



OIL AND GAS LENDING SUCCESS ROUNDTABLE
Whitney Bank Board Room, New Orleans, Louisiana
September 24, 2014

Midstream Lending Topics

1. Deal Creep: Is there anything emerging in transaction debt structures which is causing you heartburn? Higher percentage of senior debt—unsecured, just structurally subordinated because of secured lenders' collateral? Increasing reliance on mezzanine debt or other quasi-equity? Loosening covenant structures? Pushing out debt maturities?
2. How are you approaching collateral valuation? If you are using reported asset sale EBITDA multiples, how are you grounding those? Are you running a downside valuation, and on what basis? How does fixed asset carrying value affect your thinking?
3. Portfolio Management: What are you doing to actively manage the portfolio? Are you stress-testing the Midstream portfolio? How?
4. Expansion: Is there a risk of overbuild in the space, and where do you see the greatest risk in terms of geography and/or asset type?
5. Underwriting Standards: Do you have a separate section of Loan Policy addressing the Master Limited Partnership industry segment? What credit facets are most important?
6. Leverage: Have you seen a gradual increase in borrower leverage? In leverage covenant restrictions? Where does your loan policy draw the line? Is it different than your policy for the general C&I portfolio?
7. Contract Makeup & Hedging: How are you evaluating the midstream borrower's exposure to commodity price risk? Does your loan policy set guidelines for how much of this exposure a borrower should bear?
8. Loans to Parent/Holdco entities: When underwriting an MLP, do you include this parent debt, given that it typically relies on MLP distributions for debt service? What covenant controls do you typically see regarding distributions? How do you handle collateral value (GP and LP units) and its commensurate impact on LGD?
9. Private Equity: Concerns about their willingness / ability to stay in midstream space?
10. Regulator View: What has been your experience with regulators and loans to midstream borrowers (i.e. Do they understand this segment?) What has been the focus of regulators in recent exams? Hot buttons?



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Upstream Lending Topics

1. Deal Creep: Current lending environment? Trends in new loan production? What do recent transactions tells us with regard to the evolving market?
2. Capital Structures: Is there anything emerging in transaction debt structures which is causing you heartburn? Higher percentage of senior debt—unsecured, just structurally subordinated because of secured lenders' collateral? Increasing reliance on mezzanine debt or other quasi-equity? Loosening covenant structures? Pushing out debt maturities? Non-conforming tranches?
3. OCC's April 2014 Oil and Gas Production Lending Handbook: Blessing or Curse? Have you performed a gap study relative to the handbook? Were there some gaps? Are you amending your Loan Policy to address any gaps?
4. Regulatory experience: What has been the focus of regulators in recent exams? Is there any feedback available from banks who were part of the OCC Horizontal Energy Exam? Hot button regulatory issues? Have you reexamined your lending framework?
5. Credit Risk Portfolio Management: What are you doing to actively manage the portfolio? Are you stress-testing the portfolio? How? Portfolio management and concentration risk?
6. Looking Ahead: What credit risk challenges will we face in the next 18 months? Has the energy cycle run its course—what's next? Other emerging challenges that lie ahead?
7. Insomnia: What is keeping you awake at night? Where are the next problem areas?
8. Borrowing Bases: Have you seen any surprises in recent redeterminations? Price deck approval process – frequency of review? More aggressive price decks? Less restrictive Risking Factors: PDP, PDNP, PUD? Weaker asset coverage in Base/Sensitivity models?
9. Lessons Learned: Where are we in the energy cycle? Any lessons learned from this cycle which suggests protective measures for the future? Have you changed your policies and procedures?
10. Risk Rating Models: What approaches have you used? How have they evolved through various iterations?