

SECTION H - WORK OUTS

The concept of the informal 'work out' might be said to be based on a combination of the following elements:

- the **fact** that there is a significant size of debt owed to a number of different creditors (mostly these would be bank or other financial institution creditors) and the present inability of the corporate debtor to service that debt;
- the **attitude** that it may be preferable to negotiate an arrangement for the financial difficulties of the debtor both between the debtor itself and the financiers (and perhaps other lesser creditors) and also between the financiers themselves;
- the **availability** of relatively sophisticated refinancing, security and other commercial techniques that might be employed to alter, re-arrange or re-structure the debts of the corporate debtor or the corporate debtor itself;
- the **sanction** that if the negotiation process can not be started or breaks down there can be relatively swift and effective resort to the application of an insolvency law; and
- the **prospect** that there may be a greater benefit for all through the negotiation process than by direct and immediate resort to the insolvency law.

In relation to these elements:

a) Identify which of these elements are appropriate and relevant to this economy;

The availability of relatively sophisticated refinancing, security and other commercial techniques that might be employed to alter, re-arrange or re-structure the debts of the corporate debtor or the corporate debtor itself.

The sanction that if the negotiation process cannot be started or breaks down there can be relatively swift and effective resort to the application of

an insolvency law.

b) Which of these elements might be considered absent, ineffectual or of little consequence in this economy?

The prospect that there may be a greater benefit for all through the negotiation process than by direct and immediate resort to the insolvency law.

c) Which of these elements would be viewed as the least persuasive if a work out was contemplated?

The prospect that there may be a greater benefit for all through the negotiation process than by direct and immediate resort to the insolvency law.

d) Are there any other elements that are relevant to this issue in this economy in the context of this issue?

No.