

## Restructure Proceedings in Latvia - An Overview:

Restructure proceedings are designed to help debtors who are in financial distress but have not yet filed for bankruptcy. The goal is to restore solvency and enable the debtor to continue its business operations.

The enforcement proceedings against the debtor are suspended; the secured creditor is prohibited from requesting the sale of the pledged property of the debtor, unless this causes substantial damage to the interests of that creditor (including the threat of destruction of the pledged property, a substantial decrease in the value of the pledged property).

### Beginning of the process

The process begins when the debtor files a petition to the civil court. Within two months of the court's decision, which can be extended by one month, a restructuring plan must be drawn up and approved by the relevant parties, including secured and unsecured creditors, the Supervisory person and the court.

The plan outlines measures to restore solvency, such as debt reduction or cancellation, and sets limits on the debtor's business activities without the Supervisory Person's consent. The execution period is two years, with a possible extension of two years. If the company has a board of shareholders, the restructuring plan is submitted to the shareholders' meeting for approval.

### Restrictions for restructuring proceedings

According to Section 34. of the Insolvency Law act, a case of legal protection proceedings may not be initiated if:

- 1) the liquidation of the debtor has been commenced in accordance with the procedures laid down in laws and regulations;
- 2) the debtor has had legal protection proceedings implemented, and terminated in accordance with Section 51, Paragraph four of this Law during the preceding five years;
- 3) the debtor has had legal protection proceedings implemented, and terminated in accordance with

Section 51, Paragraph one of this Law during the preceding four months.

### Results

Successful reorganisation (legal protection proceedings) satisfies creditors' claims in accordance with the plan and the debtor restores solvency. Failure leads to the court initiating insolvency proceedings.

### Disclaimer

This publication is to be used for information purposes only and does not constitute legal advice.

### Contact information

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