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With focus on  
reconstruction,  
bankruptcy and  
insolvency

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Ackordscentralen



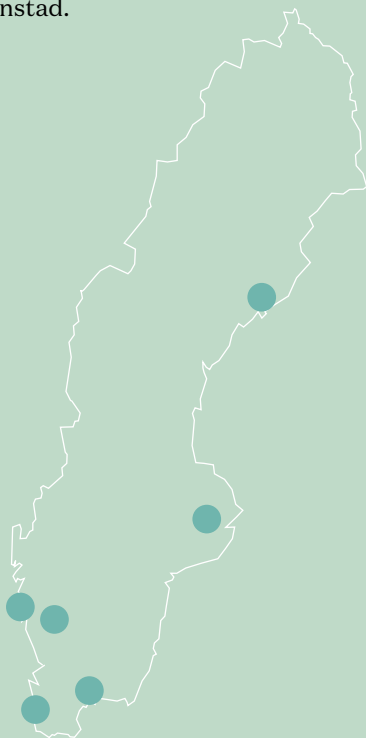
We help large or small companies  
with payment or profitability  
issues to develop, improve or  
reorganise the business.

Since 1857, Ackordscentralen has created value in companies in distress, thereby making Ackordscentralen one of the most established consultancy firms in Sweden. Our parent company AC-Gruppen AB is a subsidiary of the Independent Foundation Stiftelsen Ackordscentralen. Consequently, Ackordscentralen is independent in relation to any vested interests, and is in pole position to balance our clients' interests with those of creditors, employees and societal demands.



#### **Ackordscentralen – always close at hand**

Ackordscentralen has a nationwide organisation with offices in six locations in Sweden where you can promptly and effectively find constructive assistance ranging from the handling of restructurings, reorganisations and bankruptcies to the provision of general legal advice. Our offices are located in Stockholm, Gothenburg, Malmö, Umeå, Borås, and Kristianstad.



#### **Complicated insolvency matters in Sweden and abroad**

Our organisation is adapted to handle large and complex insolvency cases in Sweden and abroad. Our about 50 employees are comprised of receivers, administrators, case handlers and administrative officers making us one of the largest consultancy firms in the insolvency sector. Our six offices provide the synergy for close cooperation and an exchange network of expertise. This enables us to benefit from all the specialist skills and experience within the group. For each case, we assemble an expert team to act on behalf of our clients and other interested parties.

# A reorganisation gives your business a second chance

## Application for company reorganisation

A reorganisation may take place either by way of a voluntary business reorganisation or under applicable legislation depending on what is the most appropriate for the company.

## The district court makes decisions on company reorganisation

A company benefits from protection against the termination of its contractual undertakings even in the application phase of company reorganisation. Further protection regarding bankruptcy and foreclosure is triggered following the decision. In addition, a District Court may appoint an administrator proposed by a company provided that specific requirements are fulfilled including eligibility and experience in the continual handling of bankruptcy estates or other equivalent experience. Ackordscentralen employs a significant number of highly skilled personnel that satisfy these criteria.

A company has to be in financial distress in order for a District Court to decide in favour of company reorganisation implying that not only does a company have a cash flow issue to pay overdue debts but also that there is a risk that this will arise in the future. There may also be other financial issues that entail a risk that a company will not be able to pay its debts. Furthermore, the company must be able to show that there exist grounds for the viability of the business being secured by way of a reorganisation.

Throughout the reorganisation a company cannot pay debts that have arisen prior to a District Court's decision without first receiving the administrator's consent. Although the Company Reorganisation Act grants a company the right to independently enter into obligations that are within the framework of the day-to-day management of the business, it is the administrator's responsibility to ensure that the company's financial position does not deteriorate during the reorganisation. If the administrator approves that the company enters into a new obligation during the reorganisation, a supplier is granted a so-called super-preferential right should the company be declared bankrupt within a specific limitation period that is set forth under the Swedish Priority Rights Act.

The Company Reorganisation Act also provides a company with the possibility to terminate unfavourable agreements and to request the fulfilment of agreements that had been entered into prior to a District Court's decision.

Another legal effect of a reorganisation, according to the applicable law, is that employees' pay claims may be funded by a state wage guarantee for a limited period of time.

## Information to all creditors

An administrator must notify all creditors within one week of the District Court's decision on company reorganisation. The notification shall include an account of the cause of the financial distress and how the business is to be reorganised.

## Preliminary proposal for reorganisation plan

The administrator shall assist the company in drawing up a reorganisation plan that incorporates all the necessary measures that can ensure the company's viability. This may include a write-down of the company's debts, liquidation of an unprofitable aspect of the business etc.

## Creditors' meeting

A creditors' meeting is to be held by a District Court within three weeks of its decision on company reorganisation. In the course of the meeting, the administrator presents the preliminary reorganisation plan. The purpose of the meeting is for the creditors to be afforded an opportunity to express opinions as to whether the reorganisation should be continued.

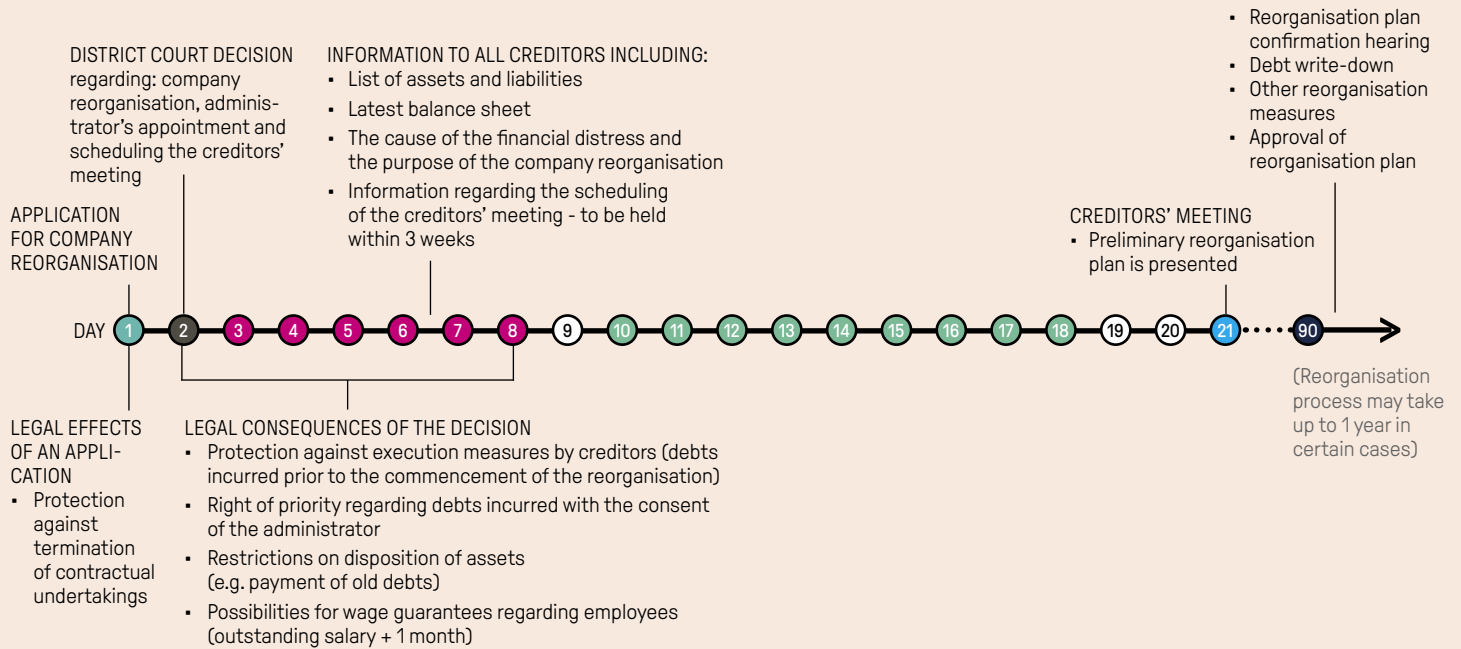
## Reorganisation plan confirmation hearing

A District Court may approve the reorganisation plan at a hearing subject to there being a certain majority of creditors in favour of the proposals set out in the plan. A basic prerequisite being that the company's viability is secured by the plan which would be more favourable to creditors than if the company were to be declared bankrupt.

Viable companies, which for varying reasons have liquidity issues, may generally be reorganised and not declared bankrupt.



## Reorganisation step by step



# Bankruptcy – when reorganisation is not possible

## **The district court makes a decision on bankruptcy**

The district court declares a company bankrupt following an application from the company or a creditor. A bankruptcy trustee is appointed at the time that a court decides on bankruptcy, and a meeting for the administration of oaths is scheduled to be held no later than two months after the court's decision. Both the company and the creditors may propose suitable receivers.

## **Experienced receivers nationwide**

The receiver's duties include managing the bankruptcy estate and preparing an inventory of the estate's assets and liabilities. Our six offices all have experienced receivers who have acted in a wide range of insolvency matters covering all business sectors.

## **Meeting for the administration of oaths and wage guarantee**

Company representatives confirm in writing at the meeting for the administration of oaths that the bankruptcy estate inventory regarding assets, liabilities, and accounting information is correct. If the company has employees, the receiver shall terminate their employment and determine whether they have wage claims under the state wage guarantee system.

## **As favorable as possible for creditors**

As far as the company's activities are concerned, the receiver decides whether or not parts of the business may continue under new ownership, and which parts are to be wound up. Such decisions must place at the forefront the most advantageous solution for the creditors. A receiver's report is to be presented within six months of the district court's initial decision. Various factors make up the report including the standard of bookkeeping, the reasons for the bankruptcy and when it occurred, whether or not there are grounds for recovery, and if assets may have been unlawfully transferred. Further points to be included in the report refer to the preparation time for a balance sheet for liquidation purposes, and whether there are grounds for claims for damages.

## **The Swedish Enforcement Agency is the supervisory authority for bankruptcies**

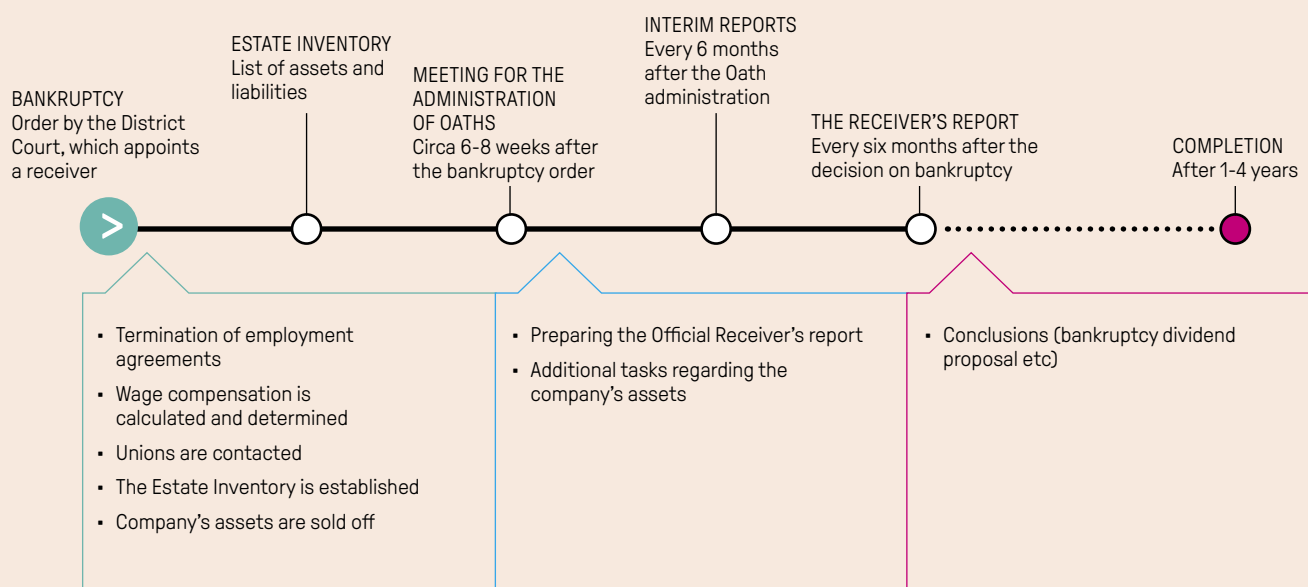
Its task is to supervise that the bankruptcy process is conducted in an appropriate manner. The receiver is to have contact with the supervisory authority regarding important issues that may arise during the course of the bankruptcy process.

## **Dividend proposal**

When the receiver has sold off all of the assets and recovered all outstanding claims, a dividend proposal is drawn up whereby the proceeds are divided among the creditors in accordance with rights of priority legislation. The district court subsequently decides on this proposal as well as on the receiver's fees.

A company is insolvent when there is no possibility of reorganising its business. This means that debts cannot be paid on time, and will not be paid for a lengthy period. Consequently, the company will be declared bankrupt.

## Bankruptcy step by step





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