

Structured and Project Finance

VOLUME 9, NUMBER 3

FALL 2003

CHRISTOPHER DYMOND	Editor
EDWIN F. FEO	Editor
BARRY P. GOLD	Editor
JONATHAN S. SAIGER	Editor
HENRY A. DAVIS	Managing Editor
<hr/>	
HARRY KATZ	Production Director
MICHELLE WRIGHT	Production Manager
DAVID GOMBAC	Senior Staff Copyeditor
AJANI MALIK	Reprints Manager
<hr/>	
ANNE O'BRIEN	Marketing Director
MICHELLE COX	Marketing Manager
STEFANNY HSU	Assistant Marketing Manager
<hr/>	
TRISHA GORMAN	Advertising Director
DAVE GALAN	Advertising Associate
<hr/>	
ROBERT TONCHUK	Fulfillment Director
VINCENT YESENOSKY	Senior Fulfillment Manager
CHERLY-NINA BONNY	Fulfillment Manager
<hr/>	
DAVID E. ANTIN	Director of Finance and Operations
KAREN LEE	Business Manager
<hr/>	
ALLISON ADAMS	Publisher
CHRIS BROWN	CEO

This fall issue begins with four timely articles on current power and project finance topics. Daniel White, James Diemer, and Eric Gibbs begin by addressing how LNG will supply an increasing portion of the growing natural gas requirements in the United States. Then Todd Filsinger and Mike Hormell view merchant energy projects at what we hope is the bottom of the investment cycle and assess regional market exposure and other factors that will determine how rapidly that market recovers. Next Roger Feldman addresses the recent blackout in the Northeast and Midwest of the United States and complications related to future project financing opportunities for transmission facilities. Paul Forrester and Benjamin Neuhausen explain the FASB's new, more stringent guidelines for whether or not to consolidate a special-purpose entity and introduce us to two new terms in this context: a variable interest entity and a primary beneficiary. Moving to structured finance, Daniel Stachel warns us of the dangers lurking in triple-A-rated asset-backed securities and the obstacles that have arisen to make traditional credit analysis of ABS issuers more difficult. Then Moorad Choudhry and Frank Fabozzi explain recent applications of collateralized debt obligations, including bank regulatory capital management, credit risk management, credit trading, and arbitrage. We conclude with three articles from the academic perspective. Junkui Yao and Ali Jaafari show how real options and decision tree analysis can be combined for project valuation. Then Twila-Mae Logan explains how the level of bankruptcy risk should determine the equity requirements of BOT projects in emerging economies. Finally, Michael Frank and Tony Merna note the growing tendency for German and British Private Finance Initiative (PFI) projects to be procured in bundles rather than on an individual stand-alone basis and suggest ways to analyze such bundles as portfolios of projects in which higher-return projects may compensate for lower-return projects in meeting the sponsor's minimum acceptable rate of return for the portfolio as a whole.

We hope you find this issue useful and have an enjoyable and productive fall.

Jonathan S. Saiger
Editor

Henry A. Davis
Managing Editor