



FACT SHEET

Umodni Company, candidate for reorganization
For the seminar for bankruptcy judges at Naum

All data is given as of the date of the filing of the petition to open a bankruptcy case.

Umodni Company is a state-owned business entity. Several of its creditors filed a petition to open a bankruptcy case and the case was opened. The debtor's managers are contemplating the filing of a plan of reorganization. They are negotiating with several creditors and a possible investor.

Umodni Company manufactured metal parts at two locations in Sarajevo and Banja Luka, BiH. It owns the real estate and plant at both locations; its headquarters is in Sarajevo. It also owns parcel of undeveloped real estate next to its headquarters. Since the independence of BiH, it has lost 90 percent of its business in the former Yugoslavia. It has the possibility of developing new business in several of the new member states of the EU, and has several prospective customers there. Because lower wage scales in BiH may permit Umodni Corp. to offer a competitive price, these new customers might enter longer-term supply contracts. However, they want the assurance that Umodni Company's creditors will not be able to shut it down.

Umodni Company's managers have prepared a preliminary business plan. The plan includes abandoning certain product lines, and concentrating on other existing product lines for these new markets. Some of its machinery is specialized for the lines that they expect to abandon. They think that Umodni Company can meet expanded production with the rest of its existing equipment, which it has not used to full capacity for years due to the lack of customers and operating capital. Much of this machinery is getting older but with ongoing maintenance it will keep operating.

Umodni Company has operated at a loss of 1.5 million KM/year for two years. This led to it not being able to pay its employees' wages and associated obligations for the one year preceding its bankruptcy filing. (It has a total of 170 employees, 100 at its larger plant in Banja Luka and 70 at its plant and headquarters in Sarajevo.) It also fell into arrears on its obligations to its suppliers and on payment of taxes. It has kept current on one of its secured bank loans. It is in arrears on three other bank loans. Its employees have obtained a judgment for their past-due wages but they have not commenced an enforcement procedure or obtained any security for their judgment. The Social Funds have claims for the unmatured obligations associated with these unpaid wages.

45 days before the date of the bankruptcy petition, the state made an assessment for the unpaid taxes. It did not register a notice of lien by the date of the filing. At the claims investigation hearing in the bankruptcy case, the trustee objected to the secured claim

filed by the state, asserting the right to avoid the lien. The judge instructed the taxing authority to commence a procedure in the civil court if it wished to maintain a lien, but the taxing authority has not done so.

Srec'ko Company, Umodni Company's main supplier, values Umodni Company as a customer, and wants to see it remain in business. It was not paid on its last six deliveries to Umodni Company. However, seeing a large potential in Umodni Company's plans to expand into new markets, Srec'ko Company is willing to make significant concessions on its claim to get the benefit of future sales of raw material to Umodni Company.

Gundjelo Company is Umodni Company's main customer. Before the bankruptcy filing Gundjelo Company alleged that Umodni Company's failure to deliver on an order caused it to lose a profitable contract with one of its own larger customers. It obtained a judgment against Umodni Company on this claim, in the amount of 300,000 KM. Gundjelo Company filed a proof of this claim and no party objected to it. Because Umodni Company has been its main supplier and was almost always able to deliver product quickly at a favorable price, Gundjelo Company's executive director thinks that he can convince his governing board to make significant concessions on its claim. He is sure that Gundjelo Company's board will require an assurance that Umodni Company will survive bankruptcy and will continue to deliver its products.

Ten smaller unsecured trade claims, totalling 500,000 KM, have been filed against Umodni Company. These include a claim for past-due charges for utility service to the plants. No party objected to these claims.

Mr. Sposko Spasic' of Zenica, BiH, used to manage a similar operation for one of Umodni Company's competitors, but he lost his job when his employer went into liquidation in bankruptcy. He wants to get back into this line of work. He thinks that Umodni Company has significant potential for expansion. He has obtained 450,000 KM from his relatives in Germany to enable him to buy into such a business in BiH.

DEBTOR'S ASSET STRUCTURE

VALUES IN KM, on basis of:	Going concern	Liquidation
Real estate, three different parcels:		
#1 Plant #1 (Banja Luka)	1,000,000	300,000
#2 Plant #2 and offices (Sarajevo)	700,000	200,000
#3 Undeveloped, next to #2	300,000	150,000
Machinery and equipment, at #1 and #2 (total)	400,000	135,000
Machinery for lines to be abandoned	150,000	50,000
Machinery for continuing production	250,000	85,000
Accounts receivable, all against bankrupt customers		[negligible value]

DEBTOR'S DEBT STRUCTURE

AMOUNTS IN KM:

Debt held by creditors with right of separate settlement/security:

Bank A	First priority lien against R.E. parcel #1	700,000
Bank B	Second priority lien against R.E. parcel #1	600,000
Bank C	Lien against R.E. Parcel #2	150,000
Bank D	Lien against machinery and equipment	225,000

Unsecured claims:

Employees: judgment for unpaid wages	600,000
Employees: Social Fund claims	200,000
Trade supplier Srec'ko Company	300,000
Dissatisfied trade customer Gundjelo Company	300,000
Assessed taxes	70,000
Ten smaller trade claims (total)	500,000