

Corporate Reorganisation in Lithuania - An Overview

Reorganisation is a legal process in which a company reorganizes its operations without ceasing its activities. Instead, its assets, rights, and obligations are transferred to another entity, often with the goal of improving business efficiency and profitability. This process is an alternative to liquidation.

What is Reorganisation?

Reorganisation involves transforming a company's structure and operations to improve its financial health or merge with other businesses. Unlike liquidation, which involves closing down the business, reorganisation allows a company to continue its operations while restructuring its debts and obligations.

Types of Reorganisation

Reorganisation in Lithuania can occur through two main methods:

1. Merger:

- **Absorption:** One company is absorbed into another, and the latter continues its operations.
- **Combination:** Several companies merge into a new company.

2. Division:

- **Split:** A company is divided into several new companies.
- **Disposal:** The company's assets and obligations are distributed to other existing companies.

Decision-Making Process

- The decision to reorganise is made by the participants in a meeting or by a court.
- A qualified majority vote is required, with at least two-thirds of the votes in favor.
- The decision must be made no earlier than 30 days

after the conditions of the reorganisation have been publicly disclosed.

Requirements Before Starting Reorganisation

Before initiating the reorganisation process, the conditions of the reorganisation must be publicly disclosed, allowing all participants and creditors the opportunity to familiarize themselves with the reorganisation documents. This ensures that all stakeholders are well-informed about the upcoming changes and potential risks.

Reorganisation Procedure

- 1) The decision to reorganise is made at a meeting of participants.
- 2) Documents prepared:
 - Reorganisation conditions.
 - Amended articles of association.
 - Financial statements for the past three years.
- 3) The reorganisation conditions are publicly disclosed.
- 4) Participants have the right to review all documents.
- 5) If necessary, an auditor's evaluation is conducted.
- 6) A reorganisation report is prepared.
- 7) The documents are submitted to a notary.
- 8) The company's details are registered in the Legal Entities Register.
- 9) Rights, obligations, and assets are transferred to the receiving entity.

Rights and Obligations During Reorganisation

After the reorganisation, the company continues its operations, but its rights and obligations may transfer to another legal entity. Juridical persons participating in the reorganisation can



retain certain responsibilities that were acquired before the reorganisation began, such as debts or legal obligations.

Legal and Practical Considerations for Creditors

The reorganisation process includes provisions for creditor protection. Creditors have the right to ensure that the company adheres to its financial obligations. If necessary, they may demand additional guarantees from the reorganising company. Creditors are also entitled to review all reorganisation documents to assess potential risks.

Reorganisation Conditions Evaluation

Reorganisation conditions must be assessed by independent experts to ensure that the process is legitimate and complies with legal requirements. This helps to maintain transparency and fairness in the process.

Can Reorganisation Be Cancelled?

Reorganisation can be declared void if legal requirements are violated, such as failure to follow proper procedures or conducting the reorganisation in a non-transparent manner. However, if more than six months have passed since the reorganisation, a court will no longer be able to declare it invalid.

Simplified Reorganisation

There is a simplified reorganisation procedure that applies when a legal entity is merged with another entity where it is the sole participant or when the reorganisation takes place between public companies.

Restructuring

Restructuring is a process in which the legal form of a company changes, but its activities and obligations remain unchanged. For example, a company may change from a private limited liability company to a public institution. If restructuring occurs, the participants of the company remain responsible for its obligations even after the legal form is altered.

Mandatory Restructuring

In certain cases, the law may require specific companies to change their legal form for legal or economic reasons. If the company participants disagree with this change, the company may be compelled to restructure according to the prescribed legal requirements.

Alternative: Liquidation

Liquidation is the process of fully ceasing a company's operations. The company settles its debts with creditors, distributes its assets to shareholders (after two months), and is then removed from the register.

Reorganisation vs. Liquidation

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Criteria	Reorganisation	Liquidation
Continuity of Operations	Yes	No
Assets	Transferred to another legal entity	Sold and distributed
Decision-making	Participants or the court	Participants, court, or register
Purpose	Business transformation	Termination of business activities

Conclusion

Reorganisation is a complex but crucial process for companies facing financial difficulties or those seeking to adapt to changes in the market. It allows companies to survive, restructure their operations, and remain competitive. Throughout the process, clear rights and responsibilities are established for both legal entities and their participants, as well as creditors. This ensures that all stakeholders are protected, and the reorganisation complies with legal requirements.

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