

Stefnir– remedies for companies under financial restructuring

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Stefnir hf. is an independent financial company according to Act No. 161/2002 on Financial Undertakings.

The objective of Stefnir hf. when restructuring companies' finances is to maximise the recovery of claims, taking into consideration the interests the company is obligated to protect. Stefnir hf. manages undertakings for collective investment in transferable securities, investment funds and institutional investment funds in accordance with Act No. 30/2003 and the funds are therefore obligated to protect the interests of unit holders who own the claims.

The funds of Stefnir hf. have entered into the collection process all claims that have not been paid at maturity. However, this option may not prove successful if a company is in poor condition. Funds operated by Stefnir hf. have mainly participated in the restructuring of companies when companies have applied for authorisation to seek composition with creditors, as the funds' claims are part of a larger total amount. Therefore, Stefnir hf. does not participate in financial restructuring unless other creditors are involved.

The following remedies are considered when resolving companies' financial difficulties to enable as extensive a coordination of actions as possible.

Amendment of claims' terms, e.g. grace period granted.

Rescheduling of debt in the form of a longer credit period and/or amendment of terms.

Cancellation of debt, in part or in whole, is possible in exchange for equity if the shares have some value. Cancellation of debt cannot lead to the owners' positive equity. A subordinated bond can possibly replace equity.

Conclusion of a composition agreement.

Cancellation of debt is the last resort if other measures do not achieve the desired result. Companies need to fulfil conditions according to the rules of Stefnir hf. on the financial restructuring of companies. Companies are expected to have tried their absolute best to increase their equity before seeking financial restructuring. It is clear that the above measures do not work out in certain cases. In such cases, traditional methods of settlement are needed to secure creditors' interests.