment decisions for an economy. <p>Personal and Key Skills:</p> <ol style="list-style-type: none"> 17. Develop problem solving skills 18. Develop writing and discussion skills 19. Develop presentation skills 	

Learning and Teaching Methods:

This course is going to make use of formal lectures, in-class discussions and problem solving, written homework assignments (problem sets) and case studies.

Required Reading:

Finnerty, John D., *Project Financing: Asset Based Financial Engineering*, Third Edition, Wiley, 2013.

(An e-book version of this book can be purchased at <http://eu.wiley.com/WileyCDA/WileyTitle/productCd-1118394100.html>)

Supplemental Books

1. Yescombe, Edward R., *Principles of Project Finance*, Academic Press, 2013.
2. Gatti, S., *Project Finance in Theory and Practice: Designing, Structuring, and Financing Private and Public Projects*, Academic Press, 2013.

Assessment and Grading:

Form of Assessment	% Contribution	Size of the assessment	CSLOs covered by this assessment	Feedback Method
Written Mid-Term Examination	25	120-minute essay-type examination	1,2,3,4,5,6,14,15,16,17	Written and oral (in class)
Homework Assignments (Problem Sets)	15	Self-study hours (2+ hours each)	1,2,3,4,5,6,7,8,9,10,11,12,13,14,15,16,17,18	Written and oral (in class)
Case Report and Presentation	20	Group Works and Presentation (6+ hours)	1,2,3,4,5,6,7,8,9,10,11,12,13,14,15,16,17,18,19	Written and oral (in class)
Class Participation	10	Class participation during regular lectures	1,2,3,4,5,6,7,8,9,10,11,12,13,14,15,16,17,18,19	Written and oral (in class)
Written Final Examination	30	150-minute essay-type examination	1,2,3,4,5,6,7,8,9,10,11,12,13,14,15,16,17,18	Written

Case Reports and Presentations: Students are expected to team-up (up to 4 or 5 in a team) and work on a case from the main textbook. The cases will be assigned to teams by the instructor. The case study will be analyzed on the basis of the framework covered in the course. The groups will submit a group report and present it in the class.

Make-ups: There will be no make-ups for homework assignments. Make-ups for examinations are strictly contingent upon legitimate reasoning. If you have an exam time conflict, please contact me ahead of time.

Important Note About Re-sit (Bütünleme) Exams: Please note that re-sit exams are no longer given at METU.

Incompletes: A grade of incomplete will not be granted except for the most extreme circumstances and only after stringent verification and approval by the Department. A grade of incomplete will be granted only as a result of circumstances beyond the student's control. A grade of "I" is not given in lieu of an "FF".

Course Policies:

Course Requirements: The students will be assigned readings from the textbook and are expected to come to class prepared and ready to take part in class discussions.

Attendance is mandatory in this class. Past experience repeatedly demonstrated that students who regularly attend class and read the chapter assignments perform significantly better than students who have an intermittent attendance and/or who do not keep current in reading the chapters.

Homework Assignments (Problem Sets): A number of problem sets will be assigned during the term. The assignments should be prepared as your original work and they should be prepared individually. However, working together among classmates is also encouraged and if you choose to do so, please make a note of the person(s) that you have worked with alongside your own name on the assignment. The solutions to the problem sets will be made available at the course web page once the assignments are collected.

Reading Assignments: The lectures will stress the most important and/or most difficult material. The students are expected to read the chapters from the main textbook before they are covered in class.

Presentation Slides: A copy of the presentation slides will be available at the course web page. These slides can be used as chapter summaries and utilized while taking down notes during class. Please note that the slides are *copyrighted material* and are open *only* to the exclusive use of students who are officially registered for this course.

Student Disabilities: Any student, who, because of a disabling condition, may require special arrangements in order to meet course requirements, should contact the instructor as soon as possible. Students should present the appropriate documentation from the university's Disability Support Office (Engelsiz ODTÜ Biri, ODTÜ Kütüphanesi, Solmaz İzdemir Salonu, Tel: 2107196; engelsiz@metu.edu.tr) verifying their disability, and outlining the special arrangements required.

Academic Dishonesty: The Department of Business Administration has no tolerance for acts of academic dishonesty. Such acts damage the reputation of METU, the department and the BS degree and demean the honest efforts of the majority of the students. The minimum penalty for an act of academic dishonesty will be a zero for that assignment or exam.

Cheating: All university, faculty/institute, and department principles on academic honesty will be strictly enforced. The usual consequence for academic dishonesty is failure of the course and referral of the case to the Dean of the Faculty for additional disciplinary action. Examinations are individual and are to be completed without outside assistance of any sort. Persons observed cheating during examinations will receive a failing grade in the course. Homework assignments are individual, unless otherwise specified by the instructor, and are to be completed without outside assistance of any sort, as well. Persons observed cheating in their homework assignments will receive a score of zero for the portion of the semester grade that is allocated to such assignments.

Plagiarism: The instructor assumes that students will do their own work. By placing their names on assignments (individual or team), students are affirming that the contents are their original work. Any previous work available from files or past students, as well as materials available on the internet may be used only as a suggestive model. Violation of this provision will be considered as unethical behavior, subject to disciplinary action. If you have any doubt about the use of a specific material, see the instructor ahead of time. Any material used from outside sources should be referenced appropriately. Persons observed to plagiarize while preparing assignments will be referred to the Dean of the Faculty for additional disciplinary action and also they will receive a score of zero for the portion of the semester grade that is allocated to such assignments.

METU HONOR CODE

Every member of METU community adopts the following honor code as one of the core principles of academic life and strives to develop an academic environment where continuous adherence to this code is promoted.

"The members of the METU community are reliable, responsible and honorable people who embrace only the success and recognition they deserve, and act with integrity in their use, evaluation and presentation of facts, data and documents."

Civility in the Classroom: Students are expected to assist in maintaining a classroom environment which is conducive to learning. In order to assure that all students have an opportunity to gain from time spent in class, unless otherwise approved by the instructor, students are prohibited from using laptop computers and

cellular phones, making offensive remarks, reading newspapers, sleeping, or engaging in any other form of distraction. Inappropriate behavior in classroom shall result, minimally, in a request to leave class.

Past observations showed that the METU classroom experience is improved when the following are true:

Students arrive on time. Timely arrival ensures that classes are able to start and finish at the scheduled times. Timely arrival shows respect for both fellow students and faculty and it helps to create a better learning environment by reducing avoidable distractions.

Students are fully prepared for each class. Much of the learning in this course takes place during classroom discussions. When students are not prepared, they cannot contribute to the learning process. This affects not only the individual but also the classmates who count on them.

Students respect the views and opinions of their colleagues. Disagreement and debate are encouraged; however, intolerance for the views of others is unacceptable.

Laptops, phones and wireless devices are turned off.

Student Excuses: Unless you inform me in advance, I will not excuse you from any of the grade requirements. At the same time, this does not mean that I will allow you to miss a test or an assignment with any excuse that you present to me. Please note that the excuse is acceptable for only the most extreme circumstances.

KNOW YOUR RIGHTS AND RESPONSIBILITIES! <http://oidb.metu.edu.tr/en/academic-rules-and-regulations>

NOTE THE IMPORTANT DATES ON THE ACADEMIC CALENDAR!
<http://oidb.metu.edu.tr/en/academic-calendar>

The instructor assumes that students who attend the next class have understood and accepted to agree with all the requirements and rules of this course.

Notes:

- Usage of cell phones is strictly prohibited during class. Please be courteous to your classmates and me and make sure that your phones are on silent mode before the class begins.
- Please arrive on time. If you have to leave early, please inform me in advance.
- For questions, concerns, or suggestions, please feel free to send an e-mail.

Good luck to all of you and let's have a very enjoyable semester together!! MU

Don't be Trashy. Recycle.

Do not throw items away in the trash that should go into the recycling bin. Show a little class.

REDUCE, REUSE, RECYCLE!

The following table gives the tentative schedule for the semester. The lectures will stress the most important and/or most difficult material. The students are required to read the chapters before they are covered in class.

Project Finance-Spring 2018-Tentative Course Schedule				
Month	Day	Topic	Reading Assignment	CSLO
February	16	Introduction and Semester Overview What is Project Finance?	Chapter 1	1
	23	The Rationale for Project Financing	Chapter 2	2
March	2	Analyzing Project Viability and Assessing Risks	Chapter 5	3
	9	Designing Security Arrangements	Chapter 7	4
	16	Structuring the Project	Chapter 8	5
	23	Preparing the Project Financing Plan	Chapter 9	6
	30	Discounted Cash Flow Analysis	Chapter 10	7
April	6	Midterm Examination (18:00-20:00)	Chapters 1,2,5,7,8,9	1,2,3,4,5,6,14,15,16,17
	13	Financial Modeling and Project Evaluation	Chapter 11	7, 8
	20	Using Real-Options Analysis to Evaluate a Project	Chapter 12	9
	27	Sources of Project Funds	Chapter 13	10, 11
May	4	Managing Project Risks	Chapter 14	12
	11	Issues for the Host Government and Public-Private Partnerships (PPPs)	Chapter 16	13
	18	Case Study Presentations: Case Study 1: The Indiantown Cogeneration Project Case Study 2: The Tribasa Toll Road Project Case Study 3: The Euro Disneyland Project Case Study 4: The Eurotunnel Project	Chapter 17 Chapter 18 Chapter 19 Chapter 20	14
	25	Final Examination (13:30-16:00)	Chapters 1,2,5,7,8,9 (30%), Chapters 10, 11,12,13,14,16 (70%)	1,2,3,4,5,6,7,8,9,10,11,12,13,14,15,16,17,18