

12A | Teacher's notes & answer key

This lesson covers the same language areas as Lesson 12A (*Loot*) on pages 116–117 of *Straightforward* Upper intermediate Second edition Student's Book. It could, therefore, be used to replace or supplement this lesson.

SPEAKING & VOCABULARY: investments

2

1 a 2 d 3 e 4 c 5 g 6 b 7 f

READING

Notes

Ponzi schemes are a kind of pyramid scheme. In a Ponzi scheme, high returns are promised to investors, but these returns are paid with the capital of new investors, rather than any profits generated by investment. When the scheme fails to attract new 'investors', the scheme operators will be unable to pay returns and the fraud will be exposed.

In a pyramid scheme, the operator 'sells' something (eg a share in a company, a geographical franchise for a new product) to two or more other people. These people, in turn, 'sell' a further share to others. In each transaction, the original operator takes a percentage. Such schemes can continue until no further buyers can be found. Many countries, including Ireland, Albania and Colombia, have been hit by large pyramid schemes.

NASDAQ is an American stock exchange. It was the world's first electronic exchange when it began in 1971. Madoff was a non-executive chairman and a board member of NASDAQ.

1

3 The world's greatest thief

2

- 1 broke into small pieces
- 2 employed
- 3 became valueless
- 4 lost a lot of money
- 5 the large size, the importance and the wrongness
- 6 cannot be found in the accounts, cannot be traced
- 7 become known, shown

3

Sample answer

Bernie Madoff was an investor who became very rich by using the capital of new investors in his company to pay high dividends to earlier investors. This is an example of a Ponzi scheme, as he admitted to his sons who had started to work for him. It was only when the sons went to the police that the crime was discovered. Madoff has made billions of dollars out of the scheme. A judge gave him the maximum prison sentence. (80 words)

GRAMMAR: passives review

See pages 166–167 of *Straightforward* Upper intermediate Second edition Teacher's Book for language notes.

1

- 1 He made multi-million dollar donations to charities and he was welcomed in the highest levels of high society.
- 2 After being told by their father that multi-million dollar bonus payments would be made to some investors, Madoff's sons asked him where the money for the bonuses was to come from.
- 3 Bonus payments were being made with the capital of new investors.
- 4 It has been estimated that \$18 billion of investors' money was lost.
- 5 Madoff will never be forgiven by some of the victims, who cheered as the sentence was read out.
- 6 It is believed that the full story may never be revealed.



2

- 1 *was welcomed* Because we are more interested in Madoff than the people who welcomed him, and because the particular people who welcomed him are not known / specified.
- 2 *being told* Because the writer wants to focus at this point on Andrew and Mark, the sons.
- 2 *would be made* Because it is obvious who (ie the company) would make the payments.
- 3 *were being made* Again, because it is obvious who (ie the company) was making the payments.
- 4 *has been estimated* We do not know who has estimated the sum of lost money.
- 4 *was lost* It is clear / obvious that the company lost the money.
- 5 *will never be forgiven* Because the writer wants to focus attention more on Madoff than on his victims.
- 5 *was read* The sentence is more important than the person who read it out. This was presumably a judge (the only person who can read out a sentence).
- 6 *is believed* We do not know who believes this.
- 6 *may never be revealed* We do not know who might do the 'revealing'.

3

(1) *Ponzi schemes are named* after Charles Ponzi, an early 20th-century US businessman. (2) *Ponzi was also known* as Charles Bianchi. At the height of his scheme, (3) *his / Ponzi's clients were being paid a 50% return on their investment*, and (4) *so much money had been invested* that Ponzi was able to buy a controlling interest in a small bank. But (5) *newspaper articles were being written* about him, and (6) *difficult questions were being asked*. When (7) *it was discovered* that Ponzi was millions of dollars in debt, it was too late for many of the investors to get any of their money back.

4

Suggestions

The company directors have been accused of fraud. It is believed that the company is millions in debt. Millions were borrowed from the bank, but nothing has been repaid. It is estimated that that \$50 million in liquid assets has been hidden in offshore accounts. Investors were promised high returns.

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