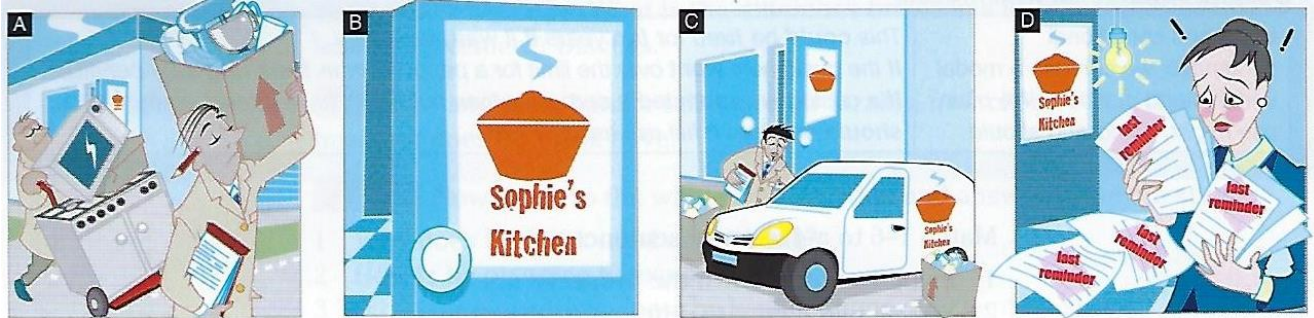


Module 6: Corporate banking

Unit 3: Company restructuring and loan modification



SPEAKING

- 1) What's happening in the illustrations A-D? Why did it happen? What might happen next? How would you prevent this from happening if your company had a serious problem with debt?

VOCABULARY

- 2) Complete these definitions of common word partnerships with the verbs in the box.

generate	liquidate	manage	modify
recover	refinance	restructure	settle

- a) "To _____ bills with creditors" means to pay people or companies you owe money to.
 b) "To _____ a loan" means to make changes to a loan agreement.
 c) "To _____ a company" means to change business practices.
 d) "To _____ a debt" means to be paid back when you don't expect to be.
 e) "To _____ cash" means to raise funds.
 f) "To _____ assets" means to sell property for cash.
 g) "To _____ a loan" means to replace one loan with another at a lower rate of interest.
 h) "To _____ debt" means to find a strategy to help an individual or company pay their bills.

- 3) Match 1-6 to a-f to make common word partnerships often used to talk about loan modification.

- | | |
|---|------------------------|
| 1) <input type="checkbox"/> restructure | a) strategies |
| 2) <input type="checkbox"/> make | b) your costs |
| 3) <input type="checkbox"/> discuss | c) cash |
| 4) <input type="checkbox"/> generate | d) your debts |
| 5) <input type="checkbox"/> cut | e) a list of creditors |
| 6) <input type="checkbox"/> manage | f) the company |

LISTENING

- 4) Mr Kowalski, a businessman, has an appointment to talk to Karl Mayer in the Loan Modification Department. Listen to their conversation and number the phrases in 3 in the order you hear them.
- 5) Listen again and answer these questions.
- What problem is Mr Kowalski having in his company?
 - What is the first step that Karl recommends?
 - What does Karl say about generating cash?
 - What does Karl suggest that Mr Kowalski do to pay off his creditors?
 - What is Karl's suggestion regarding the money the company owes the bank?
 - Why is the bank interested in helping Mr Kowalski with his problems?
- 6) Match 1-6 to a-e to make sentences for suggestions and recommendations.
- | | |
|------------------------------|---|
| 1) Why don't we | a) to consider selling some of your property? |
| 2) I would suggest | b) a way to generate cash. |
| 3) What about | c) extending the line of credit. |
| 4) I would like to recommend | d) look for alternative financing? |
| 5) Would you be willing | e) restructuring the company? |
- 7) What do you think loan modification strategy is? Why do you think it might be important for the bank?
- 8) Read the letter Mr. Mayer wrote to Mr. Kowalski after their conversation and answer these questions.

Dear Mr Kowalski,

I have looked carefully at your income statement and your cash flow statement. I see that you are in danger of (1) defaulting on your loan. If you do not pay us back, we will have to reclassify the debt as a (2) non-performing loan.

We have decided to appoint a (3) turnaround professional to help you change the way your company works. By restructuring the company you should be able to generate some cash. You may need to liquidate some assets as we mentioned. You will have to think about which assets you can sell. It is also important that your company works more efficiently. The external adviser can help you to (4) streamline some of your processes and will speak with your creditors and help you to manage your debt.

After these steps have been taken, we can discuss changing your loan. We can make the period of time longer by (5) extending the term, for example. We may also think about charging interest only for a time. It is very important that we come to an agreement about the loan modification. Our goal is to help you (6) stay in business.

Please let me know if you have any questions.

Yours sincerely,
Karl Mayer

9) Read the letter in Ex. 8 again and match the underlined phrases 1-6 to a-f.

- a) simplify the way things are done in a company _____
- b) a debt in danger of not being paid back _____
- c) have a longer time to pay back a debt _____
- d) failure to pay back money _____
- e) a person who helps with the reorganization of a company _____
- f) continue operations as a company _____

KEY:

Exercise 1:

The business is having financial problems and is unable to pay its debts.

Exercise 2: 1 settle; 2 modify; 3 restructure; 4 recover; 5 generate; 6 liquidate; 7 refinance; 8 manage

Exercise 3: 1f; 2e; 3a; 4c; 5b; 6d

Exercise 5: 1 They are having a real problem paying their bills. 2 To hire an outside advisor. 3 He says they need to do more than just generate cash. 4 Karl suggests Mr Kowalski should liquidate some of his assets to generate cash. 5 He says they should modify Mr Kowalski's loan. 6 Because the bank wants to recover its money, too.

Exercise 6: 1d; 2c; 3e; 4b; 5a

Exercise 8: a) streamline the processes; b) non-performing loan; c) extend the term; d) default on the loan; e) a turnaround professional; f) stay in business