

# COMPANY ARTICLES Instructor's Manual



*Realistic and  
Innovative  
Business English  
Learning*

**Business:** the purchase and sale of goods and services in an attempt to make a profit.

**Simulation:** training by imitating the behavior of some situation or process by means of a reasonably accurate model.



 **DVBE**  
DAVE VOLEK'S BUSINESS ENGLISH

w w w . d v b e . b z



## About Dave Volek

*Engineer. Businessman. ESL Instructor. Inventor.* At the heart of the comprehensive suite of Dave Volek's Business English (DVBE) modules lies my diverse expertise in business, engineering, and finance; my interest in people and education; and my passion for creating innovative solutions that bridge the inherent gaps of traditional business English instruction. My proven, unconventional approach helps business and technical professionals build strong, practical English skills for the dynamic workplace.



## Company Articles: Instructor's Manual

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# INTRODUCTION

## Engage

Most business English students know sooner or later they are going to have to deal with legal text sometime in their career. They will quickly see the relevance of this module to gain skills and confidence in this area of business English.

## Study

Company Articles puts students into legal reading, which should involve skimming to find the relevant sections to solve a particular problem. There's a lot of legal and business vocabulary which is reinforced with quizzes and the opportunity to use it while going through the business exercises.

## Activate

This module has several different kinds of classroom activities that use the legal text in different ways.

## Business

For this module to work well, students should have a strong interest in legal, financial, or executive affairs of business. They should also have an upper-intermediate level of English.

Actual company articles are much longer and employ a higher level of legal terminology than is used in this module. The legal text in this module has been watered down to strike a good balance between legal realism and providing an engaging business English learning environment for both legal and business people.



## SUGGESTED CLASSROOM ACTIVITIES

The order of these exercises prepares the students for the final exercise. As students do the earlier exercises, they become more familiar with the legal text, enabling them to better handle the more challenging assignments.

### ***Exercise #1: Discussion of Securities***

Set up student groups to describe, in their English, the following types of investment securities:

1. bonds,
2. preferred shares,
3. convertible preferred shares,
4. common shares, and
5. non-voting common shares.

Your students should collectively have much of this business knowledge in place—and have some capacity to explain it in English.

Ask the student groups to describe the advantages and disadvantages of each type of security from the aspect of the (1) the investor, and (2) the company. Tell the students to write notes. Again the students should have some knowledge of the pros and cons of each investment—and explaining this in English is their main challenge.

The students might not have this “pro and con” knowledge readily available to generate good conversation. If so, take the article from the Resource Manual and read it to them. Ask them to take notes, and then move them into the conversation with this knowledge. You just might be more into business training than business English training, and some students will appreciate this informal business training.

If the students had a “good pro and con discussion” without your help, still read the article to them after they finish. Have them write down points they may have missed.

Lastly, there’s an optional exercise on business leveraging in the Resource Manual that fits well with debt vs. equity financing. Most business people understand this principle quite well. It may be useful for you to establish your business credibility by giving this lecture to your class. But keep your tone such that you are providing a listening opportunity not business training—even if there is some business training happening.



## Exercise #2: Scavenger Hunt

Give a small lecture on skim reading. Reassure students that most native speakers really don't like reading legal text—and when doing so, they will skim read rather than try to read and understand everything.

Hand out the Scavenger Hunt Questions and quickly go through the questions. Tell the students that they will soon read legal text to find the answers to these questions. Set the students up in groups and set up a little competition to be the first group to get all the correct answers. To get the students really motivated about this contest, you should offer your month's salary to the winners. But maybe a big chocolate bar is sufficient to get some good competition going.

This scavenger hunt can be quite a dynamic exercise as the groups should organize themselves—in English—to be efficient in finding the information while wading through legal text. Give time penalties for using their first language in this class! Like a football referee, you could hand out yellow (warnings) and red (small fines) cards for using L1.

Explain to the students the purpose of the company articles; i.e., this document is the corporate rulebook. Hand out the company articles of the students' manual. Set the students to solve the 14 scavenger hunt questions.

Some students may not be familiar with some of the words in the articles. So you should make the vocabulary quiz available for the students to get definitions. Allow them to use dictionaries if they want.

When the students come to you with their answers, tell them how many they got right, but don't tell them which ones are right. In this way, the students are forced back into the articles to check all their answers. By not giving the chance to guess at the one or two questions that are giving them problem, you are giving them a lot more business English conversation.

As the students are attempting these questions, they will more or less go to all parts of the articles, thereby gaining enough collective knowledge to partake in the remaining exercises. The articles should no longer seem such a daunting document to them.



## Table of Answers

Question	Correct Answer	Notes
1	D	Clauses III.A.4.a.1 & III.B.4.a.1
2	D	The board selects the officers; clause II.B.4
3	A	Clause III.D.2.a
4	D	Section III.E; there is no provision for common share buyback
5	C	Clause IV.B
6	C	Clause I.C.2.a&b
7	C	Clause III.C.3.b
8	B	Clause III.F.1, then Clause III.E.2
9	D	preferred shareholders are not entitled to vote for a director; Clause II.B
10	B	Clause III.C.2.a
11	A	The voting block on the board is proportional to the votes attained at the ASM for the top five directors; Clause II.B.2.b
12	B	$62 \text{ days} \div 362 \text{ days} \times \$4.00 \text{ per year} \times 10 \text{ shares}$ ; Clause III.D.1.a.1
13	B	$10 \text{ CSP} \rightarrow 50 \text{ common shares} @ \$2.00 \text{ per share}$ ; Clause III.D.4.
14	D	$\text{redemption of } \$1065 + \text{accrued interest of } 51 \text{ days} \div 365 \text{ days} \times \$57.50$ ; Clause III.A.4

### Exercise #3: Vocabulary Quiz

If the students haven't received a vocabulary quiz yet, give it out now. To keep class time focused on conversation, ask the students to do the vocabulary quiz as homework. You can supply the answer key (from the Resource Manual) when they bring the quiz to you in the next class or two. Perhaps it's best to have the students mark their own quiz. You might want to spend an hour of classroom to discuss some of the word usage issues that could come from this quiz.

### Exercise #4: Liquidation, Dissolution, & Profit (LDP)

From the Resource Manual, hand out a different LDP sheet (Scenarios A to F) to each student group. The different sheets ensure the students are not worried about getting answers different from the other groups, thus leaving them to concentrate on their English

Have them do the various analyses, using the articles to determine how the funds are to be disbursed.

The analyses are arranged with the easiest—the liquidation—being done first.



The answer for Scenario A is in the Resource Manual. It is there mostly to show the instructor how these kinds of analyses can be done.

I believe the key for Scenario A is a good solution, but business experts often do not agree on their methodologies. So some people are likely not to like my approach, and I contend other ways and solutions are possible.

Despite differences in accounting opinion, the objective of this exercise is to provide a forum for business English practice. We can attain this objective with whatever methodology we may prefer.

I have only provided the solution for one scenario. It might not be a bad idea for you to do the calculations for the rest of the scenarios to become quite familiar with this process. Such experience will help you present this and other DVBE modules more competently.

If you are still having some problems understanding how to do these exercises, consider giving a free one-on-one English lesson to a student who knows accounting quite well. The student gets to practice accounting English, and you get to learn enough about accounting to present this material.

If students have a strong desire to know if they got the right answer, have a member of another group check their work. This a great opportunity for more practice with business English—especially if the groups happen to use different methodologies (which is possible). They can argue over the better accounting method (in English), just as they might have to do when in a real business situation.

If one group finishes ahead of the others, you could change their capitalization structure a little (change the number of bonds, preferred shares, and shares) and have them do the problems over again. After they have the accounting process down, they can concentrate more on their English the second time around. Remind them they still need more English practice with these kinds of business topics.

### **Realism of this Exercise**

In theory, when a modern company faces liquidation or dissolution, there is a recognized order of who usually gets paid out first: (1) secured creditors, because they have liens on assets, (2) bondholders, (3) unsecured creditors if they can prove their case, (4) preferred shareholders, and finally (5) the common shareholders. This conventional order was provided in the articles.

In actuality, when large companies face financial challenges large enough to consider liquidation or dissolution, it's more likely these companies will be "restructured." This financial manipulation means many of the company's assets and operations are legally transferred to a new company. The security holders and unsecured creditors of the old company are given shares in the new company. Most actual company articles provide the legal mechanism for companies to transfer assets and operations in this manner if the company ever gets into difficult financial situations.

But the market value of these new shares is usually a very small fraction of the original investment in the old company. In other words, the original security holders have lost most of their investment and unsecured creditors get a small fraction of their bills paid. Even though the new company may be doing quite well after the restructuring, it's usually ineffective for the old investors and creditors to go to





court because the courts will only grant these parties claim to the old company, which had mostly bad debts.

So liquidation and dissolution of big companies do not happen that often any more. But the English and business lessons learned in this exercise will still be quite useful to students if they ever encounter a restructuring situation.

And maybe there'll be a future DVBE module with this topic.

### **Exercise #5: S&J Inc.**

Here is the flagship exercise of this module.

Hopefully, the students have enough ambition to do the reading for Exercise #5 as homework. It is important that the students have reasonable comprehension of the story. If at least half of the class seems unlikely to do the reading as homework, you should use some class time for some out-loud or silent reading. Consult with your students about their preference for the reading of this exercise.

Set up student groups and have students go through the “facts” point-by-point to determine whether those shares are valid and which director they are cast for. Let them figure out whether Plan J or Plan S prevails.

There is no one right answer to this problem because applying the facts to the articles require a little subjective interpretation. This exercise exemplifies an old legal saying: “If you have 10 lawyers in a room, you have 11 different opinions.”

If students seem to get bogged down, ask them solve the problem by using the “letter of the law” or by using “reasonable intention.” In a real court situation, a judge could use either legal approach in applying the articles. And sometimes real judges have to make difficult decisions.

### **Answers to Comprehension Questions for S&J Inc.**

1. D
2. B
3. C
4. A
5. A



## Exercise #6: The Trial

If the students liked Exercise #5 and have some tolerance for a little friendly confrontation, set up a mock trial. Assign the stronger students as opposing lawyer teams for the J side and S side. Assign the weaker students as judges.

You might want to give the lawyer teams some time to prepare some strategy and assign members to specific shareholder cases. Have the students go through the “facts” point-by-point, with each team giving its reasons why their shares should be included in the vote count and why their opponents’ shares should be disregarded.

You should encourage the judges to make a ruling on each point. But some cultures may value some face-saving for both the judges and lawyers, so allow judges to defer their decisions indefinitely.

## Exercise #7

If your students want to do a little more accounting (with some business English), have them solve these problems for S&J Inc.:

1. The company is expected to earn \$1,000,000 in profits next year. Calculate how much each shareholder will eventually get—in both the non-diluted and fully diluted situations. Remember the CPS have a preferred dividend to them. Would it be wise for CPS shareholders to convert their preferreds into common stock?
2. The company’s net worth is \$10,000,000. Calculate how much of that net worth belongs to each shareholder—in both the non-diluted and fully diluted situations. Remember that CPS, if they are not converted, have a limit as to their worth. Would it be wise for CPS shareholders to convert their preferreds into common stock?

## Optional Writing Assignments

Have the students write some brief articles for an organization they belong to. They can even translate this organization’s articles into English.

Have an “S” lawyer write the reasoning why all “S” shareholders should be allowed to vote their shares and the “J” shareholders be denied—or vice versa.

Have the judges write the reason for some of their decisions.

Have the students write their own advantages and disadvantages of the various securities.

Have the students write a report about their solution to the Liquidation, Dissolution, and Profit scenarios of Exercise #4.