

A rich seam for someone

Al Yx, formerly of The Ruritania State Mining Company, agreed the following loan. Should it change its relationship bank?

Mr Al Yx
The State Mining Co
Ruritania

1 September 2000

Dear Al,

Please can you pardon me for writing this on the back of an envelope. It's all I have on the plane back to London.

As I said, we and the syndicate can let you have the US \$100m for your big new hole in the ground.

This is how we see the deal:

1. Send us a telex

You can have the money any time up to 12 months from now. Just send us a telex. In good time please, say, five banking days. Big round amounts only, we don't deal in peanuts. We will each chip in our bit and no more.

2. We've got share holders too

Pay us back our money. Eight equal lots, one every six months, starting 30 months from now.

3. You want out

If you want to pay back early, that's fine, but you must call up to 30 days ahead and pay us 1% consolation fee. Big round amounts only. Early pay-back means a shorter deal.

4. Milk of Human kindness

As I explained to you, we unfortunately have to charge for this money. I congratulate you on beating us down to 1% over Libor. Charity runs in our blood.

We will fix every three or six months at your choice (five banking days again, please). You pay the interest at the end of each period. I hope you took on board my explanation of how we work out the interest periods, the 11am (London time) routine, etc. Remember? Anyway, just leave the mechanics to us, as we always do it.

If you don't pay on the nail, we can add the extra 1% to the usual overnight rate until you pay up.

5. That's your problem

I know it's very difficult for you to understand, Al, but we don't carry the \$100m around in our pockets. We have to get it elsewhere in London. If we can't, naturally we'll get around a table with you and talk about other ways and means. But if we don't see eye to eye after, say, 30 days, you pay us back. And that's the end.

It's too bad that you may not be able to get the money either, but that's your problem.

6. The taxman

You pay us in spendable dollars of the U.S. of A. at our New York agent in cleared funds. And we want the full amount, ie you pay the taxman and top up our money.

7. Extras

So far, the authorities have left us alone. Cost to you is cost to us plus spread. But we have to face facts. Some central bank, taxman or other like person may decide to poke their nose into our business.

The deal could become more pricey for one of us. Reserves, different taxes, that sort of thing.

If that happens, you pay us the extra. We will tell you how much and you can't argue. But if any of us ups the cost, then you can take them out.

8. We don't want to go to jail

If our side of the deal runs foul of the law, no more money from the bank affected and you take them out straightaway. Plus the unwinds.

9. The paperwork

You can't have any money until your directors, the central bank and our lawyers have given us their OK. The way we like it.

10. Promises, promises

You promise us:

- (i) your company is there in good shape.
- (ii) your company can do this deal and you, Al, can sign.
- (iii) it's all legal.

11. Do's and don'ts

- (a) don't put your assets in hock.
- (b) if the balloon goes up, we get equal pay-out with other deals.
- (c) send us your fiscals within 90 days of year-end.
- (d) send us other info when we ask for it.
- (e) dig the hole asap.

12. The plug

Our money back straightaway and not another cent if:

- (i) you don't comply.
- (ii) you have told us a lie.
- (iii) you don't stick by the terms of your other deals.
- (iv) you go bust.
- (v) you vanish.
- (vi) you close up shop or sell out in a big way.
- (vii) your other creditors move in.
- (viii) we don't like the way things are going for you financially.

(ix) your hole in the ground doesn't get dug like you said or fills up with water, etc.

13. No stabs in the back

Al, this bit is between us and the banks.

You, our colleagues in the syndicate, appoint us as your leader to run the deal. We are delighted to be of assistance and value your esteemed confidence. But, just to avoid any unpleasant misunderstandings, we have to make some things clear.

It's every man for himself. We don't have to tell you what we know, you check it out yourselves. If we have slipped from the very highest standards of veracity in order to get you into this deal, keep your eyes open next time. We can believe everything the lawyers or anybody tells us. We can do other deals with the borrower and pocket the profit. If it's between us and you, we can look after No. 1. Naturally, we will do what most of you want within reason, but if we foul up, no liability. Sorry.

14. Boilerplate

You can mostly skip this part, Al, since it is the boilerplate.

- (a) you will pay us our out-of-pocket, including the lawyers. I much enjoyed eating out in Ruritania at your expense.
- (b) we could lose money if you don't pay when we say. You will see us whole, especially for the unwinds.
- (c) you pay the stamps.
- (d) if we turn a blind eye once, it doesn't mean we'll do so next time.
- (e) we can give other banks a slice of the action at any time. We can switch to our other offices.

I'm a lousy linguist and I don't speak Ruritania, beautiful language though it is. Please help us out with translations.

If the judge gives us dinarios, etc, you make up the difference. If you don't pay, we can grab any money you left with us. We don't have to write it all out here, we can still throw the book at you.

Loan syndication	
Bank	US\$m
Money bank	20
Manybank	20
Muslimbank	20
Moltobanco	10
Magnifiquebanque	10
Misyomobank	10
Meanbank	8
Meanestbank	2

15. The rules

I was most touched by your patriotism, Al, but you must appreciate that if we play by your Ruritanian rules, His Most Majestic Excellency The Sun King of Ruritania can change the rules in the middle of the game. So, if you don't mind, we'll keep to the English rulebook.

16. The judge

English Judge to sort out any problems. Or New York. Or anywhere else we care to name. We can send the invite c/o your offices in London and New York. Don't say it's inconvenient.

I have to speak in metaphor here. If you park your car on a yellow line, we can give you a ticket. And tow your car away. Even if it's marked CD.

Assuming you like this deal, Al, please say so.

Yours hopefully

Joe Y. Zd
Moneybank

Al Yx is former group treasurer of The State Mining Co, Ruritania. He is not a member of the Association. Nor is he advised by Francis Burkitt of Casenove & Co, which merely happened to find a copy of this loan agreement in a gutter, and kindly passed it to the Treasurer.