“Sartid”

Serbia and Montenegro is a signatory party to a number of international anti-corruption documents. Every subsequent commitment assumed has been more precise and comprehensive. Accordingly, the document signed by Serbia and Montenegro most recently, the Mexico 2003 United Nations Convention against Corruption, deals with corruption in the judiciary, public enterprises and politics, as well as in the private sector. Yet, most of the attention is given to corruption in government agencies, as corruption is most widespread in institutions in which individuals exercise discretionary powers without appropriate public control.
The Anti-Corruption Council is determined to analyze all major cases of corruption in this country. At this moment, the cases stemming from the privatization process seem to be the most serious candidates for the inglorious role of corruption “standard-bearers”. As a matter of fact, in the process of the transformation of social into private property, government officials are tasked to sell, on citizens’ behalf and on their account, the property that does not belong to them. It is possible to say that government officials are agents of the citizens who are the title-holders of social property. The interests of the title-holders are, in this case, dispersed to a large number of individuals, unable or unwilling to organize and protect their interests because of a small number of shares each one of them holds. Unlike these small shareholders, a small number of government representatives who decide on privatization are very interested in “directing” a substantial part of financial flows. At the same time, with only the first buds of parliamentary democracy taking root in the country after more than half a century, public control is underdeveloped and provides a fertile ground for corruption.
The biggest public uproar last year was caused by the privatization, the sale of the Smederevo “Sartid” ironworks under receivership, purchased along with other six subsidiaries by US Steel Ko{ice, part of the US Steel conglomerate. The selling price of US$21.3 million seemed pretty low to many, especially after it was learned that US Steel Ko{ice had not taken over the “Sartid” debts estimated at that time to US$ 1.7 billion. By all accounts, the sale involved major corruption in which the highest government representatives were implicated by making it possible, with unstinting judicial support, for the foreign company to obtain a major illegal gain. The Anti-Corruption Council decided to investigate the whole case and turned to commercial courts, the Government and some of its ministries, as well as to the Public Prosecutor for help. Upon insight into relevant documents, the Council made the present report. It provides a legal analysis of the “Sartid” bankruptcy procedure, political and economic analysis of the case and, in the end, the conclusions and recommendations to the Government and government agencies on steps to be taken to curb corruption. Enclosed to the report is a chronology of the “Sartid” sale.

The Legal Analysis

Upon insight into court documents and on the basis of the communication with the Court, the Anti-Corruption Council established the following facts:
1. Six bankruptcy cases are in the Commercial Court in Belgrade involving “Sartid 1913” (VIII ST 7035/02) and its five subsidiaries “Sartid Old Ironworks”, Smederevo, (VIII ST 10664/02), “Sartid Tinplates”, Sabac, (VIII ST 10729/02), “Sartid – Veljko Dugosevic”, Kucevo, (VIII ST 11663/02), “Sartid Free Zone”, Smederevo, (VIII ST 70/03), “Sartid Harbour”, Smederevo, (VIII ST 69/03) (Enclosure 1)
2. The Higher Commercial Court in Belgrade passed only one decision (Decision No. VII Su 17/02-46 of 25 July 2002) on competence referral by which it referred the bankruptcy case of “Sartid 1913”, Smederevo, to the Commercial Court in Belgrade. As for other companies (5), the Higher Commercial Court and the Commercial Court in Belgrade did not forward referral decisions, nor did they say in their reports that such decisions had been brought, which means that the bankruptcy cases of “Sartid Old Ironworks”, “Sartid Tinplates”, “Sartid – Veljko Dugosevic”, “Sartid Free Zone” and “Sartid Harbour” were processed by the Commercial Court in Belgrade which was not

competent. Under Article 8 of the relevant Law, bankruptcy cases are tried by courts within whose jurisdiction the headquarters of companies under receivership are located. The Commercial Court in Belgrade is therefore not competent as the headquarters of the said companies are not located within the jurisdiction district of this Court.
3. The Higher Commercial Court offered no clear explanation of the referral of the case of "Sartid 1913" to the Commercial Court in Belgrade. Such explanation was needed in order to eliminate the possibility that the case had been "fixed" for the Commercial Court in Belgrade all the more so as no referral decisions were made for the other companies, so that it is not clear why the bankruptcy case was processed by the Commercial Court in Belgrade.
4. The Bankruptcy Law provides for a sequence of procedures to be followed by the receiver, as certain steps cannot be taken before the preceding ones have been completed. Accordingly, under Article 96 of the said Law, the first act to be taken upon the institution of insolvency proceedings is to appoint a receiver. One of the first obligations of the receiver, under Article 61 of the Law, is to make an inventory, i.e. to take stock of the property of the company under receivership. Once such an inventory has been made, the final statement of the company is drawn up until and including the day of the institution of the bankruptcy proceedings, the final statement being also the initial statement of the company under receivership. A complete financial picture of the company is obtained in that way and theft of inventoried property is prevented during bankruptcy proceedings. Prior to the sale of the company, the court establishes the creditors, as the purpose of insolvency proceedings is to secure the best possible deal for the creditors. The creditors are listed by name in the decision and have the right to participate in the insolvency proceedings through the Board of Creditors. The Commercial Court provided no advice to the effect that it had carried out all pre-sale procedures (On the contrary, in its report on the case of "Sartid 1913", it says that it could not bring decisions on the claims because of the shortage of time – Report of the Court, page 7). However, it is clear that the said procedures could not have been carried out in all 6 companies from the date of the institution of insolvency proceedings to the date of the sale. (Among the five companies the time span varies between four days and four months). It transpires that transfers of property, its theft, appropriation and/or donation might have occurred during the insolvency proceedings wherefore lists of movable and immovable property, not sold and transferred to the buyer, are publicly bandied about. The Court appointed the Board of Creditors by its decision of 27 March 2003; however, the Board was neither constituted nor did it meet before the sale of the company in the sense of Article 68 of the said Law (The Board is supposed to work in meetings).
5. Prior to the sale of the company, the Court was bound to publish a notice in the Official Gazette on the institution of insolvency proceedings in the sense of Article 89 of the said Law and to invite the creditors to register, under Article 90, their claims within 60 days and to challenge the registered claims at the hearing on the merit of the claims, under Article 124 of the Law. Only after the hearing on the merit of the claim, the Court determines who the creditors of the company under receivership are. It must protect their interests; after all, it is the purpose of the bankruptcy proceedings. Upon insight into the bankruptcy proceedings, it has been established that "Sartid Old Ironworks" and "Sartid Tinplates" were put into receivership on 27 November 2002 and that bankruptcy notices were published in the Official Gazette of 19 December 2002, that "Sartid – Veljko Dugosevic" was put into receivership on 19 December 2002 and that a bankruptcy notice was published on 3 January 2003, that "Sartid Harbour" and "Sartid Free Zone" were put into receivership on 24 March 2003 and that bankruptcy notices were published on 4 April 2003. These dates illustrate that, from the dates the companies were put into receivership to the day of the sale, it was not physically possible to carry out all the procedures provided for in the above-mentioned sequence that the Court was bound to carry out in order to assess which way of establishing the bankruptcy estate suited the creditors the most.
6. The bankruptcy estate is established in two ways: by the sale of individual items or by the sale of the company under receivership. In the sense of Article 129 of the Bankruptcy Law, the court may decide that the company as a legal entity be put up for sale pending prior opinion of the creditors and the receiver arrived at following an estimate and providing better conditions are created in that

way to pay out the creditors. Responding in its report whether an opinion was obtained from the Board of Creditors before the sale of the company, the Commercial Court replied that a court has no legal obligation to obtain prior opinion of the Board of Creditors (page 8).
In the sense of Article 129 of the said Law, the following conditions must be fulfilled before a court might decide to sell a company under receivership:
• the Insolvency Proceedings Chamber must obtain prior opinion of the creditors;
• the Insolvency Proceedings Chamber must obtain prior opinion of the receiver;
• an estimate of the company under receivership must be made; and
• better conditions should be created by the sale of the company under receivership to pay the creditors.
The Court obtained the opinion of the receiver.
The Court ordered that evidence be presented by expert property appraisal.
Rather than appraising the property, the Institute of Economics carried out an equity appraisal by the discounted cash flow method. This method is not suitable for companies under receivership and is instead customarily used in discussing companies' future business strategies. It transpires from the appraisal of the Institute of Economics (page 1, paragraph 2) that it was carried out to provide an "informative basis to be used by the management of the company to consider strategic alternatives while choosing appropriate business strategy". Accordingly, such an appraisal cannot be considered a property appraisal to be used in insolvency proceedings.
Consequently, the Court could not sell a company under receivership without carrying out all above-mentioned procedures for, short of those procedures, the Court could not assess, i.e. establish, whether the creditors would get a better deal by the sale of the company as a legal entity.
7. The Court provided no answer as to what the receiver's and Court's criteria had been to reduce the selling price (already a very low equity appraisal) almost to one third and to conclude a contract to the mentioned amount without any bargaining. Bargaining in the sense of Article 120 of the Law does not mean that the Court is limited to deal with only one potential buyer. The purpose of the insolvency proceedings is to achieve the highest possible price of a company under receivership in order to get the best possible deal for the creditors, so that, notwithstanding the fact that the said Article does not contain explicit provisions to the effect that sales be announced publicly, it was necessary to announce the sale publicly and proceed, upon the expiry of the bidding period, to making a deal. The bankruptcy court did not announce the intended sale, nor did it consider all letters of intent it had received; instead, it sold the company to the privileged buyer (a Letter of Interest was sent to the Court by LNM - Annex 2).
8. Responding to whether the bankruptcy judge had taken part in the sale of the company, the Court replied that the judge had not been expected to participate in the sale.
In the sense of Article 56 of the Law, the judge hearing an insolvency matter is competent to act in insolvency proceedings as that judge carries out the supervision of the work of the receiver and gives mandatory instructions wherefore the receiver is bound to advise the judge of their actions in respect of procedures and the payment of the creditors. The sale of a legal entity is a way of establishing a bankruptcy estate, so in this case the bankruptcy judge had to be informed that such an action would be taken, so that, controlling the work of the receiver, he should have given his consent to the establishment of the bankruptcy estate in that way.
It is obvious that the bankruptcy judge did not take part in any of the above-mentioned bankruptcy procedures.
9. It transpires from the report of the Court that the Prosecutor requested the Court to forward the bankruptcy papers in order to decide whether to file an application for the protection of legality initiated by many creditors. At the request of the Public Prosecutor, the Court did not forward those papers. It forwarded only the decision, although it knew that it had to forward the papers since it is not possible to establish from the decision in the sense of Article 404, paragraph 1, sub-paragraph 1, of the Law on Forced Settlement, applied in terms of Article 12 of the Law on Forced Settlement, Bankruptcy and Liquidation whether there were any significant violations of the procedure. This prevented the creditors to exercise their right to legal remedy.

10. Every judge knows that it is not possible, in six cases, along with all other tasks in bankruptcy proceedings, to read in only one day (Friday, 28 March 2003) the opinion and proposals of the receiver to sell the companies under receivership (6), to compare on the same day the appraisal of the Institute of Economics with the proposal of the receiver in respect of the price, to establish the same day the criteria on which the receiver reduced the appraisal of the Institute of Economics, to bring a decision in the Chamber to sell the companies under receivership that very same day and to conclude sales contracts on that day (or at the weekend two days later). How was it possible to put two companies into receivership on 24 March 2003 and sell the companies under receivership on 28 March 2003?

Such flagrant violations of the Law indicate:
• That, by abusing its powers, the Court failed to carry out bankruptcy procedures that had to be carried out prior to bringing a decision to sell the companies under receivership;
• That the property of the company under receivership was completely unprotected during the bankruptcy proceedings, which means that it is not known, nor will it ever be, what the property of the company under receivership was and whether the entire property was transferred to the buyer or whether some property was appropriated and by whom;
• That the Court did not publicly announce the sale of the company under receivership by direct deal in order to make it accessible to all interested parties;
• That the property was sold to a specific buyer at a specific price without any bargain;
• That the rights of the creditors were violated as they were prevented from exercising their rights provided for by the Law on Forced Settlement, Bankruptcy and Liquidation (No conditions were created to offer the creditors better deals); and
• The Court violated the civil rights of the creditors to a fair and public hearing (Article 6, paragraph 1, of the European Convention on Human Rights), as well as their right to the peaceful enjoyment of their possession (Article 1, Protocols, European Conventions on Human Rights) as a company under receivership is the property of creditors.

Because of the poor work of the Court and because of the need to create a different environment in courts for conducting bankruptcy cases, it is necessary to:
• Forward the “Sartid” Bankruptcy Report to the Ministry of Justice and the Government;
• Forward the “Sartid” Bankruptcy Report to all commercial courts in Serbia;
• Forward the “Sartid” Bankruptcy Report to the Supreme Court of Serbia; and
• Forward the “Sartid” Bankruptcy Report to the Public Prosecutor of Serbia.

The Political and Economic Analysis

The sale of “Sartid” Co. and its subsidiaries under receivership elicits a reasonable doubt that a classic case of corruption is at stake in which, through the abuse of office, are involved the highest executive and judiciary organs. They have enabled a foreign company to gain a privileged position and obtain a substantial illegal gain. That company entered the game wittingly, which is evident from successive moves, purportedly to help an enterprise in great difficulties, but in fact seeking a privileged position in which way it would gain crucial advantage over potential competitors in the process of privatization (See the Agreement on Business and Technical Cooperation, Proposal of the Receiver, Letter of US Steel and the decision of the Court, Annex 3). They requested and received something that could never belong to them within the system of the rule of law – the exemption of the executive from a possible action of the judiciary.
The deal made by Minister Vlahovic with the privileged buyer, in which the Prime Minister was included all along and which was endorsed by the entire Government and the Secretariat for Legislation of the Republic (Annex 4) was made to the detriment of the state, i.e. of all the people of this country. According to all indications, the selling price of US$ 21.3 million is very low. The

Institute of Economics appraised the invested capital alone of the mother company "Sartid" Co. at US$ 57,646,000, of "Sartid Tinplates" at US$ 960,000 and of "Sartid Harbour", Smederevo, at US$ 930,000 under very restrictive assumptions (Annex 5). Bearing in mind the great interest of the world's second largest steel producer (Annex 2), it was to be expected that a much higher price than the one set up by the Institute of Economics be achieved in the competition of at least these two, although not the only, interested buyers. This accounted for a loss of revenue, which people will feel through an increase in the tax burden. Conversely, the buyer has been exempted from payment of debt arrears (undetermined amounts, although it was speculated in the media that they amounted to US$ 1.7 billion), which will have to be defrayed by the taxpayers, along with court and other expenses, which will not be negligible.

The damage inflicted on the country and the people includes also the impact of lost foreign investment opportunities. This sale sent a clear signal to all potential investors that the state is not ready to abide by its own laws and to honour the obligations it assumes, i.e. the promises it makes or internationally recognized business standards, which certainly led to hesitance on the part of investors. At the same time, the creditors launched a wide campaign of winning political support in their respective countries, which is evident from their letters and statements of their diplomatic representatives (Annex 6). Inestimable damage has thus been done to the political and economic reputation of the country.

The highest representatives of the executive power were aware of the steps they were taking. Foreign creditors advised all the time of the developments, as well as of the consequences of certain actions or, for that matter, of the steps they intended to take. At the same time, the representatives of the judiciary advised the executive all along of the unfurling of the court proceedings (They even forwarded creditors' submissions to the Minister – Annex 7.). Whether government officials received material compensation for the abuse of their office is less important in this matter. According to the modern understanding of corruption, the proceeds may not always be material in form as abuse of office is done also in order to gain an undue political advantage (Article 18, United Nations Convention against Corruption, Trading in influence). It is possible that our politicians gave a privileged position to an important company from the most influential country in the world today for a political gain. However, this was done to the detriment of the people who put their trust in them.

The insolvency proceedings conducted before a court in this country demonstrated the weakness of the judiciary. It cannot, or will not, resist the pressure of the executive. In the situation when some insolvency proceedings last more than ten years, the court acted with inexplicable swiftness – decisions were brought the same day or one day after the receiver's proposals had been made, sometimes actions which needed the consent of the Insolvency Proceedings Chamber were approved *post festum* (Annex 3), while the fact that the announcement of the receivership of a "Sartid" subsidiary company was published in the Official Gazette after the decision of its sale had already been taken is almost farcical. Not only did anyone protest the violation of legality in this way, but the Higher Court concluded that everything was all right. In addition to decisions that are in outright contradiction with relevant legal provisions, no attempt was made to honour the generally accepted legal principles, not to mention the principles that underpin market economy. Once courts show weakness towards the executive power for a small gain, they become easy prey of classic bribery and the talk of the rule of law in that country becomes illusory.

Conclusions and Recommendations

The "Sartid" case has been the greatest scandal in the privatization process in this country so far. It would have significant international consequences as well if Serbia and Montenegro was larger and more influential in international relations. As it is, we are left only with a lesson as to where the absence of a clear division among legislative, judiciary and executive powers may lead in the situation in which the executive is the dominant power. Also, the case illustrates the deleterious consequences of the lack of democratic control of public affairs. All essential facts relevant for the

sale of the company to a privileged buyer were well concealed from the public eye. The Minister of Economy and Privatization made public statements, designed to confuse the public and cover up the deals made behind the closed door. This must be considered during the adoption of a new Constitution and the writing of new, or the amending of the existing, laws. On the other hand, it should be borne in mind that legislation alone will not suffice to eradicate corruption – what is needed is strong and independent journalism, with an analytical and investigative approach to social problems, and the pressure of the nongovernmental sector.

Considering that the Government and the courts were evidently in collusion during the entire proceedings process, the aim of which was to promote the narrow interests of people in power at the expense of the public interest, the Anti-Corruption Council recommends the following:

• The Government should adopt the rules and procedures which will enable the public to become fully informed of the organization, functioning and decision-making process in public services, including the Government itself;

• It is necessary to adopt a Code of Conduct for public officials that will set standards of integrity, responsibility and of honorable discharge of public functions. It must provide for measures and systems that will make it easier for the officials to report to competent authorities all cases that contain elements of corruption without fear for their jobs. In addition, the recommendations of regional and international organizations, primarily of the International Code of Conduct for Public Officials, annexed to UNGA resolution 51/59 of 12 December 1996 and the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions of 21 November 1997, as well as the recommendations of the Council of Europe and the European Union.

• Holders of public offices, members of administrative staff and judges must be properly paid for their job. It is better to have a smaller, but more efficient and transparent administration than a large and dysfunctional one, with wages and salaries barely at the subsistence level, which reduces, though, the country's unemployment rate. For reasons of demagogy, officials' salaries continue to be kept at a low level, which represents a direct call for corruption.

• A system of long-term providing incentives, employing, promoting and devising appropriate retirement reward programmes in order to attract quality experts to work in public services. Their pay must reflect individual work contributions, capabilities and merits in combating corruption.

• The Government should investigate the responsibility of individual employees from some Ministries who abused their office in this particular case and contributed in that way, directly or indirectly, to the damage of public interest.

• The Government should encourage participation by individuals, groups and local government in preventing and combating corruption.

• The Supreme Judiciary Council should develop criteria and measures for promoting judges who perform their duties honourably and for sanctioning judges who do not apply the law properly. The Council should propose measures for strengthening the integrity of judges and consider the ways of preventing corruption in the judiciary.

• The Supreme Court should investigate the responsibility of all the judges who passed illegal decisions, who failed to prevent the adoption of the illegal decisions and who confirmed those illegal decisions.

• The Public Prosecutor should investigate whether there is a criminal responsibility of some of the participants in this case.

• Parliamentary Committees for the Economy and Legislation should consider their role in this case and investigate possible individual political responsibilities.

Belgrade, 10 May 2004
Anti-Corruption Council

Annex

The “Sartid” Case – The Chronology

17 September 1997: Bank Austria approved, as a Consortium leader, a loan of US$ 76 million to “Sartid” Co.
15 May 2001: Prime Minister Djindjic addressed a letter of support to the Consortium recognizing the debt of US$ 90 million and committing himself to not taking actions that would threaten the “Sartid” commitments. An earlier agreement on priority payments of Consortium receivables is honoured. Unrestricted duration of the commitment until the debt is paid. The investments of the Republic will not be considered additional commitments of the company. Accepted the territorial jurisdiction of the Court of Arbitration of the Austrian Chamber of Commerce (language – English) and waived immunity in any proceedings to be instituted in respect of the letter (Annex 7).
8 March 2002: A letter of intent and strategic partnership between USS Ko{ice and “Sartid“ signed. Signatories: Aleksandar Vlahovic, Jon Goodish, Zivomir Novakovic, Director-General, with Djindjic in attendance. “USS intends to become the majority owner one day”, “Whether the debts will be restructured in the process of privatization or in insolvency proceedings or through a joint venture company is a technical question to which we shall have an answer in two months from today” (Vlahovic).
25 July 2002: The Higher Commercial Court decided to refer the “Sartid” insolvency proceedings to the Commercial Court in Belgrade, thus taking over the case from the Commercial Court in Pozarevac.
30 July 2002: The Commercial Court in Belgrade put “Sartid” into receivership due to over-indebtedness and insolvency.
4 October 2002: Bank Austria filed a claim in an amount of US$ 108.5 million plus interest to the Commercial Court.
22 October 2002: A letter from Bank Austria and WestLB to the receiver, offering help and requesting information about production, expenses, price, profitability, commitments. A similar letter sent on 7 November. The receiver informed the Chamber on 8 November that the requested information is a business secret and that “I am not in the position to send them without prior consent” (Annex 8).
8 November 2002: Agreement on Business and Technical Cooperation between USS and “Sartid” concluded. USS obtained the right to manage “Sartid” operations in the following five years (Law on Forced Settlement, Bankruptcy and Liquidation violated). Should the company be sold to another buyer in the meantime, the Agreement to be extended to the following seven years (Annex 3).
11 November 2002: The Insolvency Proceedings Chamber adopted the proposal of the receiver (of the same day) and approved the Agreement on Business and Technical Cooperation (3 days after the conclusion of the Agreement, although the Law provides for the Chamber’s consent to the conclusion of initiated activities or the activities to prevent damage).
27 November 2002: “Sartid” Old Ironworks and “Sartid” Tinplates put into receivership (notices published in the Official Gazette on 19 December).
2 December 2002: The Institute of Economics forwarded the appraisal of the “Sartid” equity in an amount of US$ 57.6 million, calculated by the revenue method, although only the asset liquidation value (much higher in this case) is of relevance in insolvency proceedings (Annex 5).
6 December 2002: Bank Austria requested information from the receiver about the contents of the USS Agreement and date of the first hearing.
19 December 2002: The receiver replied that the hearing had been scheduled for 25 December “… there is no reason for your concern about the rights as a creditor because this Agreement was intended to protect the property of the company under receivership and, by the same token, ensure a better deal for the creditors”. “Sartid” – Veljko Dugosevis was put into receivership the same day (publication on 3 January 2003).

25 December 2002: on the basis of the Agreement of 8 November, the receiver proposed registration of the blast furnace and cold rolling mill hall mortgages. The hearing took place on the same day (Annex 3).
26 December 2002: The Insolvency Proceedings Chamber accepted the proposal (contrary to Article 99 of the Law – lien upon the property of a company under receivership) and decided on creditors' claims. A copy forwarded to creditors five months later after the company had already been sold.
31 December 2002: Bank Austria filed charges to the Commercial Court, requesting the establishment of claims, considering that the receiver contested the Consortium's claims at the hearing.
On 8 January 2003: In a letter to Djindjic, Kolesar and Vlahovic, Bank Austria and West LB complained about the decision of the receiver who did not recognize their outstanding debts. As Djindjic signed the letter on 15 May 2001, they would have him and his associates summoned to testify at the trial. They warned that the entire proceedings had been conducted contrary to the country's bankruptcy laws and the applicable and internationally recognized principles. They turned to the Governments of Germany and Austria, and they would take a legal action against the Serbian Government for the violation of its commitments (Annex 6).
23 January 2003: By its Conclusion, the Government took note of the Information regarding the Draft Agreement on Cooperation between the Government and USS in respect of the bankruptcy of "Sartid". The LNM offer is not mentioned. One of the commitments of the Government is to "indemnify USS and offer it legal assistance regarding the losses and expenses incurred due to the failure of the Government to honour its commitments…, as well as the losses and expenses incurred on the bases of the commitments and claims that originate from the "Sartid" activities in the period prior to the date of the purchase and the takeover of all ownership rights in Sartid by USS or that are the consequences of such activities." The adopted text of the Agreement "which defines mutual rights and commitments, aimed at guaranteeing the conditions and control of the takeover of "Sartid" and its six subsidiaries by USS". Articles 2 and 7 of the Agreement (an integral part of the Conclusion) are especially interesting (Annex 4).
On 24 January 2003: The Secretariat for Legislation of the Republic of Serbia gave its approval and had no objections to the Agreement.
21 February 2003: The President of the Insolvency Proceedings Chamber, Dusan Marisev, informed Vlahovic of the submissions of the creditors (Kolesar also informed). Annex 7.
10 March 2003: LNM Holdings addressed a letter of intent to the receiver. In it, they said that they had shown interest in purchasing "Sartid" on a number of occasions. They belong to the group which is the second largest producer of steel in the world (annual income over US$ 10 billion). They pointed to the harmfulness, irrationality and probable illegality of the Agreement on Business and Technical Cooperation. The Agreement violates the spirit and probably also the letter of the Bankruptcy Law and gives an undue advantage to the USS in the process of privatization. On 18 March, the same letter was sent to Piti}, who forwarded it to Vlahovic on 1 April, after the sale of "Sartid".
11 March 2003: The creditors sent a new letter to the Commercial Court and the receiver. They warned them that they had not received the official list of the requests for the recognition of outstanding debts. The Board of Creditors was not established. The Agreement on Business and Technical Cooperation was signed without the consent of the creditors. They possessed evidence that investment offers had been made by well-known producers of steel, but they had been ignored and even prevented access to "Sartid". In the process of privatization, the receiver and the Chamber must consider any third party offer in order to ensure fair competition.
20 March 2003: The Consortium filed a request for the annulment of the Agreement on Business and Technical Cooperation. They requested the imposition of a interim measure of banning the transfer or disposal of the substantial part of the "Sartid" property and its sale as a legal entity. On 24 March, they informed Mr. Piti}; intercession by the German ambassador on 31 March; on 2 April Piti} informed Vlahovic (Kolesar also advised).

24 March 2003: “Sartid Free Zone” and “Sartid” Harbour put into receivership on 4 April, i.e. after the sale, although the creditors had 60 days within which to file claims.
26 March 2003: The Court invited the receiver to propose a model of sale.
27 March 2003: Appointment of the Board of Creditors.
28 March 2003 (Friday): The receiver proposed to sell the legal entity directly to USS for US$ 21.3 million. On the same day, a number of creditors, the exact amounts of whose claims are unknown, agreed to the sale. The Court decided to sell the legal entity and authorized the receiver to conclude the Agreement without an official opinion of the Board of Creditors and without prior announcement in the media.
31 March 2003 (Monday): USS concluded an Agreement with the receiver on the purchase of “Sartid” and six subsidiary companies for US$ 21.3 million.

“The Government is not competent for the annulment of the sale of the Smederevo Concern… all complaints and initiatives should be directed to the Commercial Court and the receiver who conducted the proceedings. To request the Government to annul the insolvency proceedings means in practice to request the violation of the independence of the judiciary and the violation of the conduct of insolvency proceedings” (Aleksandar Vlahovic).