

Business Restructuring and Rationalization

In the current economic climate you may be looking to rationalize your corporate structure, whether because the company has ceased trading, is loss making or is simply an historic acquisition. Mayer, Brown International LLP can help to simplify inefficient group structures and help close down subsidiaries which are a drain on the group's financial resources.

We are currently acting for several large corporations which want to restructure their groups by liquidating or dissolving dormant, historic and/or insolvent subsidiaries. We can advise on the best way to deal with an insolvent subsidiary in England and Wales, and can advise banks and/or companies on enforcing security that they have over a borrower and its subsidiaries in England and Wales.

We can assist in the process of dissolving or liquidating group companies, as well as intra-group transfers to make sure that assets are retained in the group structure before the relevant company is removed from the group. Although these reorganizations can take time and require careful planning, there are considerable long-term cost savings for the group, both in terms of internal management time and external audit/compliance expenses.

We can advise on and implement:

1. Administration

This is a formal process whereby an administrator is appointed over the assets of the company. During his or her appointment a moratorium is in place to protect the company and its assets. If the company cannot be rescued then the administrator may seek to realize the assets for the benefit of the creditors.

2. Members' Voluntary Liquidations

These are solvent voluntary liquidations. An external liquidator is appointed; he or she will identify the assets and liabilities of the company, realize those assets, meet the company's obligations to creditors, then pay any excess to the company's shareholders by distributing surplus cash or assets in specie. The liquidator will also deal with outstanding tax and VAT liabilities (normally with assistance from the company's existing auditors). Finally, the company will be dissolved and removed from the Register of Companies.

We can also advise on Creditors' Voluntary Liquidations, which are insolvent voluntary liquidations of companies. It is essentially the same process as with an MVL, but the creditors can replace the nominated liquidator with someone of their own choosing, and therefore there is the possibility that the liquidator is hostile to the group.

3. Dissolution

In this process, the company applies to be struck off the Register of Companies. The application is made by the directors and does not require the sanction of the shareholders, although the shareholders have a right to object to the dissolution and it is therefore unusual for the directors to make a striking-off application without shareholder support. Key to this process is ensuring that assets are taken out of the company before the striking-off application is made.

If you have subsidiaries in England and Wales that are in financial difficulties, no longer trading or no longer useful to the group, we can assist in advising how best to go about reorganizing the group structure.

We can also co-ordinate a European reorganization, using our resources in the German and French offices and our network of European contacts.

If you would like to discuss this or to obtain further information, for example a introduction to the types of bankruptcy regime in England and Wales, please call David Morrison, a partner in the Financial Restructuring & Insolvency Group in the London office on +44 3130 3876 or e-mail dmorrison@mayerbrown.com, or any of the following:

David Allen

Partner

Tel: +44 20 3130 3813

Email: dallen@mayerbrown.com

Devi Shah

Partner

Tel: +44 20 3130 3669

Email: dshah@mayerbrown.com

Ian McDonald

Partner

Tel: +44 20 3130 3856

Email: imcdonald@mayerbrown.com

Ashley Katz

Partner

Tel: +44 20 3130 3818

Email: Ashley.Katz@mayerbrown.com

mayerbrown.com

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