

## WHEN BANKERS BANGED THE TABLE

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Nick Kochan - *The Guardian*

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Marconi's complex technical restructuring was only agreed after some of the most bitter and heated personal fights and feuds the City has known. One insider has disclosed that the gatherings of bankers, lawyers and others frequently turned into bitter confrontations.

Relations between the bluebloods of Lazards, JP Morgan and Greenhill (among many others), who advised different interests, often deteriorated to a point where the restructuring might have disintegrated.

'It was a negotiations which has dramas associated with it,' said one participant. 'People get tired, people's emotions run high, people become heated. They have their constituencies to look after. People do bang the table and storm out. People do refuse to deal with other people. That's a way of ascertaining where you're prepared to go and where you're not.'

The insider recalled that on some occasions the chairman had to stop the meeting and impose a cooling-off period while rival parties calmed down.

Widespread suspicion of the lending bankers' motives stoked the flames of conflict. Some banks had taken out cover against their loans - so-called credit default swaps - and these triggered if Marconi went bust, giving the lender all his money back. The company and equity holders wanted to keep the group afloat to protect cash flow.

Marconi's unusual financial structure also poisoned the atmosphere. Banks usually take precedence over bondholders in claims to decide the capital structure, but in Marconi's case the bondholders were entitled to an equal share.

The banks found this anomaly difficult to accept, and tried to pressurise the bondholders. 'Matching these two together created some interesting dynamics,' said one participant.

'There were a number of points over the five months of negotiation when we had to bash the table and storm out because we were unhappy at the way we were being dealt with. There were times when we felt we would never see light at the end of the tunnel.'

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