

14 April 2009

German retailer saves 2,500 jobs with New ‘Chapter 11-inspired’ restructuring laws

Fashion chain SinnLeffers restructured after only seven months

Thousands of jobs have been saved in one of Germany’s highest-profile insolvency cases, retailer SinnLeffers. The passing of the appeal period against the restructuring plan recently confirms that the long-term future for 2,500 employees across 25 locations and the company is now secure.

Dr. Annerose Tashiro, Head of Cross-Border Insolvency and Restructuring at Schultze & Braun, advisers to SinnLeffers, attributes the success of this case in large part to the revised insolvency law:

“The insolvency plan procedure under German insolvency law has been heavily inspired by the Chapter 11 reorganisation plan and provided as tool to reorganise and rescue a business through German insolvency proceedings. The success of the SinnLeffers’ rescue plan proves the effectiveness and speed of the German plan procedure.”

Lawyer and insolvency rights specialist Detlef Specovius, self-administrator and managing director of SinnLeffers, working with Schultze & Braun, prepared the insolvency plan. He answers questions about how the reconstruction of the company was possible in such a short time overleaf.

- A Q&A follows overleaf -

For further information please contact:

Annerose Tashiro
Schultze & Braun + 44 (0)20 7156 5029

Tim Prizeman / George Baldwin, [Kelso Consulting](#)
PR advisors to [Schultze & Braun](#) + 44 (0)20 7242 2272

Issued on behalf of Schultze & Braun by Kelso Consulting, PR advisers

Notes for editors:

Schultze & Braun is Germany’s leading business recovery and insolvency law practice covering over one third of all of Germany’s 183 Insolvency Courts (unmatched by any other law firm). Founded over 50 years ago in Achern, Germany, Schultze & Braun now employs over 500 employees: attorneys, tax advisors and auditors provide a range of legal and financial advisory services to clients throughout Europe and also in America.

In the UK its London particularly advises financial institutions and their UK legal advisers on all matters related to business recovery, distressed debt and corporate insolvency matters in Germany.

Question: The local court in Hagen relieved SinnLeffers of the insolvency proceeding today through a cancellation order. How was that possible after only a half year since the filing of the petition to open insolvency proceedings?

Specovius: We decided early on to achieve the restructuring of the company through an insolvency plan procedure and had already begun preparing the insolvency plan before filing for insolvency in August 2008.

Question: What is an insolvency plan procedure?

Specovius: The insolvency plan procedure is a procedure deviating from the “normal” insolvency proceedings in which the company reaches agreement with its creditors. In my function as a restructuring consultant and self-administrator, I prepared the insolvency plan and then submitted to the court the final version in December 2008. The insolvency plan was about 120 pages and listed the restructuring measures in detail along with the payments to the creditors. Then on 9 March 2009, the court presented the creditors with the insolvency plan for approval.

Question: The creditors approved the insolvency plan with a large majority. Why is that?

Specovius: Because the provisions stipulated in the insolvency plan were much better for the creditors than if the company had been liquidated. The creditors saw that the company has a strong core business and can operate again in the market as a healthy company after implementing the measures stated in the rescue concept. In the long run this provides creditors with much more than a proportional payment of their claims which they would have received had the company been liquidated.

Question: You are the self-administrator: what role did the lawyer Horst Piepenburg play in the insolvency proceedings?

Specovius: Mr. Piepenburg was the insolvency administrator provisionally appointed by the court. However, we made an application for a self-administration order, known under Chapter 11 as “debtor in possession”, which the court agreed to. After this point in time, the restructuring of the company occurred through the management’s own efforts and Mr. Piepenburg only had the function as the supervisor. Nevertheless, we did everything in close coordination with him; he also helped with the drafting of the insolvency plan.

Question: Viewed from the outside one gets the impression that it was easy to reorganise SinnLeffers. Is this true, and if so, why?

Specovius: No, it was definitely not easy, in the current situation nothing can be easily reorganised – especially textile retail stores, because consumer spending has declined a lot. That it ran so quickly and smoothly, however, was largely because the employees, customers, vendors, banks, landlord, the management and the supervisor all pulled together.

Question: Earlier you were not a member of the management of SinnLeffers, but in actual fact you were brought in. When exactly was this?

Specovius: That was in the spring of 2008 when the crisis was getting closer and closer. I initially consulted the management on their restructuring questions, then I was added to the management and later, I took over the role of self-administrator.

Question: Is your job done now that the insolvency proceeding is finished?

Specovius: Yes it is. I will now withdraw from the management.