

COURSE OUTLINE:

Covenants and Documentation

1 day
8 CPE Credits

Overview

The seminar will focus on how financial professionals should review credit documentation, and what pitfalls to look out for in this process. The course will focus on covenants and other features designed to protect investor interests and emphasize ways in which these defensive tools can be undermined by creative drafting. The publicly available credit rating methodology of our sister company, Moody's Investors Service, for evaluating covenants in bond indentures will be discussed. Participants will learn how Moody's Investors Service framework for assessing covenant quality can be applied to their daily work.

Learning Objectives

Upon completion of this seminar, delegates will be able to:

- » identify important features in standard documents
- » structure documents effectively for proper protection and understand what document structures are appropriate for various types of debt
- » understand how the strength of covenants can be mitigated by weak definitions, ambiguous language, exceptions, carve-outs, and the like
- » understand how Moody's Investors Service rates covenant quality and defines protective markers
- » discuss documentation issues with, and ask proper questions of, one's lawyer

Who Should Attend

The seminar is designed for non-legal professionals who work in various areas of credit and are exposed to documents designed to protect lenders and investors, e.g.

- » Commercial and investment bankers
- » Underwriters
- » Fixed income professionals (both buy and sell sides)
- » Loan administrators
- » Syndication desks
- » Structured finance investors

Program Level

Program Level: Basic/Intermediate

Prerequisites: One year experience in a credit-related function or completion of the Fundamentals of Corporate Credit seminar or equivalent.

Advance Preparation: None

Delivery Method: Group-Live

Accreditation

Moody's Analytics is registered with the National Association of State Boards of Accountancy (NASBA) as a sponsor of continuing professional education on the National Registry of CPE Sponsors. State boards of accountancy have final authority on the acceptance of individual courses for CPE credit. Complaints regarding registered sponsors may be submitted to the National Registry of CPE Sponsors through its website:

www.nasbaregistry.org

WHY MOODY'S ANALYTICS?

Current and Consultative

Our seminars are created and updated utilizing the extensive experience, skills and research of Moody's Analytics. For in-house training, we work with you to understand the distinct needs of your organization and design, implement, and track the performance of your learning programs from end-to-end, including skills assessment, program design, implementation, evaluation, and enhancement.

Comprehensive Coverage

We offer a broad set of technical and soft skills programs that can be combined and adapted to the needs of your staff. Our areas of expertise include banking, finance, sales negotiation and leadership development:

Unparalleled Expertise

Our training solutions leverage over a century of experience in risk assessment and the comprehensive tools, data, and analysis of Moody's Analytics to deliver timely, in-depth, and comprehensive knowledge. In delivery, our people make the difference – they combine deep experiences as financial practitioners, intellectual passion for the content, and superior academic credentials with a commitment to delivering outstanding quality.

Covenants and Documentation – Agenda

Session 1: General Overview of Covenants

- » The role of covenants in protecting lender/investor interest
- » Financial and non-financial covenants
- » Covenant limitations
- » The role of covenants in loan recovery
- » Boom market covenant trends

Session 2: Different Types of Documentation

- » Different legal documentation involved in bank agreements and bond indentures
- » Documents meant to address two major components of credit risk: Probability of Default and Loss Given Default
- » Contents of Term Sheets
- » Process of developing and negotiating terms

Session 3: Typical Features of Credit Documentation

- » Conditions precedent
- » Representations and warranties
- » MAC clauses
- » Recitals
- » Definitions
- » Events of default, cross-default
- » Lenders' power to act in event of default

Session 4: Issues of Structure & Subordination

- » Relative and referential nature of subordination
- » Forms of subordination: contractual, structural and effective and the use of an acquisition financing deal structure to demonstrate these concepts
- » Family Guarantees as mitigants to structural subordination
- » Parties included in the credit base: Credit Parties as defined
- » Unrestricted Subsidiaries and affiliates
- » Layers of debt financing

Session 5: Covenants

- » Typical covenant categories; levels in various instruments
- » Restricted subsidiaries, payments, investments
- » Default and acceleration standstills
- » Negative pledge, limit on liens
- » Financial, technical covenants: performance and pre-requisite tests
- » Restrictions on asset sales, mergers, debt incurrence and subsidiary borrowings
- » Change of control clauses
- » Limitations on sale-leasebacks
- » Methods of mitigating covenant effectiveness; ambiguities, carve-outs, definitions, etc.
- » Syndication issues and resulting covenants
- » PIK, toggle note

RELATED COURSES

Corporate Credit

- » Credit Masterclass
- » Fundamentals of Corporate Credit
- » Corporate Credit Rating Analysis
- » Corporate Credit & Cash Flow
- » Advanced Financial Risk Analysis
- » Credit Analysis for RiskAnalyst Users

Troubled Credits

- » Problem Credits
- » Liquidity Analysis & Refinancing Risk for Corporates
- » Corporate Debt Restructuring

Tailor Any Seminar for Your Organization

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Multiple Bookings

Special rates may be available for multiple seminar or group bookings. Please contact us for details.

Fees & Cancellations

The fee listed is per participant and includes refreshments, lunches and seminar materials. Seminar fees do not include tax, transportation or hotel accommodations. Payment must be received in full prior to the start of the seminar. Registrations may be cancelled in writing via letter or email at least 30 days before the first date of the training for a full refund. Cancellations received less than 30 days in advance are eligible for substitution with another seminar, but fees will not be refunded. We reserve the right to cancel or reschedule seminars at any time. For further information on our refund and complaint policy, please contact us.

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