

BANKRUPTCY LAW

Part One

GENERAL PROVISIONS

Subject of the Law

Article 1

This Law regulates the goals and the reasons for opening a Bankruptcy Proceeding, the manner of its conduct, the legal consequences of the opening of a bankruptcy Proceeding, management and disposition of the property that is a part of the bankruptcy estate, settlement of the creditors in the bankruptcy Proceeding, bankruptcy plan, personal management, relief from other obligations, special kinds of bankruptcy Proceedings for individuals having a status of a merchant, Bankruptcy Proceedings with a foreign element and other issues concerning bankruptcy.

Objectives of the Bankruptcy Proceeding

Article 2

(1) A Bankruptcy Proceeding aims to achieve a **collective settlement of the creditors of the bankruptcy debtor** (further in the text referred to as “debtor”) through **liquidation** (conversion into cash) of the debtor’s property and distribution of the proceeds to the creditors, **or** by concluding a **special contract** which allows a forced settlement of the claims established as a part of the plan directed towards maintaining of the debtor’s business venture.

(2) For bankrupt legal entities (debtor-legal entity) after the closure of the Bankruptcy Proceeding its name will be erased from the trade register and the debtor ceases to exist.

(3) The individual merchant debtor (further in the text referred to as “individual debtor”) ceases to qualify as a merchant individual after the conclusion of the bankruptcy Proceeding. Pursuant to the conditions prescribed in this Law, at the time of the foreclosure of the Bankruptcy Proceeding, a bona fide individual debtor may demand a release of the rest of his obligations.

Bankruptcy Debtor

Article 3

- (1) A Bankruptcy Proceeding may be executed over the property of a debtor - legal entity, as well as over property of an individual debtor, unless this Law prescribes differently.
- (2) A Bankruptcy Proceeding may also be executed over the property of an economic interest based community, over the property of a deceased person, or over mutual property of spouses.
- (3) A Bankruptcy Proceeding may be opened after a liquidation of a trade organisation, but not after the distribution of the liquidation estate has been executed.
- (4) A Bankruptcy Proceeding may not be executed over a property of the Republic of Macedonia or a public legal entity. A Bankruptcy Proceeding may not be executed over the property of legal entities if such legal entities are exempt from Bankruptcy Proceedings by Law.

Reasons for Opening of Bankruptcy Proceedings

Article 4

- (1) A Bankruptcy Proceeding may be opened only if an existing reason is established.
- (2) The **inability to pay** (insolvency) represents a general reason for opening a Bankruptcy Proceeding.
- (3) The debtor is unable to pay (insolvent) if he can not settle his due monetary **obligations** within 60 days of the date on which they have become due.
- (4) The debtor may propose opening of a Bankruptcy Proceeding if there is an immediate prospect for unavoidable inability to pay (insolvency). The debtor is considered to be facing a prospective insolvency if he establishes his likely inability to settle his **monetary obligations** when due.
- (5) A Bankruptcy Proceeding against a debtor – legal entity shall be opened in case the debtor is **overindebted**. The debtor is considered overindebted if his property does not cover his existing obligations, that is, the debtor's liabilities

exceed its assets. The assumption that the debtor's business venture (enterprise) will continue in the foreseeable future, i.e. that there is no intention, nor necessity for liquidation or a significant reduction of the scope of the business activity will be taken as a basis for evaluating the debtor's property. Such a hypothesis will be valid only if, in respect to the circumstances of the case, the continuing existence of the debtor's enterprise is something very probable.

Part Two BANKRUPTCY PROCEEDING

Chapter I

BASIC PROVISIONS FOR THE PROCEEDING

Local Jurisdiction

Article 5

The District Court of the area where the seat of the debtor is located shall be competent for the Bankruptcy Proceeding (further in the text referred to as: Court).

Application of the Provisions from the Law on Civil Proceedings

Article 6

Unless otherwise prescribed in this Law, the provisions of the Law on Civil Proceeding shall be applied during the Bankruptcy Proceeding.

Principles of the Proceeding

Article 7

- (1) A Bankruptcy Proceeding shall be opened only upon a proposal made by an authorised person.
- (2) A Bankruptcy Proceeding is **urgent**.

(3) The Court shall officially determine all facts of importance for the Bankruptcy Proceeding, thus it can induce all necessary proofs.

(4) The Court has the right to reach a decision without previously held oral hearing.

(5) The Court can waive hearing the debtor, when prescribed by this Law. The Court may also waive the hearing in a case when the hearing would lead to an **excessive delay** of the Proceeding. That is if the debtor-individual, the persons legally authorised to represent the debtor or the persons which hold stocks and shares of the debtor have an unknown place of residence, or are abroad. Instead of the absent debtor - individual, a hearing of his representative may be held. For protection of the debtor-individual's rights, in cases where the Court have refused his hearing, the Court may appoint a temporary representative of the debtor-individual.

(6) Proposals, statements and pleas can not be submitted if the deadline, or the hearing on which they were supposed to be made or submitted, is missed, unless this Law provides otherwise. In the Bankruptcy Proceeding return to the previous situation may be required only in the cases strictly proscribed with this Law.

(7) Tables and reports may be produced and processed by computers.

Service

Article 8

1) The Court notices addressed to a wide number of people are serviced, unless otherwise prescribed by this Law, by placing them on an announcement board for bankruptcy in the Court (further in the text referred to as: announcement board). The service is considered to have been made the third day after the notice has been placed on the announcement board.

2) Pursuant to the provisions of this Law, a Court notice or other kind of a written document of a bankruptcy body, that needs to be served on the debtor or on any other person who has a seat registered in the trade register, shall be served at the address noted in the register. In case when the document can not be served at the address noted in the register, the delivery shall be conducted by placing the notice on the announcement board. The service is considered effective on the third day after the notice has been posted on the announcement board.

(3) Notices are not serviced on a person with an unknown place of residence. If that person has an authorised person or a temporary representative for service of court notices, the service is made at the address of the **authorised person** or representative.

(4) A register is kept individually for each debtor in chronological order of notices and service done through the announcement board. This register is public and has to be accessible to every **interested person** during the Court's working hours.

(5) The Minister of Justice will prescribe the contents and the method of keeping of the register.

(6) The Court may entrust the service of court notices and other kinds of written documents of the bankruptcy bodies to the Bankruptcy Trustee.

Public Announcement

Article 9

(1) Court notices (including summons) will be published in the "Official Gazette of Republic of Macedonia" and on the announcement board. The court notices are to be published in their complete form or parts of them that are determined by the Court. In the published notices, the name and surname of the debtor, his seat, giro-account, or address and the subject of the activity should be precisely stated. The court notices shall become effective eight days after their publication in "The Official Gazette of Republic of Macedonia".

(2) The Court will decide whether the announcement will be repeated in another media. In the case of a repeated announcement, the date and place where the first announcement was made should be indicated. The deadline on which the repeated announcements come into effect is eight days from the day of the initial announcement.

(3) The public announcement of the court notices represents proof that the service of the same has been made on all participants in the Bankruptcy Proceeding. This also applies to situations when this law prescribes **special delivery**.

Decisions

Article 10

(1) Decisions in the Bankruptcy Proceeding are brought in a form of a **decision** and **conclusion**.

(2) Unless otherwise prescribed in this Law, within the conclusion, an **order** is issued to an official person or to a party to the Bankruptcy Proceeding to carry out specific activities.

Appeal against a Decision

Article 11

(1) An **appeal** against a decision brought by the Bankruptcy Court is allowed only where this Law allows the filing of a separate appeal.

(2) The deadline for an appeal is eight days, unless this Law prescribes otherwise.

(3) Pursuant to this Law, in a case when the service of the court notice (in this case the decision), has been made by placing the same on the announcement board, the time period for appeal shall start to run on the third day after the decision has been placed on the announcement board. This is only if the service is not made through a public announcement.

(4) If pursuant to this Law, the decision must be serviced on certain persons, the time period for submitting an appeal starts to run the day following the service of the decision, unless the service is also made through a public announcement.

(5) An appeal against the decision does not stay the enforcement of the decision, unless prescribed otherwise in this Law.

Plea against Conclusion

Article 12

(1) A **plea** may be filed against a conclusion within three days from the day of the announcement of the conclusion. If the conclusion has not been announced, a plea against it may be filed from the day of its service.

(2) The Bankruptcy Council shall decide upon a plea to the conclusion, by bringing a decision against which no appeal is allowed.

(3) The plea referred to in paragraph 1 of this Article does not stay the enforcement of the conclusion.

Extraordinary Legal Remedies

Article 13

(1) A proposal for repeating of the Proceeding can not be filed, nor revision declared in the Bankruptcy Proceeding.

(2) In the course of the Bankruptcy Proceeding, a request for **protection of the legitimacy** may be declared.

Expenses of the Proceeding

Article 14

Each creditor bears his own expenses of the bankruptcy Proceeding, unless prescribed otherwise in this Law.

Chapter II

BANKRUPTCY COURT AND OTHER BODIES OF THE BANKRUPTCY PROCEEDING

Section One

Bankruptcy Proceeding Bodies

Article 15

Bodies of the bankruptcy Proceeding are: Bankruptcy Council, Bankruptcy Judge, Bankruptcy Trustee, Board of Creditors and Assembly of Creditors.

Section Two

BANKRUPTCY COUNCIL

Composition of the Bankruptcy Council

Article 16

(1) The Bankruptcy Council consists of three judges, one of whom is the President of the Council.

(2) The Bankruptcy Judge is a member of the Bankruptcy Council. The Bankruptcy Judge may not be President of the Bankruptcy Council.

Powers of the Bankruptcy Council

Article 17

(1) The Bankruptcy Council:

1. decides upon the opening of a preliminary Proceeding to determine the reasons for the opening of a bankruptcy Proceeding and conducts this Proceeding;
2. decides upon the opening of a bankruptcy Proceeding;
3. appoints and dismisses the Bankruptcy Trustee and the temporary Bankruptcy Trustee in compliance with this Law;
4. decides upon the pleas filed by the Bankruptcy Trustee against the conclusions and instructions of the Bankruptcy Judge ;
5. decides upon the pleas filed by a creditor, by the Board of Creditors, or by the Assembly of Creditors against the conclusions of the Bankruptcy Judge ;
6. confirms the work in progress that needs to be completed during the Bankruptcy Proceeding, in compliance with this Law;
7. approves the calculation of the expenses of the Bankruptcy Proceeding and determines the award and reimbursement of the expenses of the Bankruptcy Trustee;
8. approves payments to creditors;
9. brings decision for foreclosure of the bankruptcy Proceeding;
10. conducts other activities determined by this Law.

(2) The Bankruptcy Council may in its official capacity, upon an objection or upon a proposal, amend a decision of the Bankruptcy Judge or of a Bankruptcy Trustee, if it considers the same illegal or without foundation.

Section Three

BANKRUPTCY JUDGE

Powers of the Bankruptcy Judge

Article 18

- (1) The Bankruptcy Judge is authorised to decide upon all issues of the Bankruptcy Proceeding, apart from those for which the Bankruptcy Council or some other body in the Bankruptcy Proceeding has the power to decide pursuant to this Law.
- (2) The Bankruptcy Judge supervises the work of the Bankruptcy Trustee and gives him obligatory instructions.
- (3) The Bankruptcy Judge monitors the work of the Board of Creditors and of the Assembly of the Creditors.

Plea against Decisions Brought by the Bankruptcy Judge

Article 19

A plea can be filed against a decision of the Bankruptcy Judge to the Bankruptcy Council by the Bankruptcy Trustee, by the Board of Creditors, by the Assembly of Creditors or by the creditors, within three days from the day of the service of the decision.

Section Four

BANKRUPTCY TRUSTEE

Who May Be Appointed for a Bankruptcy Trustee

Article 20

- (1) A natural person who possesses the **necessary expertise** and **business experience**, for whose **impartiality** and **independence** there is no doubt, and a person who, pursuant to Article 2, paragraph 3 of the Law on Trading

Organisations is a registered merchant may be appointed as a Bankruptcy Trustee. The person also must fulfil the following conditions:

1) to possess a University degree and at least 5 years of working experience;

(2) A Bankruptcy Trustee may not be appointed in more than **one big** enterprise (debtor), or in **one medium** sized enterprise or in **two small** enterprises at the same time, pursuant to the provisions of Article 12 of the Law on Transformation of the Capital of Socially Owned Enterprises.

Who May not Be Appointed for a Bankruptcy Trustee

Article 21

(1) A judge in a Bankruptcy Proceeding, a person who is a close relative of any of the members of the Bankruptcy Council, a person liable for the obligations of the bankruptcy, members of the management, members of the Board of Directors or of the Non-Executive Board, members of other bodies of the debtor, creditors, as well as persons who are in competition with the debtor, may not be appointed as Bankruptcy Trustees.

(2) A person who could not be legally appointed as a manager, member of the Board of Directors or of the Management Board of the debtor, of the Supervisory Board or member of a similar body, may not be appointed as a Bankruptcy Trustee, nor may a person who is the debtor's employee or a person that has previously been a member of some of the debtor's bodies.

List of Bankruptcy Trustees

Article 22

(1) The President of the Court where the Bankruptcy Proceeding is managed compiles a list of possible bankruptcy trustees. The list is confirmed on the basis of the previously obtained concurrence from the Ministry of Economy. The compiled list is updated once a year.

(2) Upon the receipt of a request to provide its concurrence on the list, the Ministry of Economy is obliged to provide the Court with its concurrence and possible suggestions within 30 days.

Appointment of a Bankruptcy Trustee

Article 23

(1) The Bankruptcy Trustee is appointed by a decision of the Bankruptcy Council.

(2) The decision for appointing of a Bankruptcy Trustee can be set aside upon an appeal. The Bankruptcy Council may accept an appeal against the

decision for appointment of a Bankruptcy Trustee and change its decision. The Bankruptcy Council is obliged to bring a decision within three days from the day of the filing of the appeal.

(3) A separate appeal against the decision of the Bankruptcy Council of the appointment of a new Bankruptcy Trustee is allowed.

Appointment of Another Bankruptcy Trustee

Article 24

(1) At the first Assembly of Creditors after the appointment of the Bankruptcy Trustee the creditors may appoint another person for a Bankruptcy Trustee, instead of the Bankruptcy Trustee who has been appointed by the Bankruptcy Council.

(2) The Bankruptcy Council may decline the appointment of the Bankruptcy Trustee by the Assembly of Creditors, only if it finds that the appointed person does not fulfil the conditions prescribed in article 20 and Article 21 of this Law. The Bankruptcy Council may decline the appointment of the Bankruptcy Trustee with a decision rendered within three days from the date of his appointment.

(3) Each bankruptcy creditor has a right to appeal against the decision of the Bankruptcy Council, referred to in paragraph 2 of this Article.

(4) The decision for the appointment of a Bankruptcy Trustee brought by the Bankruptcy Council ceases to be valid with the appointment of the Bankruptcy Trustee by the Assembly of Creditors.

(5) The former Bankruptcy Trustee is obliged to hand over his duty to the new Bankruptcy Trustee within three days.

(6) The Bankruptcy Judge determines special measures for realisation of the handing over of the duties between the Bankruptcy Trustees.

Powers of the Bankruptcy Trustee

Article 25

(1) The Bankruptcy Trustee has rights and obligations as a body of the debtor - legal entity, unless this Law prescribes otherwise.

(2) If the debtor - legal entity continues to operate during the Bankruptcy Proceeding, the Bankruptcy Trustee will run the operations.

(3) The Bankruptcy Trustee represents the debtor.

(4) The Bankruptcy Trustee has authority only over those matters of the individual debtor which are related to the Bankruptcy Estate, and represents him as a bankruptcy debtor with the authority of a legal proxy.

(5) The Bankruptcy Trustee may submit to the Bankruptcy Council a written plea against the instructions and the conclusions of the Bankruptcy Judge within three days. If the deadline for execution of the conclusions and instructions is less than three days, then the plea may be submitted within the frame of that deadline. Until the Bankruptcy Council reaches a decision, the Bankruptcy Trustee can postpone the implementation of the instructions and of the conclusions of the Bankruptcy Judge unless some severe difficulties would occur due to any delay.

Responsibilities of the Bankruptcy Trustee

Article 26

(1) The Bankruptcy Trustee is obliged to:

1. update the bookkeeping records to the day of the opening of the Bankruptcy Proceeding;
2. compile, with the approval of the Bankruptcy Judge, the estimation of the expenses of the Proceeding and to submit it for approval to the Bankruptcy Council;
3. decide upon the persons to do the inventory of the estate;
4. to compose the initial Bankruptcy balance;
5. to complete the work in progress that has not been finished by the debtor as a bona fide merchant and to take steps that are necessary for prevention of damage to the assets of the debtor.
6. to take care of the settlement of the creditor's claims;
7. to handle conscientiously the further operation of the debtor, provided its operation continues;
8. to convert into cash or to collect payments from the objects and rights of the debtor that fall into the Bankruptcy Estate with care of a bona fide merchant;
9. prepare the payment of the creditors and, with the approval from the Bankruptcy Council, to execute it;
10. submit to the Assembly of Creditors his final account and final report;
11. to make further distributions to the creditors;
12. to organise selection and recording of the archive materials and deposit them in the competent archive.

(2) The Bankruptcy Trustee is obliged to submit written reports on the conduct of the Bankruptcy Proceeding and of the status of the Bankruptcy Estate to the Bankruptcy Council, to the Bankruptcy Judge, as well as to the Board of Creditors and Assembly of Creditors, at least once every three months, or when requested.

Supervision Over the Work of the Bankruptcy Trustee

Article 27

(1) The work of the Bankruptcy Trustee is supervised by the Bankruptcy Judge and by the Bankruptcy Council. They may request from the Bankruptcy Trustee to provide information or a report on the progress of the bankruptcy Proceeding, and of the situation and the management of the bankruptcy estate at any time.

(2) If the Bankruptcy Trustee does not perform his duties determined in this Law, the Bankruptcy Council, after first reprimanding him, may penalise him. The amount of a single fine may not be less than 10,000 denars nor more than 300,000 denars. The Bankruptcy Trustee has a right to a separate appeal against the penalising decision. The penalising decision is delivered in person to the Bankruptcy Trustee.

(3) In the decision by which the Bankruptcy Trustee is dismissed, the Bankruptcy Council may order him to return what he has received during the Bankruptcy Proceeding. If the Bankruptcy Trustee does not follow the Court order, the Bankruptcy Council may penalise him pursuant to paragraph 2 of this Article. If the Bankruptcy Trustee does not comply with the Court order, the Bankruptcy Judge shall officially conduct the enforcement of the decision.

(4) The work of the Bankruptcy Trustee is supervised by the Board of Creditors and by the Assembly of Creditors.

Dismissal of the Bankruptcy Trustee

Article 28

(1) The Bankruptcy Council may officially, or upon a request made by the Bankruptcy Judge, by the Board of Creditors, or by the Assembly of Creditors, dismiss the Bankruptcy Trustee. Reasons for dismissal may be due to the work of the Bankruptcy Trustee which is not in compliance with the provisions from this Law, or due to some other important reason. Before the Bankruptcy Council brings a decision for dismissal, it will hear the Bankruptcy Trustee, unless the important reasons impose a different action.

(2) The Bankruptcy Trustee has the right to file an appeal against the decision for dismissal. The Board of Creditors or, if the proposal was submitted by the Assembly of Creditors, each of the Bankruptcy creditors, have the right to file separate appeal against a decision which does not approve dismissal of the Bankruptcy Trustee.

(3) The Bankruptcy Trustee may also be released from his duties upon his own request.

Liability of the Bankruptcy Trustee

Article 29

(1) The Bankruptcy Trustee is obliged to reimburse every participant that has been damaged in the Bankruptcy Proceeding, as a result of the Bankruptcy Trustee's violation of his duties. During the performance of his duties, the Bankruptcy Trustee is obliged to act consciously, honestly and with attention of a **bona fide Bankruptcy Trustee**.

(2) The Bankruptcy Trustee is not liable for any damage caused by an action approved by the Bankruptcy Council, or by the Bankruptcy Judge. The Bankruptcy Trustee is not liable for actions that he has taken to carry out the orders or directions of the Bankruptcy Judge unless he has obtained the approval or the instruction by fraud.

(3) The Bankruptcy Trustee is not liable for errors done by persons – previous employees of the debtor, who have remained employees of the Bankruptcy Trustee. The Bankruptcy Trustee may only be liable for the negligence in the control over them.

(4) The Bankruptcy Trustee is obliged to reimburse the creditor of the Bankruptcy Estate, for the damage the creditor has suffered as a result of the Bankruptcy Trustee's failure to fulfil his obligations from the Bankruptcy Estate. The Bankruptcy Trustee shall not be liable, if at the time of assuming the obligation he did not know or could not have known of the possible or prospective insufficiency of the Bankruptcy Estate for fulfilment of the obligation.

(5) A request for compensation for damage caused by a violation of his duties by the Bankruptcy Trustee shall expire three years after the damaged party has become aware of the damage caused and of the grounds of the liability of the Bankruptcy Trustee to compensate the damage. A request for compensation shall expire at the latest, 3 years after the closure of the Bankruptcy Proceeding. A request for compensation for damage caused by violation of duties in relation to the additional division or with control over the fulfilment of the plan shall expire after three years from the implementation of the additional separation or from the completion of the supervision.

(6) The Bankruptcy Trustee is obliged to insure himself against liability immediately after assuming his duties in the sense of the provisions of this Article. Taking into consideration the size of the Bankruptcy Estate, and the complexity of the Proceeding, the Bankruptcy Judge shall determine the level of assets for insurance. Unless the Bankruptcy Trustee has caused the

damage through his own fault, insurance expenses are expenses of the Bankruptcy Proceeding.

Reward for the Work Performed and Reimbursement of Expenses

Article 30

- (1) The Bankruptcy Trustee is entitled to a reward for his work, and to reimbursement of the expenses he has incurred.
- (2) The Bankruptcy Council shall determine the amount of reward at the time of the closure of the Bankruptcy Proceeding. The Bankruptcy Council shall take into consideration the amount of work of the Bankruptcy Trustee, as well as the value of the Bankruptcy Estate.
- (3) The Bankruptcy Council shall determine the reward and the reimbursement of the Bankruptcy Trustee by a decision.
- (4) The decision referred to in paragraph 3 of this Article shall be delivered to the Bankruptcy Trustee, to all bankruptcy creditors, and to the debtor.
- (5) The Bankruptcy Trustee, the debtor, and each bankruptcy creditor, have the right to appeal the decision referred to in paragraph 3 of this Article.

Reward and Reimbursement of the Expenses of the Bankruptcy Trustee

Article 31

The Government of Republic of Macedonia shall confirm the basis for determination of the reward and the reimbursement of the expenses incurred by the Bankruptcy Trustee.

Submission of the Final Account and of the Final Report

Article 32

- (1) Upon the completion of his duties, the Bankruptcy Trustee shall submit a final account and a final report for his work to the Assembly of Creditors.
- (2) The Bankruptcy Judge shall inspect and verify the final account and the final report of the Bankruptcy Trustee before the Assembly of Creditors takes place. If necessary, the Bankruptcy Judge may decide that the final account and the final report are to be examined by Court experts.
- (3) If a Board of Creditors has been established, the Bankruptcy Judge, specifying a time period, shall submit the final account and the final report to this Board for its opinion. The verified final account and report, together

with the evidence and the statement of the Board of Creditors, are to be made available by the Bankruptcy Judge to the creditors for inspection in the records' office of the Court. The time period for placing the final account and report together with the annexes for inspection and the session of the Assembly of Creditors should be at least 8 days.

(4) The Assembly of Creditors may order the Bankruptcy Trustee to submit temporary accounts and reports during the Proceeding. The provisions of paragraph 1, 2 and 3 of this Article apply to these temporary accounts and reports accordingly.

Section Five

BOARD OF CREDITORS

Constitution of a Board of Creditors by the Bankruptcy Council

Article 33

(1) Before the first Assembly of Creditors takes place, the Bankruptcy Council may constitute a Board of Creditors, in order to protect the interests of the creditors in the Bankruptcy Proceeding. The Bankruptcy Council may also appoint its members.

(2) The Board of Creditors must include creditors with a right for separate settlement, bankruptcy creditors with biggest claims, and bankruptcy creditors with smaller claims. A representative of the employees of the debtor should also be included in the Board, except when they participate as bankruptcy creditors with minor claims only.

(3) Persons who are not creditors can also be appointed as members of the Board, provided that they can contribute to the work of the Board with their expert knowledge.

(4) The Bankruptcy Council shall determine the number of the Board members. The number must be odd.

(5) The President of the Board of Creditors submits petitions and statements, based on Board decisions, on behalf of the Board of Creditors. This shall occur when, pursuant to this Law, the Board of Creditors has a right to take specific actions in the Proceeding.

(6) If the number of bankruptcy creditors is smaller than 5, then the powers of the Board of Creditors are powers of all creditors.

Constitution of a Board of Creditors

Article 34

(1) The Assembly of Creditors decides on the need to constitute a Board of Creditors. If the Bankruptcy Council has already constituted a Board of Creditors, the Assembly of Creditors may decide whether that Board will continue to exist.

(2) The Assembly of Creditors may exclude from the Board members that have been appointed by the Bankruptcy Council and appoint other or **additional** members to the Board of Creditors.

Rights and Obligations of the Board of Creditors

Article 35

(1) The Board of Creditors is obliged to supervise the work of the Bankruptcy Trustee and assist him in his activities. The Board of Creditors is also obliged to monitor the course of the Bankruptcy Trustee's activities, as well as to give prior approval for all payments and disbursements, and to control the accessible amount of cash. The Board of Creditors may authorise some of its members to perform tasks included in its scope of work.

(2) Within its scope of work, the Board of Creditors particularly:

1. surveys the reports of the Bankruptcy Trustee on the Bankruptcy Proceeding and on the situation of the Bankruptcy Estate;
2. examines the trade books and the complete documentation that are taken over by the Bankruptcy Trustee;
3. may file a plea to the Bankruptcy Judge against the work of the Bankruptcy Trustee;
4. gives its opinion to the Bankruptcy Council for liquidation of the estate of the debtor, when the Bankruptcy Council asks for it;
5. gives its opinion to the Bankruptcy Council for completing the work in progress, i.e. for the activity of the bankruptcy debtor, when the Council asks for it;
6. gives its opinion to the Bankruptcy Council for approval of the justified deficits in the inventory, when the Council asks for it.

(3) The Board of Creditors is obliged, upon the request of the Assembly of Creditors, to inform the creditors of the course of the Bankruptcy Proceeding and of the condition of the Bankruptcy Estate.

Dismissal of the Members of the Board of Creditors

Article 36

Either officially, or upon a request made by a member of the Board, or by the Assembly of Creditors, the Bankruptcy Council may dismiss a member of the Board of Creditors because of important reasons. Before it brings a decision for dismissal, the Bankruptcy Council shall hear that member of the Board of Creditors. The member of the Board of Creditors has a right to appeal against the decision of the Bankruptcy Council.

Liability of the Members of the Board of Creditors

Article 37

The members of the Board of Creditors are obliged to compensate the creditors with a right to separate settlement, and the bankruptcy creditors for any damage caused by intentional violation of their legal obligations, or by negligence. The provisions of Article 29 paragraph 5 of this Law regarding the Bankruptcy Trustee also apply as applicable to the expiry of the request for compensation of damage caused by the members of the Board of Creditors.

Sessions of the Board of Creditors and Decision-Making

Article 38

(1) The Board of Creditors decides upon issues related to their scope of action in sessions. The Bankruptcy Judge in his official capacity calls the first session of the Board of Creditors upon a proposal of the Bankruptcy Trustee, or by the majority of the members of the Board of Creditors. The members of the Board elect a president in their first session.

(2) A person who will be authorised with a verified authorisation for this purpose may replace a member of the Board of Creditors at the sessions.

(3) The Bankruptcy Judge and the Bankruptcy Trustee can attend the sessions of the Board of Creditors. The Board of Creditors is obliged to invite the Bankruptcy Judge to its sessions. The Board of Creditors may decide to hold a session of the Board in the absence of the Bankruptcy Trustee.

(4) The Board of Creditors is capable of bringing valid decisions if a majority of the members of the Board attend the session. A decision is passed if a majority of the present members, eligible to vote, vote for it.

Reward for the Work Performed and Reimbursement of the Expenses

Article 39

(1) The members of the Board of Creditors are entitled to a reward for their work as well as to reimbursement of their expenses.

(2) Provisions of Article 30 of this Law related to the rewards and reimbursement of the expenses of the Bankruptcy Trustee apply to the reward for the work and to the reimbursement of expenses of the members of the Board of Creditors, as appropriate.

Section Six

ASSEMBLY OF CREDITORS

Convening of the Assembly of Creditors

Article 40

(1) The Bankruptcy Judge will call the Assembly of Creditors. The right to participate is given to all creditors with a right to separate settlement, to all bankruptcy creditors, to the Bankruptcy Trustee, and to the debtor.

(2) The time, the place of the meeting, and the agenda are publicly announced. There shall be no public announcement, if the debate of the Assembly of Creditors is postponed.

Proposal for Convening of the Assembly of Creditors

Article 41

(1) The Assembly of Creditors shall also be called upon a request made by:

1. the Bankruptcy Trustee;
2. the Board of Creditors;
3. At least five creditors with a right to separate settlement, or bankruptcy creditors who are not of a lower payment order, subject to the condition that the amount of the rights to separate settlement of the creditors with such rights, or the claims of the bankruptcy creditors in the opinion of the Bankruptcy Judge, exceeds one fifth of the amount of all rights to separate settlement, or of the total claims of all bankruptcy creditors who do not fall into the lower payment orders;
4. One or more creditors with the right to separate settlement, or

bankruptcy creditors who are not of a lower payment order, if the total amount of their rights to separate settlement, or claims exceeds two fifths of the amount referred to in point 3 of this paragraph.

(2) The session of the Assembly should be held not less than 7 or more than 15 days from the receipt of the request for an Assembly session.

(3) The person that has submitted the request has a right to appeal against the decision of the Bankruptcy Judge, by which decision the Judge has refused to call an Assembly of Creditors. If there are several proposers, each of them has the right to appeal.

(4) It is considered that the Bankruptcy Judge has brought a decision rejecting the proposal, if he neither calls the Assembly within the time period referred to in paragraph 2 of this Article, nor does he bring a decision with which the proposal for calling of the Assembly is rejected. In such a situation, the person that has submitted the proposal has a right to appeal. The Court of second instance is obliged to decide within 8 days after the filing of the appeal.

Sessions of the Assembly of Creditors

Article 42

(1) The Bankruptcy Judge chairs the Assembly of Creditors.

(2) A decision of the Assembly of Creditors is passed if creditors, whose claims represent more than half of the total amount of the claims, vote for it. A decision concerning the creditors with a right to separate settlement will be considered as passed if the creditors who possess more than half of the total amount of rights for separate settlement vote for it.

Right to Vote

Article 43

(1) Creditors, who have submitted claims that have not been disputed by either the Bankruptcy Trustee, or by any of the other creditors with a right to vote, are eligible to vote. The creditors of lower payment orders are not eligible to vote.

(2) The right to vote will be granted to creditors who hold disputed claims, if at the Assembly of Creditors the Bankruptcy Trustee and the creditors eligible to vote who are present agree. If agreement can not be reached, the Bankruptcy Judge may decide. The Bankruptcy Judge may change his decision upon a suggestion of the Bankruptcy Trustee, or, of some of the creditors eligible to vote who are present.

(3) The provisions of paragraph 2 of this Article also apply both to creditors whose claims are tied to a deferred term and to creditors with a right to separate settlement.

Annulment of a Decision of the Assembly of Creditors

Article 44

(1) A decision brought by the Assembly of Creditors, contrary to the common interest of the bankruptcy creditors, or to the Bankruptcy Council shall be annulled. The annulment shall be conducted upon a request made by a creditor with a right to a separate settlement, by a bankruptcy creditor who is not of a lower payment order, or by the Bankruptcy Trustee.

(2) The decision by which a decision of the Assembly of Creditors is annul shall be publicly announced. Each creditor with a right to separate settlement, as well as each bankruptcy creditor who is not of a lower payment order, has a right to appeal against that decision. A creditor whose request for annulment of a decision of the Assembly of Creditors has been denied by the Bankruptcy Council also has a right to appeal.

Powers of the Assembly of Creditors

Article 45

(1) Apart from the powers prescribed by this Law, the Assembly of Creditors also has all the powers that have been granted to the Board of Creditors pursuant to this Law.

(2) The Assembly of Creditors has a right to demand from the Bankruptcy Trustee information and reports on the conduct of the bankruptcy Proceeding and on the management of the Bankruptcy Estate. If a Board of Creditors has not been constituted, the Assembly of Creditors may give prior approval for all cash inflows and outflows and to control the accessible amount of cash.

Chapter Three

OPENING OF A BANKRUPTCY PROCEEDING

Proposal to Open a Bankruptcy Proceeding

Article 46

(1) The Bankruptcy Proceeding is opened upon a proposal made by a creditor or by the debtor (proposer).

(2) A creditor is qualified to file a proposal for opening of a bankruptcy Proceeding if he establishes the probable existence of his claim, together with some justification for the opening of a Bankruptcy Proceeding.

(3) A proposal to open a Bankruptcy Proceeding over the estate of a debtor - legal entity based on his inability to pay (insolvency), may be filed on behalf of the debtor by any member of the Board of Directors, by the Management or by the Supervisory Board, by any manager, by any partner with unlimited liability or by any Liquidator. A proposal to open a Bankruptcy Proceeding over the estate of the debtor - legal person based on prospective unavoidable inability to pay (insolvency), may be filed on behalf of the debtor only by those persons and bodies which are authorised to represent the debtor - legal entity.

(4) The proposal to open a Bankruptcy Proceeding shall be accepted only if the party that submits the proposal establishes the probable existence of some of the reasons for Bankruptcy. If the proposal for the opening of a Bankruptcy Proceeding, pursuant to paragraph 3 of this Article, has not been filed by all members of the Board of Directors, by all members of the Management or Supervisory Board, by all managers, by the partners with unlimited liability or Liquidators, the Bankruptcy Council will hear the rest of the members of the Board of Directors, the Management or the Supervisory Board, each manager, each partner with unlimited liability and each Liquidator.

(5) If the proposal to open a Bankruptcy Proceeding refers to a public trading organisation, to an unlimited liability partnership, or to an unlimited liability partnership with shares in which none of the partners with unlimited liability are natural persons, paragraphs 3 and 4 of this Article shall apply equally to the members of the Board of Directors, to the Management or the Supervisory Board, to the manager, and to partners with unlimited liability (legal entities) all of which are authorised to represent the debtor.

(6) The provision of paragraph 5 of this Article shall also apply in a case when after the submitting of the proposal for opening of the Bankruptcy Proceeding, the relation amongst the legal entities has continued to exist in a similar manner.

(7) The debtor-individual personally submits a proposal for opening of a Bankruptcy Proceeding over his estate.

(8) The proposer is obliged to submit the proposal for opening of a Bankruptcy Proceeding not more than 30 days from the day of the coming into force of the reasons for the opening of a Bankruptcy Proceeding.

(9) The proposer, referred to in paragraph 8 of this Article, is personally liable to the creditors for any damage caused to them by a violation of his duty defined within the provision.

Withdrawal of a Proposal

Article 47

(1) A proposal to open a Bankruptcy Proceeding may be withdrawn after the announcement for the opening of a Bankruptcy Proceeding has expired, or until a decision for rejection or for refusal of the proposal is made.

(2) If the proposer withdraws a proposal to open a Bankruptcy Proceeding, the Bankruptcy Council shall halt the proceeding. In such a case, the proposer shall cover the expenses incurred in the proceeding.

Advance for the Expenses of the Preliminary Proceeding

Article 48

(1) The proposer is obliged to advance an amount determined by the Bankruptcy Council to cover the expenses of the preliminary proceeding.

(2) If the proposer does not provide the advance within the specified time period, the Bankruptcy Council shall reject the proposal with a decision.

(3) As an exception, the Bankruptcy Council may decide that the proceeding may continue although an advance has not been provided.

(4) If a Bankruptcy Proceeding is opened, the amount advanced is included in the expenses of the Bankruptcy Proceeding.

Chapter Four

PRELIMINARY PROCEEDING

Opening of a Preliminary Proceeding

Article 49

(1) On the basis of the proposal to open a Bankruptcy Proceeding, the Bankruptcy Council shall bring a decision for opening of a preliminary proceeding. The aim of the preliminary proceeding is to determine whether there are grounds for the opening of a Bankruptcy Proceeding.

(2) In the decision to open a preliminary proceeding, the Bankruptcy Council shall specify the Bankruptcy Judge among the members of the Council. The Bankruptcy Council can also appoint a temporary Bankruptcy Trustee.

(3) The Bankruptcy Council shall bring a decision for opening of a Bankruptcy Proceeding, without a preliminary proceeding, if the opening of a Bankruptcy Proceeding has been proposed by the debtor, or if after the opening of the preliminary proceeding, he has acknowledged the existence of some of the reasons for the opening of a Bankruptcy Proceeding.

(4) An appeal is not allowed against the decision for the opening of a preliminary Proceeding.

Obligation to Provide Information during the Preliminary Proceeding

Article 50

(1) Following the filing of a proposal to open a Bankruptcy Proceeding, the debtor shall give to the bankruptcy bodies all data and information necessary to bring a decision in relation to the proposal. The provisions from Articles 107 and 108 of this Law apply for the obligation of this Article.

(2) The Bankruptcy Judge may order the bankruptcy debtor to submit to the Court a written report on the financial condition of the debtor within a set time period. Each member of the bodies of the debtor or the debtor-individual is **criminally and materially liable** for the authenticity of the report provided.

Security Measures

Article 51

(1) The Bankruptcy Council, by a decision for opening of a preliminary Proceeding, or by a separate decision upon a request made by the proposer, or in its official capacity, shall determine all the measures necessary to prevent any adverse changes in the financial status and the property situation of the debtor until a decision for the opening a Bankruptcy Proceeding is brought.

(2) The Bankruptcy Council can:

1. appoint a temporary Bankruptcy Trustee for whom the provisions of this Law referring to a Bankruptcy Trustee also apply;
2. make a general prohibition against the disposal of the property of the debtor, or determine that the debtor may dispose of his property only with the prior permission of the Bankruptcy Judge, or of the temporary Bankruptcy Trustee;
3. prohibit or temporarily postpone the determination or conducting of forced execution or securing against the debtor.
4. ban disbursements from the debtor's account.

(3) If there is sufficient justification, the Bankruptcy Council can determine the measures described in paragraph 1 and 2 of this Article before bringing a decision to open a preliminary proceeding.

(4) If other measures are not sufficient, the Bankruptcy Council may decide that the debtor should be forcibly detained.

Temporary Bankruptcy Trustee

Article 52

(1) If the Bankruptcy Council appoints a temporary Bankruptcy Trustee, and if the debtor determines general prohibition for disposition, then the authorisation for management and disposition of the property of the debtor passes to the temporary Bankruptcy Trustee. In that case the temporary Bankruptcy Trustee is obliged to:

1. protect and preserve the property of the debtor;
2. continue with the management of debtor's enterprise until a decision for opening of a Bankruptcy Proceeding is brought, unless the Bankruptcy Council decides to halt the management of the debtor's business venture in order to avoid significant reduction of the estate;
3. examine whether the expenses of the proceeding can be settled from the debtor's estate.

(2) The Bankruptcy Judge can request the temporary Bankruptcy Trustee, as an expert, to inquire whether there are reasons for opening of a Bankruptcy Proceeding, as well as to examine the prospects for continuing the debtor's business venture (enterprise).

(3) If the Bankruptcy Council appoints a temporary Bankruptcy Trustee in cases where there is no general prohibition against disposition, the Court will define the duties of the temporary Bankruptcy Trustee. They should not exceed the duties defined in paragraph 1 of this Article.

(4) The temporary Bankruptcy Trustee is authorised to enter into the business premises of the debtor and to enforce the necessary actions there.

The debtor – individual, and the bodies of the debtor - legal entity are obliged to allow the temporary Bankruptcy Trustee to inspect the commercial books and business documents of the debtor. The provisions of Article 108 and 109 of this Law apply accordingly in such cases.

Announcement of Limitation of the Right of Disposition

Article 53

(1) The decision by which limitations on the right of disposition prescribed in Article 51, paragraph 2, item 2 of this Law, are determined, and by which a temporary Bankruptcy Trustee is appointed, shall be publicly announced. The Court decision shall be serviced on the debtor and on the temporary Bankruptcy Trustee. At the same time, the debtors of the debtor will be called to settle their obligations taking into consideration the proclaimed decision. The debtor's solidarity co-debtors and guarantors shall be called upon to fulfil their obligations towards the debtor, without a delay and in a manner that shall be precisely identified in the Court decision.

(2) The decision referred to in paragraph 1 of this Article, shall be submitted to the register Court, where the debtor is registered.

(3) Registration of the limitation of the right of disposition in the public books shall be governed pursuant to the provisions of this Law which regulate the registration and opening of a Bankruptcy Proceeding. Data on real estate title (cadastre), register of ships, register of ships under construction and register of aircraft is kept in the same public books.

Legal Effect of the Limitation of the Right of Disposal

Article 54

(1) The provisions of this Law for the legal consequences of a breach of the limitation of the right of disposition after the opening of the Bankruptcy Proceeding apply equally to any breach of the restriction on the disposition of Article 51 of this Law.

(2) The provisions of this Law for the taking over of lawsuits after the opening of Bankruptcy Proceeding apply equally if the authorisation to dispose of the estate of the debtor has passed to the temporary Bankruptcy Trustee.

Abolition of the Security Measures

Article 55

(1) A decision to abolish the security measures shall be announced or delivered in the same manner as the decision by which they were established.

(2) If the authorisation for management and disposal of the estate of the debtor was passed to the temporary Bankruptcy Trustee, he shall settle the expenses and fulfil the obligations incurred on behalf of, and for the account of the debtor before he is released from his duties. The same also applies to obligations of a permanent obligation relation, if the temporary Bankruptcy Trustee has received a consideration for the estate that he manages.

(3) In urgent cases, the Bankruptcy Council can decide that the activities referred to in paragraph 2 of this Article, be performed by the newly appointed Bankruptcy Trustee instead of the temporary Bankruptcy Trustee.

Hearing for Concurrence upon the Proposal for

Opening of a Bankruptcy Proceeding

Article 56

(1) After a decision to open a preliminary Proceeding has been brought, the Bankruptcy Council shall immediately schedule a hearing. At the hearing the following parties will be summoned: the representatives of the debtor-legal entity or the debtor-individual, the proposer, the legal entity who on behalf of the debtor-legal entity manages the payment operations issues, the temporary Bankruptcy Trustee, and if necessary, other parties.

(2) At the hearing referred to in paragraph 1 of this Article, the parties present shall provide their opinion on the request for the opening of a Bankruptcy Proceeding. They can give their opinion on the proposal in a written form.

Declaration for Taking Over a Debt

Article 57

(1) At the hearing, referred to in Article 56 of this Law, the Bankruptcy Council shall evaluate any declaration made to assume the bankruptcy debtor's debt. If necessary, the Bankruptcy Council shall inspect the declaration and ask for an adequate guaranty. It can also adjourn the hearing to permit this.

(2) The person that makes the declaration is responsible for any damage incurred and for the expenses of the Proceeding, if it appears that the declaration for assuming the debt is without funds.

(3) Following the approval by the Bankruptcy Council to assume the debt, the person that has made the declaration, and his guarantors, are jointly liable with the debtor for his obligations that have been incurred prior to the declaration to assume the debt.

(4) With the decision approving the assumption of the debt, the Bankruptcy Council shall halt the Bankruptcy Proceeding. The proposer and the debtor have a right to appeal this decision.

Examination of the Economic and Financial Condition of the Debtor

Article 58

The Bankruptcy Council can designate one or more experts, to examine the solvency of the debtor, together with the Bankruptcy Judge and the temporary Bankruptcy Trustee, within a set time period.

Instances when no Examination of the Economical and Financial Condition of Debtor is ordered

Article 59

(1) The Bankruptcy Council will not designate experts if there are grounds for suspicion that the conditions for opening of a bankruptcy Proceeding have not been met, or if the insolvency of the debtor can be established with certainty as a result of a cessation all his payments.

Chapter Five

OPENING OF A BANKRUPTCY PROCEEDING

Hearing and Decision about Opening of a Bankruptcy Proceeding

Article 60

(1) The Bankruptcy Council shall schedule a hearing on the conditions for opening of a Bankruptcy Proceeding, after having received the report from the Bankruptcy Judge or the temporary Bankruptcy Trustee. Together with the report, the Bankruptcy Council shall also receive an opinion from an

expert appointed to assess the debtor's insolvency. The proposer, the debtor, the temporary Bankruptcy Trustee and, when necessary, the experts, are summoned to the hearing.

(2) The prospect of assuming the debt may be considered at the Court hearing referred to in paragraph 1 of this Article.

(3) The Bankruptcy Council shall bring a decision for opening of a bankruptcy Proceeding, or it shall reject the proposal for opening of a bankruptcy Proceeding, not later than three days from the conclusion of the Court hearing.

(4) In a decision for the rejection of the proposal to open a bankruptcy Proceeding, the Bankruptcy Council shall identify the person liable for the costs of the Proceeding.

(5) The debtor has the right to appeal against the decision to open a Bankruptcy Proceeding.

(6) The Proceeding shall be halted, if the debtor becomes solvent prior to the conclusion of the preliminary Proceeding. In that case, the expenses of the Proceeding shall be born by the debtor.

Contents of the Decision for the Opening of a Bankruptcy Proceeding

Article 61

(1) If the Bankruptcy Council opens a Bankruptcy Proceeding, it shall appoint a Bankruptcy Trustee.

(2) The decision for opening of a Bankruptcy Proceeding shall include the following data:

1. the company, its line of work, the seat and the giro-account number of the debtor;
2. surname, name and address of the Bankruptcy Trustee; and
3. date and time of the opening of the bankruptcy Proceeding. If the decision does not specify the date and time of the opening of the bankruptcy Proceeding, the Bankruptcy Proceeding is considered to be opened at noon on the day the decision is brought.

(3) In the decision for opening of a Bankruptcy Proceeding, the creditors are called in a set time period and in accordance with the provisions of this Law, to report their claims to the Bankruptcy Trustee. The deadline for submission of claims may neither be shorter than fifteen nor longer than thirty days.

(4) In the decision for the opening of a bankruptcy Proceeding, the creditors shall be called to report their rights to separate settlement of the

moveable objects and rights of the debtor, as well as any rights to separate settlement of the real estate which are not registered in the public books (cadastre), or any rights to separate settlement of the real estate that are registered in the public books (cadastre) to the Bankruptcy Trustee within 15 days. The creditors are not obliged to report their rights to separate settlement of movable objects and rights of the debtor that are registered in the registries in where those objects, i.e. rights are kept (for instance: register of ships and aircraft, registries (evidence books) of intellectual property rights, etc.). The report must include a description of the object encumbered with a right to separate settlement, the basis on which such a right was established, as well as the secured claim. A creditor that, without any justified reason, deliberately omits the filing or prolongs the filing of the report is liable for any possible damage.

(5) In the decision for opening of a Bankruptcy Proceeding, the debtor's debtors are called not to settle their obligations directly to the debtor, but to the Bankruptcy Trustee on behalf of the bankruptcy debtor.

(6) In the decision for opening of a Bankruptcy Proceeding, the Bankruptcy Council shall specify that the opening of the bankruptcy Proceeding is to be registered in the trade register and in the cadasters.

Scheduling of the Assembly and of the Board of Creditors

Article 62

(1) In the decision for opening of the Bankruptcy Proceeding the Bankruptcy Council shall set Court hearing dates for:

1. The Board of Creditors, at which claims submitted are to be examined and determined (examining hearing). Between the last day of the time period for reporting of the claims and of the examining hearing there may not be less than 8 days and not more than two months.

2. Assembly of Creditors, at which it shall be decided upon the further course of the bankruptcy Proceeding, based on the report of the Bankruptcy Trustee (report hearing). This hearing may not be held before the hearing date for the Board of Creditors, nor later than fifteen days after the Board of Creditors hearing takes place.

(2) The hearings, referred to in paragraph 1 of this Article may be joined. In that case, the reported claims are examined first, and then the Assembly of Creditors takes place.

Direct Opening of a Bankruptcy Proceeding

Article 63

The Bankruptcy Council may decide to open the Bankruptcy Proceeding without conducting a preliminary Proceeding and without

examining the reasons for opening of the Proceeding, if the proposal for opening of the Bankruptcy Proceeding has been submitted by a bankruptcy debtor or a Liquidator.

Cases when the Opened Bankruptcy Proceeding is not conducted

Article 64

(1) The Bankruptcy Council will bring a decision for opening and concluding of a Bankruptcy Proceeding, if it has been confirmed at the preliminary proceeding, that the property of the debtor, which would enter the Bankruptcy Estate, is not sufficient to settle the costs of the Proceeding. In such a case, the Bankruptcy Proceeding shall not be conducted.

(2) Decisions, referred to in paragraph 1 of this Article, are published in the "Official Gazette of Republic of Macedonia".

(3) The participant that has proposed an opening of a Bankruptcy Proceeding may request reimbursement of the amount advanced and for the damage incurred from every person for the non-timely submitted proposal for opening of a Bankruptcy Proceeding (Article 46, paragraph 7). The person has to prove that he has not acted contrary to his duties, and thus that he is not liable. The right of the participant to demand reimbursement of the expenses and of the damage suffered expire five years after the announcement referred to in paragraph 2 of this Article.

(4) The Bankruptcy Council, in the cases, referred to in paragraph 1 of this Article, in its official duty, by the regulations of the executive proceeding, shall realise the estate of the debtor. The funds realised shall be used for settlement of the expenses incurred during the Bankruptcy Proceeding. Any surplus shall be paid in the Budget of Republic of Macedonia.

Notice for Opening of a Bankruptcy Proceeding

Article 65

(1) The creditors are informed through a notice about the opening of a Bankruptcy Proceeding.

(2) The notice is posted on the Court announcement board and it is published in the "Official Gazette of Republic of Macedonia". The notice must be placed on the announcement board on the same day when the decision for the opening of the Bankruptcy Proceeding, is brought.

(3) The notice for the opening of a Bankruptcy Proceeding contains:

1. the title of the Court that has brought the decision for opening of a bankruptcy Proceeding,
2. an abstract of the decision for opening of a Bankruptcy Proceeding;

3. company, seat and giro-account number of the debtor;
4. name and seat of the Bankruptcy Judge;
5. name and address of the Bankruptcy Trustee;
6. a call for the creditors, pursuant with the provisions of Article 61, paragraph 3 of this Law to report their claims;
7. place, day and hour of the reporting and of the examining hearings;
8. call for the debtors of the debtor to settle their debts without any delay;
9. date of the posting of the advertisement on the announcement Board in the Court.

Service and Announcement of the Decision for the Opening of the Bankruptcy Proceeding

Article 66

- (1) The decision for opening of the Bankruptcy Proceeding is served on the debtor, the creditors, the banks, the carrier of the payment operations where the debtor keeps his accounts, and to the public prosecutors office.
- (2) The decision for opening of the Bankruptcy Proceeding will also be served on to the state agencies that keep the registries, i.e. public books, referred to in Article 61, paragraph 6 of this Law. The decision for opening of a Bankruptcy Proceeding, referred to in Article 64 of this Law, shall also be submitted, to those bodies.
- (3) On the basis of the decisions served on them, the bodies, referred to in paragraph 2 of this Article, are obliged to record the opening of a bankruptcy Proceeding.
- (4) The Bankruptcy Council shall instruct the debtor, if he is an individual, that, pursuant to this Law, he may request a release of the rest of his obligations.
- (5) Posting the decision for opening of the Bankruptcy Proceeding on the Court announcement board constitutes the required announcement.

Legal Remedies

Article 67

- (1) The proposer has a right to appeal if the Bankruptcy Council rejects the proposal for the opening of a Bankruptcy Proceeding.
- (2) If the bankruptcy Proceeding is opened, only the debtor has a right to appeal.

Chapter Six

BANKRUPTCY ESTATE AND BANKRUPTCY CREDITORS

Section One

The Concept of a Bankruptcy Estate

Article 68

(1) The Bankruptcy Estate includes the complete property of the debtor at the day of the opening of the bankruptcy Proceeding, as well as the property that he shall gain in the course of the Bankruptcy Proceeding.

(2) The Bankruptcy Estate is used for settlement of the Bankruptcy Proceeding expenses, as well as for settlement of the bankruptcy debtor's creditors, i.e. of the claims whose settlement is secured with certain rights that encumber the estate of the debtor.

Property excluded from the Bankruptcy Estate

Article 69

Objects and rights of the debtor-individual over which no execution could be carried out if the debtor was not a merchant or an artisan are not included in the Bankruptcy Estate.

Property of Spouses

Article 70

(1) Joint property of the spouses or a part of it, referred to in an agreement, is included in the Bankruptcy Estate, if the spouses have agreed in writing that the management and the disposal of the joint property, or a part of it, shall be performed by one of them, and when the Bankruptcy Proceeding is opened over the estate of that spouse.

(2) The joint property of the spouses will not be included in the Bankruptcy Estate, if the spouses have jointly and in agreement managed the joint property, and a Bankruptcy Proceeding has been opened over the property of one of the spouses.

(3) During the Bankruptcy Proceeding, there will be no division of the joint property of the spouses.

(4) The provision, referred to in paragraph 1 of this Article, shall also apply for situations incurring in a permanent living community.

Section Two

BANKRUPTCY CREDITORS

Concept of a Bankruptcy Creditor

Article 71

Bankruptcy creditors are personal creditors of the debtor that have a legal or property claim against the debtor at the day of the opening of the Bankruptcy Proceeding.

Ranking of the Bankruptcy Creditors

Article 72

The claims of bankruptcy creditors are categorised in payment orders. The creditors of a lower payment order may only be settled after creditors of the previous payment order have been completely settled. The bankruptcy creditors of the same payment order are settled in proportion to the size of their claims.

Claims of Lower Payment Orders

Article 73

- (1) Claims of lower payment orders are settled in the following order:
1. interest on the claims of the bankruptcy creditors that have become due after the opening of the bankruptcy Proceeding;
 2. expenses of certain creditors that have incurred as a result of the creditors` participation in the Proceeding;
 3. fines of criminal or violation acts, or other results of criminal or violation acts that impose payment of fines;
 4. claims for debtor`s services, executed free of charge;
 5. claims for return of a loan with which capital is indemnified, by some partners with unlimited liability or similar claims.
- (2) Claims, referred to in paragraph 1 of this Article, that fall into the same payment order are settled proportionately.
- (3) Claims that the debtor and the creditor have previously agreed to treat as unprivileged shall be settled after the settling of the claims referred to in paragraph 1 of this Article, unless the Contract prescribes otherwise.

(4) Interest on the claims of the bankruptcy creditors of a lower payment order, as well as expenses that those creditors have incurred in the course of the Proceeding shall be of the same rank as their claims.

Claims that are not Due

Article 74

(1) Claims that are not due shall mature at the opening of the Bankruptcy Proceeding.

(2) If no interest has been paid for the claims referred to in paragraph 1 of this Article, it shall be deemed as if legal interest has been paid for these claims and they shall be reduced to an amount that would correspond to the full amount of the claim, after the legal interest for the period from the opening of the Bankruptcy Proceeding until the claims became due has been calculated.

Claims Subject to Rescindable Term or to Deferred Term

Article 75

(1) In the Bankruptcy Proceeding claims subject to a rescindable term shall be considered as claims that are not subject to a rescindable term, if the creditor provides security and proves that he will return what he has received from the property that comprises the Bankruptcy Estate when the rescindable term has matured.

(2) Adequate funds from the Bankruptcy Estate shall be set aside for settling the claim of the creditor whose claim is tied to a deferred term. If the deferred term does not mature by the final division of the property, the claim shall expire and the provided funds will be distributed to the other creditors.

Liability of Several Persons

Article 76

A creditor having several persons liable for fulfilment of a same service may demand complete settlement of the amount that he had claimed at the time of the opening of the Bankruptcy Proceeding.

Rights of the jointly Liable Co-debtors and Guarantors

Article 77

- (1) Jointly liable co-debtors and guarantors of the debtor may report a claim against the debtor, which they acquire in the future, on the basis of the right of recourse only if the relevant creditor has not reported his claim.
- (2) Jointly liable co-debtors and guarantors of the debtor may, as bankruptcy creditors, demand the return of what they have paid for the debtor before or after the day of the opening of the Bankruptcy Proceeding, if they have a right to recourse.
- (3) Jointly liable co-debtors and guarantors may also request to be provided with the amount that they will pay on behalf of the debtor. This amount is proportional to the amount that they would have received as bankruptcy creditors.
- (4) The provision of paragraph 3 of this Article shall also be applied for bank requests and requests of other persons to secure the means for payment of potential claims on the basis of bank guarantees and irrevocable documented letters of credit which will be paid on behalf of the debtor.

Calculation of the Claims

Article 78

- 1) Non-monetary claims and claims whose monetary amount is not defined shall be reported at the value that may be evaluated at the opening of the Bankruptcy Proceeding.
- 2) Claims expressed in foreign currency or accounting units are calculated in the domestic currency by the mean currency rate on the day of the opening of the Bankruptcy Proceeding, at the place designated for payment.

Periodic Payments

Article 79

Claims that involve periodic payments with a defined amount and duration shall be reported in the amount that has been received after addition of all future interim payments and reduction of the discount (interest), referred to in Article 74 of this Law. If the duration of the payments is not determined the provisions of Article 78 of this Law will apply as appropriate.

Section Three

CREDITORS WITH TITLE OVER PROPERTY THAT COMPRISES THE BANKRUPTCY ESTATE

Property Title Rights. Right for Separation of Objects

that do not Belong to the Debtor.

Right to the Return of Objects

Article 80

(1) A person is not considered a bankruptcy creditor if, on the basis of a real or a personal right, he proves that a certain object does not belong to the Bankruptcy Estate. His right for separation of the object shall be determined according to the rules that are valid for the realisation of these rights outside of the Bankruptcy Proceeding.

(2) If the right of the person, referred to in paragraph 1 of this Article, is recorded in a public book, the bankruptcy debtor must prove that the object to which this right refers is included in the Bankruptcy Estate.

(3) A vendor who has not been fully paid his selling price may demand to have his merchandise back, if the merchandise has been sent to the debtor from another place before the day of the opening of the Bankruptcy Proceeding, and the same has not reached its destination by the day of opening of the Proceeding i.e. the debtor has not taken it over ("right to search - return").

(4) A commissioner for purchase of goods also has a right to search - return.

(5) A vendor has no right to return, but has a right to realise his rights in respect to the goods as a creditor with right to title over property that is included in the Bankruptcy Estate, if the debtor has taken possession of the goods that have reached the destination only to store them before the day of the opening of the Bankruptcy Proceeding.

Reimbursement for the Rights to Title over Property That Comprises the Bankruptcy Estate

Article 81

(1) If, before the opening of the Bankruptcy Proceeding, the debtor has alienated the object whose separation could have been requested without authorisation, the creditor with a right to title over the property that

comprises the Bankruptcy Estate can demand that the right to consideration be transferred to him if the consideration has not been given yet. He can ask for a consideration from the Bankruptcy Estate if it can still be separated from that estate. The creditor can also request a compensation of damage incurred from the unauthorised alienation as a bankruptcy creditor, if the debtor has alienated the object before the Bankruptcy Proceeding was opened, or as a creditor of the Bankruptcy Estate if the temporary Bankruptcy Trustee alienated the object after the Bankruptcy Proceeding has been initiated, or if the Bankruptcy Trustee did the same after the Bankruptcy Proceeding has been opened.

(2) If the conditions of paragraph 1 of this Article are not fulfilled, the creditor with a right to title over property that enters the Bankruptcy Estate, can claim compensation as a bankruptcy creditor for the damage suffered if the object was alienated without authorisation before the opening of a Bankruptcy Proceeding, or as a creditor of the Bankruptcy Estate if the object was alienated by the temporary Bankruptcy Trustee after the initiation of a Bankruptcy Proceeding, or by the Bankruptcy Trustee after the opening of a Bankruptcy Proceeding.

(3) If the object for which separation could have been requested was alienated by the temporary Bankruptcy Trustee before the opening of a Bankruptcy Proceeding, or by the Bankruptcy Trustee after the opening of a Bankruptcy Proceeding, the creditor with a right to title over the property that comprises the Bankruptcy Estate may request that the right to consideration is transferred to him if it has not been given yet, or to request a consideration from the Bankruptcy Estate if it can still be separated from the estate, or to request compensation for damage as a creditor of the Bankruptcy Estate.

Section Four

CREDITORS WITH RIGHT TO SEPARATE SETTLEMENT

Right to Separate Settlement of Objects and Rights

Registered in the Public Records

Article 82

The creditors who have a right to pledge or right to settlement over some object, or rights that are registered in the public books (cadastre, register of ships, aircraft, intellectual property and the like) have the right to a separate settlement of that object or right in compliance with the provisions of the Law on Execution Proceedings.

Right to a Separate Settlement of the Other Pledged Creditors

Article 83

(1) The creditors who have a right to pledge over some object of the Bankruptcy Estate which is not registered in the public book, have a right to a separate settlement of their claim, of interest and of expenses from the value of the pledged object.

(2) After the opening of a Bankruptcy Proceeding, the lessor of the real estate can make a claim for amounts unpaid under the lease, limited to amounts unpaid for the twelve months prior to the opening of the Bankruptcy Proceeding. He does not have a right to make a claim for compensation of damage arising from a premature termination of the lease contract by the Bankruptcy Trustee. The limitations stated with respect to the period to which any claim of the unpaid lease must refer, and in relation to any claim for compensation of damage as a result of premature termination of the lease contract by the Bankruptcy Trustee will not be applied to the lessor, if the object of the lease contract is agricultural land.

Other Creditors with a Right to Separate Settlement

Article 84

Together with the creditors stated in Article 83 of this Law the following apply equally:

1. creditors to whom the debtor had handed over some moveable collateral or transferred some right to secure their claims;
2. creditors who have a right of retention of some object, since they have used something for the benefit of that object, to an extent to which their claim on that ground does not exceed the still existing benefit;
3. creditors who have the right to retention based on the Law;
4. Republic of Macedonia or some public legal entity authorised by the state, if the object for which there is an obligation for payment of customs or taxes by Law serves as a security for the public fees.

Creditors with a Right to Separate Settlement as Bankruptcy Creditors

Article 85

Creditors with a right to separate settlement are bankruptcy creditors if the debtor is personally liable to them. They have right to proportionate settlement from the Bankruptcy Estate, as bankruptcy creditors, only if they renounce the right to separate settlement, or if there is no possibility to settle their claims separately.

Section Five

CREDITORS OF THE BANKRUPTCY ESTATE

Obligations of the Bankruptcy Estate

Article 86

- (1) The expenses of the Bankruptcy Proceeding and other obligations of the Bankruptcy Estate are settled first from the Bankruptcy Estate.
- (2) The costs of the Bankruptcy Proceeding are settled before all other obligations of the Bankruptcy Estate, proportionately to their amount.
- (3) The remaining obligations of the Bankruptcy Estate are settled proportionately to their amount.

Expenses of the Bankruptcy Proceeding

Article 87

The expenses of the Bankruptcy Proceeding are:

1. court expenses of the Bankruptcy Proceeding;
2. rewards and reimbursement of the expenses of the temporary Bankruptcy Trustee, of the Bankruptcy Trustee, and of the members of the Board of Creditors;
3. other expenses which this Law prescribes to be settled as expenses of the Bankruptcy Proceeding.

Other Obligations of the Bankruptcy Estate

Article 88

- (1) Other obligations of the Bankruptcy Estate include obligations:
 1. incurred as a result of activities undertaken by the Bankruptcy Trustee or in another way by the management, conversion into cash and division of the Bankruptcy Estate, which are not otherwise included as expenses of the Bankruptcy Proceeding;
 2. claims of attorneys for services provided in the course of the last six months preceding the opening of the Bankruptcy Proceeding in respect to the protection and execution of the rights of the debtors (?) that comprise the Bankruptcy Estate;
 3. bilateral onerous contracts, provided that their fulfilment is requested from the Bankruptcy Estate, or it must follow after the opening of the Bankruptcy Proceeding;

4. on the basis of unjust enrichment of the estate or unfounded acquisition;
5. on the basis of employment contracts of the employees at the bankrupt debtor for the period after the opening of the Bankruptcy Proceeding.

(2) The obligations assumed by the temporary Bankruptcy Trustee who is authorised to manage and dispose of the debtor's property until the opening of the Bankruptcy Proceeding are considered to be obligations of the Bankruptcy Estate. The same is valid for the obligations of some other permanent obligating relation, but only if the temporary Bankruptcy Trustee has received a consideration from the other contractual party for the property which he managed.

Part Three

LEGAL CONSEQUENCES ARISING FROM THE OPENING OF A BANKRUPTCY PROCEEDING

Chapter One

BASIC LEGAL CONSEQUENCES

Day of the Beginning of the Legal Consequences

Article 89

(1) The legal consequences from the opening of a Bankruptcy Proceeding occur on the day when the notice of the opening of Bankruptcy Proceeding is placed on the announcement board.

(2) If the decision for opening of a Bankruptcy Proceeding has been revoked due to an appeal, and in a renewed proceeding the Bankruptcy Proceeding is reopened, it will be considered that the legal consequences from the opening of the Bankruptcy Proceeding have occurred on the day when the first decision for opening of a Bankruptcy Proceeding was placed on the announcement board.

Transfer of the Debtor's Rights to the Bankruptcy Trustee

Article 90

Upon the opening of the Bankruptcy Proceeding the right of the debtor to manage and to dispose of the property that comprises the Bankruptcy Estate is transferred to the Bankruptcy Trustee.

Prohibition on Alienating or Encumbering

Article 91

- (1) The prohibition on alienating or encumbering the debtor's property proscribed with the provisions of other Laws only for the protection of the interests of certain parties is ineffective in the Bankruptcy Proceeding.
- (2) The provision from paragraph 1 of this Article does not refer to the prohibition on alienating and encumbering of the debtor's property in relation to the Proceeding for execution or securing.

Disposition of the Debtor's Property

Article 92

The disposition of the property that comprises the Bankruptcy estate by previous representatives of the debtor - legal entity, or of the debtor - individual has no legal effect after the legal consequences from the opening of the Bankruptcy Proceeding have come into force. On the other hand, a consideration from the Bankruptcy Estate will be returned to the other party if the value of the Bankruptcy Estate has been increased.

Fulfilment for the Benefit of the Debtor

Article 93

If, after the opening of a Bankruptcy Proceeding, a certain party directly fulfils an obligation to the representative of the debtor - legal entity or the debtor - individual before the time of the public announcement for the opening of the Bankruptcy Proceeding, despite that the obligation was to be settled for the benefit of the Bankruptcy Estate, he is released from his obligation if he proves that at the time of the fulfilment he did not know that the Bankruptcy Proceeding had been opened.

Inheritance

Article 94

- (1) If before the opening of Bankruptcy Proceeding, or in the course of the Bankruptcy Proceeding, the debtor has inherited property or has received a legacy, only he has the right to accept or to renounce the inheritance or the legacy. Also, only the debtor has a right to request or to renounce parts of the legacy for which he can request a partition based on residing in the same household or running a joint business with the testator.

(2) When the debtor as an heir is replaced by some other person, the Bankruptcy Trustee shall not dispose of the objects that constitute a part of the inherited property, if in accordance with the regulations that regulate the inheritance this transfer would not be valid in case the respective heir succeeds in his legal legacy request.

Division of the Property of the Legal Community

Article 95

(1) If the debtor is in a co-ownership or some other legal community or partnership with a third party, the division of the property will be done outside of the Bankruptcy Proceeding. For the obligations arising from such relationships, a separate settlement of the share of the debtor can be requested.

(2) The provisions of any contract by which the right to sever the “communities” from paragraph 1 of this Article is permanently or temporarily excluded, or by which a special deadline for severance is determined, are ineffective in the Bankruptcy Proceeding. The same is valid for the provisions of the will on which the community is based as well as for a respective contract (agreement) of the co-heirs.

Taking over of Law Suits

Article 96

(1) The Bankruptcy Trustee will take over any lawsuits for the property that comprises the Bankruptcy Estate that have been initiated prior to the opening of the Bankruptcy Proceeding on the behalf and at the expense of the debtor.

(2) If, immediately after the resumption of a suspended lawsuit, the Bankruptcy Trustee recognises or renounces it, the opposing party can claim the expenses from the lawsuit Proceedings only as a bankruptcy creditor. Otherwise, the expenses of the lawsuit will be settled as debts of the Bankruptcy Estate.

Claims of the Bankruptcy Creditors

Article 97

The bankruptcy creditors can realise their claims against the debtor only within the Bankruptcy Proceeding.

Cessation of the Rights Acquired through Execution or Securing

Article 98

If a bankruptcy creditor acquires a right to a separate settlement or similar right over the property of the debtor that comprises the Bankruptcy Estate thirty days prior to the filing of the proposal for opening of a Bankruptcy Proceeding, or subsequently with a Court execution or with securing, that right ceases to be valid with the opening of the Bankruptcy Proceeding.

Prohibition of Execution and Securing

Article 99

(1) After the opening of the Bankruptcy Proceeding the bankruptcy creditors can not request securing of the claims or execution of parts of the estate that comprises the Bankruptcy Estate, nor of other property of the debtor.

(2) In the course of the Bankruptcy Proceeding the creditors who are not bankruptcy creditors are not authorised to ask for a forced execution or securing of future claims of the debtor – individual on the basis of an employment contract, or other similar legal actions, except for a forced execution or securing of a claim for support, or of other claims that can be settled from the part of the debtor's income from the employment from which the claims of the other creditors can not be settled.

(3) Proceedings for execution and securing of paragraph 1 and 2 of this Article that are underway at the time of the opening of Bankruptcy Proceeding are suspended. If those proceedings are resumed, the execution Court will stop them.

(4) After the opening of the Bankruptcy Proceeding, creditors with a right to separate settlement can initiate proceedings against the debtor to exercise their rights of execution and securing by the general rules of the executive proceeding. The suspended proceedings of execution and securing that those creditors have initiated before the opening of the Bankruptcy Proceeding, will be resumed and carried out by the executive Court in accordance with the regulations of the executive proceeding.

(5) After the opening of the Bankruptcy Proceeding creditors with a right to a separate settlement are authorised to open a proceeding for execution or securing in accordance with the general rules of the execution proceeding. Any suspended proceedings of execution or securing, which those creditors have initiated before the opening of the Bankruptcy Proceeding, will be resumed and carried out by the executive Court in accordance with the rules of the executive proceeding.

(6) Following the opening of the Bankruptcy Proceeding, registration in the public books will be allowed and implemented, if the conditions for registration are met.

Prohibition of Execution due to Realisation of the Claims against the Bankruptcy Estate

Article 100

(1) No forced execution to settle claims that represent liabilities of the Bankruptcy Estate in the Bankruptcy Proceeding will be allowed in the first 6 months following the opening of the Bankruptcy Proceeding, except in the cases when a claim stems from the legal actions undertaken by the Bankruptcy Trustee.

(2) The provision from paragraph 1 of this Article does not refer to:

1. liabilities of the Bankruptcy Estate with bilateral onerous contracts that the Bankruptcy Trustee has decided to fulfil;
2. liabilities of a permanent obligating relation in the period following the first deadline in which the Bankruptcy Trustee could have cancelled the contract;
3. liabilities of a permanent obligating relation if the Bankruptcy Trustee has received a consideration for the benefit of the Bankruptcy Estate.

Exclusion of Other Forms of Legal Acquisition

Article 101

(1) After the opening of the Bankruptcy Proceeding, rights to the part of the estate that comprises the Bankruptcy Estate can not be validly acquired even when that acquisition is not based on the disposition by the debtor, or of forced execution or securing for the benefit of the bankruptcy creditor.

(2) The provision from paragraph 1 of this Article does not refer to cases of acquisition on the basis of a disposition by the Bankruptcy Trustee, a Court sale, issues of the creditors with title over property that comprises the Bankruptcy Estate, or creditors with a right to separate settlement in accordance with this Law, as well as to the cases of acquisition through confidence in the public records.

General Damage

Article 102

Any requests by the bankruptcy creditors for compensation for any damage that they all suffered as a result of the reduction of the property that comprises the Bankruptcy Estate before or after the opening of the

Bankruptcy Proceeding (general damage), can be pursued only by the Bankruptcy Trustee in the course of the Bankruptcy Proceeding. If a request for compensation of damages is directed against the Bankruptcy Trustee, such requests can be pursued only by a newly appointed Bankruptcy Trustee.

Personal Responsibility of Partners with Unlimited Liability

Article 103

If the Bankruptcy Proceeding is opened over the property of a civil legal entity or an unlimited liability partnership, the personal unlimited liability of these partners for the obligations of the enterprise, can be demanded only by the Bankruptcy Trustee in the course of the Bankruptcy Proceeding.

Retaining the Right to Offsetting

Article 104

If a bankruptcy creditor had a right to offsetting based on a Law or a contract in the period prior to the opening of the Bankruptcy Proceeding, the opening of a Bankruptcy Proceeding does not affect that right.

Acquisition of the Right to Offsetting during the Bankruptcy Proceeding

Article 105

(1) If at the time of the opening of a Bankruptcy Proceeding, the claims or one of the claims that should be offset, are still under a deferred term or have not yet matured, or the claims do not derive from homogenous activities, there will be an offsetting after the required conditions are met. In such cases the provisions 74 and 78 of this Law will not be applied. The offsetting is excluded if the claim with which the offsetting should be effectuated has become conditioned and mature before the offsetting becomes possible.

(2) The offsetting of claims in different currencies or different accounting units is allowed, if these currencies or accounting units can be freely exchanged in the place of the payment. The calculation is done according to the exchange rate that is valid in the place of payment at the time of the receipt of the statement for compensation.

Illicit Offsetting

Article 106

Offsetting is not allowed:

1. if the bankruptcy creditor has become a guarantor for the benefit to the Bankruptcy Estate after the opening of the Bankruptcy Proceeding;
2. if the bankruptcy creditor has acquired his claim from another creditor after the opening of the Bankruptcy Proceeding;
3. if the bankruptcy creditor had acquired the claim with conveyance within the last six months before the opening of the Bankruptcy Proceeding, and he knew or must have known that the debtor was unable to pay, or that a proposal for opening of a Bankruptcy Proceeding had been filed against him. Exclusive compensation will be allowed if the claim in question which is ceded in respect to the fulfilment of unfulfilled contracts, or for a claim that has been revived with the successful offsetting of the debtor's legal action;
4. if the bankruptcy creditor has acquired the ability for compensation with a legal effect than can be defeated;
5. if the creditor owes the claim that should be settled from the debtor-individual's property which does not comprise the Bankruptcy Estate, to the Bankruptcy Estate.

Debtor's Obligation to Co-operate and Place at Disposal

All Necessary Information

Article 107

(1) The debtor is obliged to provide all relevant information of the circumstances concerning the Proceeding to the Court, to the Bankruptcy Trustee, to the Board of Creditors and, upon a Court order, to the Assembly of Creditors. He is bound to present all facts that could lead to his criminal prosecution. Nevertheless, the facts that the debtor has revealed due to the obligation that is imposed with this Article can not be used against the him without his consent in a Court, administrative or other proceeding initiated against him.

(2) The debtor is obliged to assist the Bankruptcy Trustee in the fulfilment of his duties.

(3) The debtor is obliged, upon a Court order, to provide information and to co-operate in any time. He is obliged to refrain from all activities that could hinder the fulfilment of his obligations.

Taking in, Detention and Fine

Article 108

(1) The Court can request that the debtor be detained for the purposes of obtaining adequate statements.

(2) After a hearing, the Court can detain the debtor:

1. if he has refused to present the relevant information or has refused to cooperate with the Bankruptcy Trustee in the fulfilment of his tasks;
2. if he avoids or intends to avoid the presentation of information and cooperation, and especially if he is contemplating escape; or,
3. if it is necessary to prevent the debtor from undertaking activities which would hinder the collection of the necessary documents and information, or the conservation and the protection of the Bankruptcy Estate.

(3) The provisions for detention in the criminal proceedings apply to the detention of the debtor in accordance with paragraph 2 of this Article. The detention is officially abolished as soon as the reasons for which the debtor is detained cease to exist.

(4) If the duties of Article 107 of this Law are not fulfilled, the Court can determine a fine. The individual fines can not be smaller than 10,000 denars, nor higher than 100,000 denars. The rules of the executive Proceeding for execution of the activities that can be performed only by the debtor apply to the decision of the mentioned fine of this paragraph in an adequate way.

(5) A debtor who does not fulfil his duties given in Article 107 of this Law is subject to a fine levied by the Bankruptcy Council of up to 500,000 denars, apart from the provisions of paragraph 4 of this Article

Prohibition on Receiving Postal Shipments

Article 109

(1) If it is necessary, in order to reveal and to prevent legal actions undertaken by the debtor to the detriment of the creditors, the Bankruptcy Court, upon a request made by the Bankruptcy Trustee or in its official capacity, with an elaborated decision will order some or all postal shipments or the shipments of other respective services to the debtor to be delivered to the Bankruptcy Trustee. The Court will bring this decision after it hears the debtor, unless due to some special circumstances of the case, such hearing might threaten the aim of bringing such a decision. If the debtor has not been heard, the Court is obliged to explain the reasons, and to give the debtor a hearing as soon as those reasons cease to exist.

(2) The Bankruptcy Trustee has the right to open the shipments that are delivered to him, and he is obliged to send the shipments that are not in

relation to the Bankruptcy Estate to the debtor without delay. The debtor has a right to inspect the other shipments.

(3) The debtor has the right to a separate appeal against the decision that prohibits the receiving of postal shipments. After the Bankruptcy Trustee has been heard, the Court may cancel the prohibition with a Court decision, if the prohibition is no longer necessary.

Support from the Bankruptcy Estate

Article 110

(1) The Assembly of Creditors decides whether, and to what extent, the debtor-individual and his family will receive support from the Bankruptcy Estate.

(2) Until the Assembly of Creditors reaches a decision, the Bankruptcy Trustee can, with the consent of the Board of Creditors or the Bankruptcy Council if a Board has not yet been established, determine the necessary support for the debtor. In the same way, the support is also guaranteed to the persons he is obliged to support by Law.

Representatives of the Debtor by Law - Employees

Article 111

(1) If the Debtor is a legal entity, the provisions of Articles 107 through 109 of this Law apply equally to the members of the Board of Directors, to the members of the Management and Supervision Boards, to the manager or managers, as well as to the debtor's partners with personal liability who have authority to represent him.

(2) The provisions from Article 107, paragraph 1 and Article 108 of this Law also apply to the persons indicated in paragraph 1 of this Article who lost their capacity in the course of the two years preceding the filing of the proposal for opening of a Bankruptcy Proceeding.

(3) The provisions from Article 110 of this Law also apply to the personally responsible partners of the debtor who have authority to represent him.

(4) The debtor is obliged to present information in the sense of Article 107, paragraph 1 of this Law to his employees and to his former employees, except to those who ceased to be employees more than two years prior to the filing of the proposal for opening of a Bankruptcy Proceeding.

Chapter Two

FULFILLMENT OF THE LEGAL ACTIONS

Right of the Bankruptcy Trustee to Choose

Article 112

(1) If, prior to the date of the opening of the Bankruptcy Proceeding, the debtor or his co-contractual partner did not completely fulfil some bilateral onerous contract, the Bankruptcy Trustee can fulfil the contract on behalf of the debtor and request fulfilment from the other contractual party.

(2) If the Bankruptcy Trustee declines to fulfil the contract, the other contractual party can submit a claim arising from the non-fulfilment only as a bankruptcy creditor. If the other contractual party is required to be the first to fulfil the contract, and if it calls the Bankruptcy Trustee to declare himself about his right to choose, the Trustee is obliged to inform the other contractual party by registered mail whether he intends to request fulfilment of the contract within eight days. If he fails to do so, the Bankruptcy Trustee can not demand fulfilment.

Fixed Contracts and Term Contracts

Article 113

(1) If the delivery of the goods that has market or stock-exchange price is agreed for a fixed determined period or in a fixed deadline, and that period or deadline comes after the opening of a Bankruptcy Proceeding, the other contractual party can not request fulfilment, but only reimbursement due to the non-fulfilment of the fixed contracts.

(2) If for the financial fulfilment that has market or stock-exchange value a time period or a deadline is determined, and that time period or deadline comes after the opening of the Bankruptcy Proceeding, the other side can not request fulfilment, but only compensation due to the non-fulfilment of the fixed contracts.

(3) Financial fulfilment of paragraph 2 of this Article especially includes:

1. the delivery of precious metals;
2. delivery of securities or similar rights, if the acquisition of shares in an enterprise is not done with the intention of establishing a permanent relation with that enterprise;
3. payments in money that are fulfilled in foreign currency or in some accounting unit;
4. payments in money where the amounts are directly or indirectly determined by the exchange rate of the foreign currency or the accounting

unit, by an interest rate of the claim, or by the price of the other good or services;

5. options and other rights of delivery or financial act in the sense of the provisions of Article 1 to 4 of this paragraph.

(4) If the effects for the financial fulfilment are encompassed with one framework agreement which provides that in the case of breach of the contractual provisions it can be cancelled only as a whole, all those effects will be considered as one bilateral onerous contract in the sense of the provision of Article 112 and paragraph 1, 2, and 3 of this Article.

(5) The compensation as a result of non-fulfilment of the obligations stated in this Article consists of the difference between the agreed price and the market or stock-exchange price, which is valid the second working day after the opening of the Bankruptcy Proceeding in the place of fulfilment for the contracts with an agreed time period of fulfilment. The other side can realise its claim of such compensation only as a bankruptcy creditor.

Divisible Activities (Services)

Article 114

If the activity (service) which is owed is divisible and if the other side has partially performed its activity (service) at the time of the opening of the Bankruptcy Proceeding, it can realise its claim of the consideration to an extent that matches its partially performed activity (service) as a bankruptcy creditor, even if the Bankruptcy Trustee asks for fulfilment of the rest of the activity (service). The other side has no right as a result to the non-fulfilment of its claim to consideration from the Bankruptcy Estate to ask for a return of what was partially fulfilled of its activity (service) before the opening of the Bankruptcy Proceeding had become the property of the debtor.

Notation

Article 115

(1) If the public record contains a notation for securing of the claim for acquisition or termination of the rights over some of the real estate of the debtor or of some right registered for the benefit of the debtor or for securing of the request for change of the contents or of the ranking of that right, the creditor can settle its claim as a creditor of the Bankruptcy Estate. The same is also valid if the debtor has undertaken some further obligations towards the creditor and failed to fulfil them, partially or completely.

(2) The provisions of paragraph 1 of this Article apply accordingly to the notes registered in the register of ships, register of ships under construction or in the register of aircraft as well.

Retention of the Title

Article 116

(1) If, before the opening of the Bankruptcy Proceeding the debtor has sold a movable object but retained title to the property, and handed the object over to the buyer to be kept in his possession, the buyer can demand fulfilment of the sale contract. The same is also valid if the debtor has undertaken some other obligations towards the buyer, and he has failed to fulfil them partially or completely.

(2) If before the opening of the Bankruptcy Proceeding the debtor has bought a moveable object, but the seller after handing over the object has retained the title, the Bankruptcy Trustee has the right to choose in accordance with the provisions of article 112 of this Law. The Bankruptcy Trustee is not obliged to make a statement regarding his choice until the reporting hearing is held, after which he must do so without delay. The provision of this paragraph will not be applied in cases when a significant reduction of the value of the moveable object is expected prior to the date of the reporting hearing, and the creditor has informed the Bankruptcy Trustee of this circumstance.

More Permanent Obligating Relations

Article 117

(1) Lease contracts for real estate or for premises for which the debtor is the lessor, work contracts in which the debtor is the party that orders the work, and employment contracts in which the debtor appears as an employer are still in force, but at the detriment of the Bankruptcy Estate.

(2) The other contractual party can realise its rights arising from the period before the opening of the Bankruptcy Proceeding only as a bankruptcy creditor.

The Debtor as a Lessee

Article 118

(1) Lease contracts for real estate or premises in which the debtor is a lessee can be cancelled by the Bankruptcy Trustee within the notice period, regardless of whether some other deadline for cancellation was agreed upon in the contract. If the Bankruptcy Trustee cancels the contract, the

other contractual party can request reimbursement for damage resulting from the premature cancellation of the contractual relationship.

(2) Each contractual party is obliged to inform the other contractual party within fifteen days whether it has an intention to cancel the contract; otherwise, it loses its right to cancellation.

(3) If the debtor has not taken possession of the real estate or the premises by the opening of the Bankruptcy Proceeding, the Bankruptcy Trustee or the other contractual party may cancel the contract. If the Bankruptcy Trustee cancels the contract, the other party may request reimbursement for damage resulting from the premature cancellation of the contract as a bankruptcy creditor.

The Debtor as a Lessor

Article 119

(1) If the debtor as a lessor of real estate or premises before the opening of a Bankruptcy Proceeding had at his disposal claims from a leasing relationship for some later period of time, this disposition is legally valid only in the part that refers to the lease for the calendar month that is ongoing at the time of the opening of the Bankruptcy Proceeding. If the Bankruptcy Proceeding is opened after the fifteenth day of the month, the disposition produces legal effect for the next calendar month also.

(2) The disposition of paragraph 1 of this Article refers especially to the collection of rent. The disposition on the basis of forced execution is equivalent to the contractual disposition.

(3) The lessee can offset its claims against the debtor with claims from the debtor from the leasing relation in the sense of the provision of paragraph 1 of this article. The provision of this paragraph does not influence the application of the provisions of Articles 105 and 106, item 2 through 4 of this Law.

Alienation of the Object of the Lease

Article 120

When the Bankruptcy Trustee has alienated the real-estate or the premises that the debtor had previously leased to a third party, the Trustee assumes the position of the debtor in the leasing relation, and the third party may cancel that relation within the legal deadline for cancellation. The supplier must immediately produce the notice of the cancellation of the lease contract, the first day after the acquisition of the real estate or the premises. If he fails to do so within the above stated period, the contractually determined time period will be applied.

Prohibition of Breach of Leasing Contract

Article 121

If the debtor is a lessee, the other contractual party can not cancel the lease contract after the filing of the proposal for opening of a Bankruptcy Proceeding:

1. due to the delay in the payment of the lease which took place before the opening of the Bankruptcy Proceeding;
2. as a result of deterioration of the condition of the debtor's property.

Employment Contracts

Article 122

(1) Employment contracts concluded between the employee and the employer-debtor are terminated in a manner and under conditions proscribed by this Law.

(2) After the opening of the Bankruptcy Proceeding, the Bankruptcy Trustee, as an employer, can terminate employment contracts, regardless of whether they have been concluded for a definite or indefinite period of time, in accordance with the bankruptcy plan which anticipates economic, technological, structural and similar changes undertaken because of the opening of the Bankruptcy Proceeding. The notice period in this case may not be shorter than 30 days, or longer than three months, and the deadline expires on the last day of the calendar month. The Bankruptcy Trustee is obliged to inform the workers at least one month before the termination of the employment, and the service for mediation at employment within three days from the day when the decision for termination was brought.

(3) An employee has the right to plea against the Bankruptcy Trustee's decision, as well as the right to initiate a dispute before the competent Court against the termination of employment in accordance with paragraph 2 of this Article, where the provisions of the Law on Labour Relations on the termination of employment due to economic, technological, structural and similar changes and protection of the worker's rights apply accordingly.

(4) With the prior written consent of the Bankruptcy Judge, the Bankruptcy Trustee can conclude new employment contracts, for the purposes of completion of the work in progress, and prevention of possible damage.

(5) The Bankruptcy Trustee determines the workers' salaries and levels of benefits in accordance with the Law and the collective agreement, and on the basis of previously received written consent of the Bankruptcy Judge.

(6) The salaries and benefits in paragraph 5 of this Article are settled as liabilities of the Bankruptcy Estate

Salaries and Benefits of the Employment Contracts

Article 123

(1) If before the opening of the Bankruptcy Proceeding the debtor has ceded or pledged future claims or payments of benefits or salaries to which he is entitled on the basis of an employment agreement, or has ceded or pledged other such periodical payments that replace them, such cession or pledging will be valid only for the benefits and salaries the debtor is to receive in a three-year period following the opening of the Bankruptcy Proceeding. The time period of three years begins to expire after the end of the calendar month when the Bankruptcy Proceeding was opened.

(2) The person responsible for paying the benefits and salaries mentioned in paragraph 1 of this Article, can offset these claims of the debtor with any claim of his that he has against the debtor. In this case, Articles 105 and 106 items 2 through 5 of this Law apply accordingly.

(3) If future benefits or salaries have been transferred before the opening of the Bankruptcy Proceeding through execution, the validity of such transfer will be limited to the benefits and salaries that the debtor will receive for the calendar month in which the Bankruptcy Proceeding is opened. If the Bankruptcy Proceeding was opened after the fifteenth day of the month, the transfer of benefits and salaries for the following calendar month will also be considered as valid. In this case, provisions from Articles 98 and 99 paragraph 2 of this Law are applied accordingly.

Cessation of the Order and of the Contract for Performance of the Tasks

Article 124

(1) The order of the debtor in respect to the property that comprises the Bankruptcy Estate ceases with the opening of the Bankruptcy Proceeding.

(2) If the recipient of the order, not knowing of the opening of the Bankruptcy Proceeding, continues to perform the work, it will be considered that the order is still in effect. The claims of the recipient of the order with respect to the continuation of such performance of the work are settled as claims of a bankruptcy creditor.

(3) The recipient of the order is obliged to continue with the performance of the work that can not be postponed due to the prevention of damage, even after the opening of a Bankruptcy Proceeding until the Bankruptcy Trustee takes over the performance of the work. The claims of the recipient of the order with respect to such continuation of the performance of the work are settled as claims of a creditor of the Bankruptcy Estate.

Offers

Article 125

Offers made to the debtor, or offers made by the debtor, will cease to be valid as of the opening of the Bankruptcy Proceeding if they have not been accepted prior to that date.

Breach of Management Contracts

Article 126

Article 124 of this Law also applies to persons who are obliged by their employment contracts to undertake different business legal actions for the debtor. The provisions concerning the claims for reimbursement of the expenses incurred from the continuation of such management contracts also apply to claims for salaries for the performance of the entrusted tasks.

Cessation of the Debtor's Authority

Article 127

- (1) The debtor's authority to deal with the property that comprises the Bankruptcy Estate ceases with the opening of the Bankruptcy Proceeding.
- (2) The provisions of Article 124 of this Law apply to this authority accordingly.

Liquidation

Article 128

When a public trade enterprise, limited liability partnership, limited liability partnership with shares, or other enterprise with unlimitedly liable partners is liquidated as a result of the opening of a Bankruptcy Proceeding over the property of one of the unlimitedly liable partners, the partner with the right to represent the respective partnership will be ranked among the creditors of the Bankruptcy Estate for his claims which have arisen from the temporary continuation of the works that can not be postponed or that could cause significant damage if neglected. When the aforementioned partner was unaware of the opening of Bankruptcy Proceeding, his claims that relate to the continuation of the business activity will rank him among the creditors of the Bankruptcy Estate. In this case, the provisions of Article 95, paragraph 1 of this Law will apply accordingly.

Non-validity of the Contractual Provisions

Article 129

Contractual provisions that exclude or limit in advance the application of the provisions of the Articles 112 through 128 of this Law are not valid.

Breach of Contracts for Lease of the Company or a Part of the Company

Article 130

(1) If the lease contract of an enterprise or a part of the enterprise provides some benefits for the property that comprises the Bankruptcy Estate, the Bankruptcy Trustee will consult the representatives of the employees in that enterprise or in the part of the enterprise in relation to the contract for reduction of those benefits. A lease contract for the enterprise or for a part of the enterprise can be terminated with a three months notice, even if some longer notice has been agreed upon previously.

(2) The right to terminate the lease contract of an enterprise or a part of the enterprise without prior notice due to a good reason will continue to exist.

Economic, Technological, Structural and Similar Changes in the Bankruptcy Proceeding

Article 131

(1) When after the opening of the Bankruptcy Proceeding, the bankruptcy plan contemplates economic, technological, structural or similar changes, in order to maintain the debtor's business venture (enterprise), or a portion of it, in order to conduct complete liquidation of the debtor's enterprise, the Bankruptcy Trustee is required to propose a social plan for alleviation of the negative consequences from the termination of the workers' employment, in which the criteria and conditions for termination of the employment by a dismissal will specifically be developed in accordance with the provisions of the Law on Labour Relations and Collective Agreements.

(2) The Bankruptcy Trustee and the representatives of the workers can solve the issues concerning the termination of the employment in the framework of paragraph 1 of this Article by a mutual agreement; if they fail to reach an agreement, a commission for reconciliation of interests is formed. Depending on the grounds for termination of the employment, the provisions from the Law on Labour Relations are applied accordingly. Before the proceeding for mutual agreement begins, the Bankruptcy

Trustee and the representatives of the workers can submit a mutual request to the service for mediating employment to solve the redeployment of the workers with terminated employment.

(3) The proposed social plan from paragraph 1 of this Article must be approved by the Court competent for protection of the rights of the workers; the Court will decide whether the plan complies with the provisions of the Law on working relations and collective agreements in terms of the grounds for termination of the employment and of the time periods and the protection of the workers' rights.

(4) The Bankruptcy Court shall not conclude the Bankruptcy Proceeding until it has received the report from the competent Court for protection of the workers' rights which concurs that the measures undertaken in the social plan comply with the Law and the collective agreement.

Court Consent to the Proposed Changes in the Enterprise

Article 132

(1) If, after the opening of the Bankruptcy Proceeding, the bankruptcy plan calls for economic, technological, structural or similar changes directed towards the maintenance of the debtor's business venture (enterprise) or some portion of it, the Bankruptcy Trustee and the representatives of the workers can not mutually agree, nor reconcile the interests within three weeks of the beginning of the negotiations or from the day when a written request for negotiation has been submitted, despite the fact that the Bankruptcy Trustee had provided the workers' representatives with comprehensive and timely information as required by the Law on Labour Relations, the Bankruptcy Trustee can ask the Court competent for the protection of the worker's rights to resolve the dispute. The Bankruptcy Trustee will request the competent Court to approve the proposed social plan without the execution of the prior Proceedings stated in Article 131, paragraphs 1 and 2 of this Law.

(2) The Court will approve the proposed social plan, i.e. the proposed economic, technological, structural or similar change if the economic conditions of the enterprise, including the social state of the workers as well, guarantee the implementation of the economic, technological, structural or similar change, without prior implementation of the proceedings stated in Article 131, paragraphs 1 and 2 of this Law, and the workers have rights to plea and protect their rights in accordance with the Law on Labour relations. Only the Bankruptcy Trustee and the representatives of the workers may appear as parties in the Proceeding. In such cases the competent Court will act as in a priority case.

(3) The interested parties can make an appeal against a decision of the Court that either approves or rejects the proposed social plan within a timeframe of fifteen days.

Scope of the Social Plan

Article 133

(1) A social plan proposed after the opening of the Bankruptcy Proceeding must provide one of the rights which stems from the employment, keeping in mind that when the right is exercised as a single compensation in a form of a final payment it cannot amount to less than two monthly salaries.

(2) The liabilities, which result from the proposed social plan, will have the status of liabilities of the Bankruptcy Estate. However, when after the opening of the Bankruptcy Proceeding no bankruptcy plan is brought, i.e. when no economic, technological, structural or similar changes directed towards the maintenance of the debtor's business venture or of some portion of it has been prepared, a maximum of one third of the property that comprises the Bankruptcy Estate available for distribution amongst the creditors in the Bankruptcy Proceeding can be used for settlement of the claims that originate from the proposed social plan. If the total of all the claims from the social plan exceeds this established limit, a proportionate reduction will be applied to each of the claims separately until their sum does not exceed the established limitation.

(3) Immediately after adequate funds have been collected and made available from the property that comprises the Bankruptcy Estate, the Bankruptcy Trustee will make advance payments of the claims of the social plan with previous consent from the Bankruptcy Court. No forced execution will be allowed for settlement of the claims of the established social plan.

Social Plan Established Before the Opening of the Bankruptcy Proceeding

Article 134

(1) When the employer has begun to implement economic, technological, structural or similar changes before the opening of the Bankruptcy Proceeding and when a social plan in relation to these changes had been established at the most three months before the proposal for opening of a Bankruptcy Proceeding was lodged, such social plan can be revoked by the Bankruptcy Trustee, or by the representatives of the workers. Social plans established more than three months prior to the filing of a proposal for opening of a Bankruptcy Proceeding cannot be revoked.

(2) When the social plan is revoked in accordance with paragraph 1 of this Article, the workers who had claims under the terms of the revoked social plan can be taken into consideration in the course of the establishment of a new social plan within the frame of the Bankruptcy Proceeding.

(3) The benefits received by the workers in accordance with the revoked social plan before the opening of the Bankruptcy Proceeding are irretrievable. After the establishment of a new social plan, such benefits received by the (dismissed) laid off workers will be compensated with respect to the total amount of the claims under the new social plan according to Article 133, paragraph 1 of this Law, where a minimum compensation of two monthly salaries must be observed.

Balancing the Interests and Protection at Termination of Employment

Article 135

When in accordance with the bankruptcy plan, economic, technological, structural or similar changes directed towards maintenance of the debtor's business venture or of some portion of it are undertaken, during the creation of the social plan apart from the compliance with the respective provisions from the Law on Labour Relations and the provisions from some other legal regulations, the provisions from the collective agreement in relation to the criteria for identification of workers who will be terminated due to economic, technological, structural or similar changes shall also be respected. When the Bankruptcy Trustee and the representatives of the workers have reached an agreement for conciliating their interests, the Bankruptcy Trustee will announce the established social plan by stating the names and surnames of the dismissed workers and by stating the rights and claims that they have in accordance with the established social plan, and to which the provisions from the Law on Labour Relations, i.e. Article 126 of that Law will apply as appropriate.

Court Decisions regarding Protection on Termination of Employment

Article 136

(1) When the employees of an enterprise, or in the part of the enterprise for which an established bankruptcy plan requires economic, technological, structural or similar changes, have not selected their representatives, or when no conciliation of interests has been reached in accordance with Article 135 of this Law within three weeks of the beginning of the negotiations or of the receipt of the written request for the beginning of the negotiations, despite the fact that the Bankruptcy Trustee had provided timely and comprehensive information to the representatives of the employees, the Bankruptcy Trustee can request the competent Court to approve the proposed social plan and to bring a decision for cancellation of employment contracts. In his request the Bankruptcy Trustee shall state the

names and surnames of the workers proposed for termination of employment contracts and he shall explain his reasons to convince the Court that the request is prompted by the urgent operational needs of the proposed changes and that the determination of the workers to be dismissed is in accordance with the criteria established in the social plan, and that priority is given to workers only on the basis of their years of service, age or duty to support other family members.

(2) An appeal can be filed within fifteen days against the Court decision from paragraph 1 of this Article. The Bankruptcy Trustee, the representatives of the workers and those workers who claim that the cancellation of their contracts is unjustified are parties in the proceeding. In this case Article 132, paragraph 2 and 3 of this Law applies.

(3) The provisions of the Law on Civil Proceedings apply to the settlement of the expenses of the proceeding.

Lawsuits Filed by Employees

Article 137

(1) If the Bankruptcy Trustee informs the worker about a termination of his employment contract before the decision brought in the proceeding mentioned in Article 136 of this Law goes into effect, that worker has a right to file an individual lawsuit in order to prove that his employment has not been terminated due to the proposed economic, technological, structural or similar changes or that the change of the working conditions is socially unjustified. Individual lawsuits filed in accordance with this Article can also be considered in the proceeding given in Article 136 of this Law, but the court decision brought in that proceeding will be obligatory for all parties in the proceeding. The provision of this paragraph will not be applied if the circumstances had significantly changed after the last verbal hearing.

(2) When a worker has already filed an individual lawsuit before the decision brought in the court proceeding stated in Article 136 of this Law goes into force, upon the request of the Bankruptcy Trustee, the Court competent for the conduct of a proceeding upon the lawsuit shall suspend such a proceeding until the above mentioned decision goes into effect.

Sale of the Debtor's Enterprise

Article 138

Articles 135 through 137 of this Law also apply if the economic, technological, structural or similar changes, the conciliation of interests or the request for creation of a social plan without conducting the prior Proceedings are undertaken even after the sale of the debtor's enterprise, or

even after the sale of a portion of it. In this case, the buyer of the debtor's enterprise or the buyer of the portion of the enterprise will appear as a party in the proceeding, in accordance with Article 136 of this Law.

Chapter Three

DEFEATING of the legal ACTIONS of the bankruptcy debtor

General Provision

Article 139

(1) The Bankruptcy Trustee, on behalf of the bankruptcy debtor and the bankruptcy creditors, can defeat, in accordance with the provisions of this Law, legal actions undertaken before the opening of the Bankruptcy Proceeding, which hinder the equitable settlement of the creditors' claims (damaging of the creditors), or which put certain creditors in a more favourable position.

(2) Failure to take a legal action will be treated the same as the undertaking of a legal action, i.e. failure to perform an action will be considered as a legal action in the sense of paragraph 1 of this Article.

Congruent Settlement

Article 140

(1) A legal action, undertaken within the last three months before the proposal for the opening of a Bankruptcy Proceeding has been filed, by which one bankruptcy creditor is given a security interest or settlement in concordance with the contents of his rights (congruent settlements), can be defeated if at the time when the legal action was performed the debtor was insolvent and if at that time the creditor knew or must have known about the insolvency.

(2) A legal action which gives or enables a bankruptcy creditor to receive a security interest or settlement in accordance with the contents of his rights can also be defeated, if the legal action has been undertaken after the filing of the proposal for opening of a Bankruptcy Proceeding, and if at that time the creditor knew or must have known about the debtors' insolvency, or knew or must have known that a proposal for opening of a Bankruptcy Proceeding had been filed.

(3) It will be considered that the creditor knew about the insolvency or of the proposal for opening of a Bankruptcy Proceeding, if he was familiar with the circumstances on the basis of which he must have concluded that the debtor was insolvent, or that a proposal for opening of a Bankruptcy Proceeding had been filed.

(4) A person who was close to the debtor at the time of undertaking of the legal action (Article 148) is presumed to have known about the debtor's insolvency, or about the filing of a proposal for the opening of the Bankruptcy Proceeding.

Incongruent Settlement

Article 141

(1) A legal action by which one bankruptcy creditor is given or is enabled security interest or settlement that he did not have a right to ask for or did not have a right to ask for it in that manner and at that time, can be defeated :

1. if it was undertaken in the last thirty days prior to the filing of the proposal for opening of the Bankruptcy Proceeding or after that; or
2. if it was undertaken within ninety days prior to the filing of the proposal for the opening of the Bankruptcy Proceeding, and the debtor was insolvent at that time; or
3. if it was undertaken within ninety days prior to the filing of the proposal for opening of a Bankruptcy Proceeding, and the creditor knew that the bankruptcy creditors would be damaged as a result of the action.

(2) It will be considered that the creditor knew that the legal action would damage the other creditors (paragraph 1, item 3) if he was familiar with the circumstances on the basis of which he must have concluded that the legal action would damage the creditors. A person who was close to the debtor at the time when the legal action was undertaken (Article 148) is presumed to have known about the damaging of the bankruptcy creditors.

Legal Actions by which Creditors are Directly Damaged

Article 142

(1) A legal action by the debtor which directly damages the bankruptcy creditors can be defeated :

1. if it was undertaken within ninety days prior to the filing of the proposal for the opening of the Bankruptcy Proceeding, if at that time the debtor was insolvent, and if the other party knew of the insolvency, or
2. if it was undertaken after the filing of the proposal for opening of a Bankruptcy Proceeding, and if at the time the legal action was undertaken the other party knew or must have known about the insolvency, or about the proposal for opening of the Bankruptcy Proceeding.

(2) The legal action which directly damages bankruptcy creditors is equivalent to the legal action undertaken by the debtor by which the debtor loses some of his rights or because he can not realise his right, or an action on the basis of which a property claim against the debtor may stay into force or may be realised.

(3) In the cases of paragraphs 1 and 2 of this Article, the provisions of paragraphs 3 and 4 of Article 140 of this Law apply accordingly.

Deliberate Damaging

Article 143

(1) A legal action that the debtor has undertaken during the ten years prior to the filing of the proposal for opening of a Bankruptcy Proceeding or afterwards, with the intention of damaging his creditors, can be defeated if the other party knew of the debtor's intentions at the time when the action was undertaken. The knowledge of the intention is presumed if the other side knew that the debtor was threatened by insolvency, and that the action would damage the creditors.

(2) A bilateral onerous contract concluded between the debtor and a person close to him in accordance with Article 148 of this Law can be defeated if it damages the bankruptcy creditors directly. That contract can not be defeated if it was concluded two years before the filing of the proposal for opening of a Bankruptcy Proceeding, or if the other party proves that at the time of the conclusion of the contract it had no knowledge of the debtor's intention to damage the creditors.

Legal Actions without Compensation or with Insignificant Compensation

Article 144

(1) A legal action without compensation or with insignificant compensation undertaken by the debtor can be defeated, unless it was undertaken more than four years before the filing of the proposal for opening of the Bankruptcy Proceeding.

(2) If the action in question is an ordinary gift with an insignificant value, the action can not be defeated.

Loan which indemnifies the Capital

Article 145

A legal action for a return of loan for indemnification of capital undertaken by the co-associate of a company or a similar claim can be defeated if :

1. a security interest is issued, provided that the action was undertaken in the last ten years before the filing of the proposal for opening of a Bankruptcy Proceeding or afterwards; and
2. a settlement is guaranteed, provided that the action was undertaken in the last year before the filing of the proposal for opening of the Bankruptcy Proceeding or afterwards.

Secret Company

Article 146

(1) It is possible to defeat a legal action by which the secret partner of the company recovers a portion or the whole of his deposition, or by which his deposition in the occurred loss is acquitted partially or completely, provided that the agreement which is the basis of the action had been concluded the last year before the filing of a proposal for the opening of a Bankruptcy Proceeding over the property of the public partner or afterwards. This provision will also apply to the case when this agreement has caused, or led to, the liquidation of the secret company.

(2) The legal action of paragraph 1 of this Article can not be defeated if the reason for the opening of a Bankruptcy Proceeding occurred after the agreement has been concluded.

Payment of the Bill of Exchange and Check Obligations

Article 147

(1) In the case of a congruent settlement in accordance with Article 140 of this Law, the recipient can not be asked to return what the debtor has paid him on the basis of a bill of exchange; if the recipient refuses to receive the payment he would lose the bill-of-exchange claim towards the other bill-of-exchange debtors.

(2) The paid amount on the bill of exchange, must be settled by the last recourse debtor or, if he has sold the bill of exchange for the benefit of a third person, by the third person, provided that at the time when the last recourse debtor or the third person sold the bill of exchange or when they gave the bill of exchange to be sold, they knew about the debtor's

insolvency, or about the proposal for opening of a Bankruptcy Proceeding. The provision from paragraphs 3 and 4 of Article 140 are applied accordingly.

(3) Paragraphs 1 and 2 of this Article apply to the debtor's payments in checks accordingly.

Close Persons

Article 148

(1) For the purposes of this Law, persons considered to be close to a debtor-individual are:

1. the spouse of the debtor, even if the marriage was concluded after the legal action or if it was terminated in the year before the deed was undertaken;
2. relatives of the debtor or of the spouse from the immediate family, brothers and sisters; half-brothers and half-sisters of the debtor or the spouse from item 1 of this paragraph, as well as the spouses of these persons.
3. persons living in a common household or in a permanent life community with the debtor or lived with the debtor during the last year which preceded the action.

(2) For the purposes of this Law, persons considered to be close to a debtor - legal entity are:

1. the manager, or managers, members of the bodies of management, members of the supervision bodies, and the debtor's partners with personal liability, as well as persons who hold more than one fourth of the debtor's capital;
2. a person or a company who due to their legal status or labour-contractual relation with the debtor have the opportunity to be acquainted with the economic situation of the debtor;
3. persons who have personal relations mentioned in paragraph 1 of this Article with one of the persons mentioned in item 1 or 2 of this paragraph, unless the persons mentioned under item 1 and 2 are by Law obliged to confidentiality concerning the facts in relation to the work of the debtor.

Calculation of the Time Periods before the Filing of the Proposal for Opening of a Bankruptcy Proceeding

Article 149

(1) The time periods from the provisions of Articles 140 through 148 of this Law are calculated from the beginning of the day in the month which by number corresponds to the day on which the proposal for opening of the Bankruptcy Proceeding was received in the Court. If such day with such number does not exist, the time-period is calculated from the beginning of the next day.

(2) If several proposals for opening of a Bankruptcy Proceeding have been filed, the first allowed and elaborated proposal will be adopted as valid, even if the Proceeding was opened on the basis of some later proposal. A rejected proposal that comes into effect will be taken into consideration only if it was rejected due to a deficiency of the Bankruptcy Estate.

Time of Undertaking of Legal Action

Article 150

(1) A legal action is considered to be undertaken when its legal effects come into effect.

(2) When for the purpose of the validity of some legal action a registration in some public register, register of ships, register of ships under construction or of aircraft, is required, it will be considered that the legal action is undertaken as soon as the assumptions for its validity are fulfilled, the expression of will for registering becomes obligatory for the debtor and the other side files a request to register the legal change.

(3) If a request for registration of a note for securing the right to legal change is lodged, the provision from paragraph 2 of this Article will be applied accordingly.

(4) If the legal action has a term or a deadline, the time of its undertaking will be considered valid, not the time of the maturation of the term or of the expiry of the deadline.

Execution Documents

Article 151

A legal action for which execution documents are received and the activity that was undertaken in the Proceeding for forced execution can be defeated as well.

Payment in Cash

Article 152

If the debtor received a consideration with equal value as his activity (service) that directly (immediately) entered his property, the legal action because of which the activity (service) was performed can be defeated only under the conditions proscribed in Article 143 of this Law.

Legal Means and Legal Consequences from the Defeating

Article 153

- (1) The bankruptcy creditors and the Bankruptcy Trustee, on behalf of the bankruptcy debtor, can defeat the legal actions by the bankruptcy debtor.
- (2) A lawsuit to defeat a legal action can be filed in a time period of two years after the opening of the Bankruptcy Proceeding until its conclusion.
- (3) A lawsuit from paragraph 2 of this Article is filed against the person whose action is being defeated, and against the debtor if he is not the plaintiff.
- (4) If the request for the defeating of a legal action is accepted, the defeated legal action is without effect with regard to the Bankruptcy Estate, and the opposite party is obliged to return to the Bankruptcy Estate all property benefits gained on the basis of the defeated action.
- (5) The recipient of the activity (service) without compensation or with insignificant compensation must return what he has received, only if he became enriched with that, and (only if) he (did not) know or he must have known that with such activity (service) he is damaging the creditors.
- (6) The legal actions of the debtor can also be defeated by making a plea in the lawsuit, disregarding the time limitations in paragraph 2 of this Article.

Rights of the Opponent to Defeating

Article 154

- (1) If the opponent of the defeating returns what he has received, his claim can again be settled (it is revived).
- (2) The opponent of the defeating has a right to ask for the consideration to be returned from the Bankruptcy Estate if it can still be separated from that estate, or if the estate became enriched by the value of the his activity (service). Nonetheless, the opponent of the defeating can realise his right of returning of the consideration as a bankruptcy creditor.

Defeating against the Legal Successors

Article 155

- (1) A legal action of the debtor can also be defeated against a successor or other universal legal successor of the opponent of defeating.

(2) A legal action can be defeated against the rest of the legal successors of the opponent of the defeating:

1. if the legal successor at the time of acquisition was familiar with the circumstances which form the basis of the possibility for defeating of the acquisition of his legal predecessor;
2. if the legal successor at the time of acquisition belonged to the group of persons close to the debtor as defined in Article 148 of this Law, unless he proves that at that time he was not familiar with the circumstances which form the basis of the possibility for defeating of the acquisition of his legal predecessor;
3. if what was acquired was then ceded to the legal successor without compensation or with insignificant compensation.

Legal Actions after the Opening of the Bankruptcy Proceeding

Article 156

(1) Legal actions undertaken after the opening of the Bankruptcy Proceeding which stay in force according to the rules of veracity of what is written in the public books, can be defeated according to the rules for defeating legal actions undertaken before the opening of the bankruptcy.

(2) The time period for the lawsuit of Article 153 of this Law starts from the moment when the legal effects of the action come into effect.

Part Four

MANAGEMENT AND DISPOSITION OF THE PROPERTY THAT COMPRISES THE BANKRUPTCY ESTATE

Chapter One

SECURING THE PROPERTY THAT COMPRISES THE BANKRUPTCY ESTATE

Taking Possession of the Property that comprises the Bankruptcy Estate

Article 157

(1) After the opening of the Bankruptcy Proceeding, the Bankruptcy Trustee will instantly take over the possession and management of the whole property that comprises the Bankruptcy Estate.

(2) On the basis of the decision for opening of a Bankruptcy Proceeding the Bankruptcy Trustee can request the Court to order the debtor to hand over

the moveable objects that the debtor was entrusted to keep and to determine executive actions by which this order will be forcibly accomplished. With an order for handing over, the Court, in its official capacity, may determine forcible measures against the representative of the debtor-legal person or the debtor – individual.

Bank Accounts of the Debtor

Article 158

(1) On the day of the opening of the Bankruptcy Proceeding, the rights of the persons who were authorised to dispose of the cash in the debtor's account cease, and these accounts are closed.

(2) At the same time, the Bankruptcy Trustee will open new denar and new foreign currency accounts, if the debtor has some cash in foreign currency, and will determine the persons who will be authorised to handle the cash in these accounts.

(3) The cash from the accounts that were closed will be transferred to new accounts.

Company Name of the Debtor

Article 159

After the opening of the Bankruptcy Proceeding, the word "bankruptcy" is added next to the company name or the debtor's name and the new account numbers through which the debtor's work continues are designated.

Money, Securities and Objects of Value

Article 160

(1) The Board of Creditors can appoint a legal entity (agency, bank or alike) and conditions under which money, securities and objects of value (valuables) will be deposited or invested. If the Board of Creditors has not been established or if the Board of Creditors has not yet made a decision about it, the Bankruptcy Judge can issue orders for the legal entities where or through which the money and the above mentioned securities and object of value (valuables) will be deposited or invested, as well as the conditions under which this will be done.

(2) If a Board of Creditors has been established, the Bankruptcy Trustee will be authorised to receive money, securities or objects of value from the legal entity (agency, bank and alike) at which or through which the depositing or the investment was done, but only if an authorised member

of the Board of Creditors has signed the receipt for the receiving of these payments, securities or objects as well. An order issued by the Bankruptcy Trustee to the mentioned legal entity (agency, bank and alike) must also be signed by a member of the Board of Creditors in order to be able to have legal effect and to be legally binding.

(3) The Assembly of Creditors can make different arrangements and bring different decisions regarding the manner and the conditions under which the money, securities and other object of value (valuables) will be deposited or invested.

Sealing

Article 161

In order to secure the objects that are part of the property that comprise the Bankruptcy Estate, the Bankruptcy Trustee may ask from the official person from the Court or from other authorised person to seal these objects. The Bankruptcy Trustee deposits the minutes that confirm and prove the sealing or the breaking of seals in the bankruptcy register. The Court makes the minutes available for inspection to every participant in the proceeding.

Inventory of the Property that comprises the Bankruptcy Estate

Article 162

(1) The Bankruptcy Trustee will make an inventory of all objects and rights that represent a portion of the property that comprises the Bankruptcy Estate. In the course of the compilation of this inventory, the debtor will also be present, except in cases when his presence will prolong the Proceeding and adversely affect it.

(2) The value of each object or right will be stated individually in the inventory. When the value depends on whether the debtor's enterprise (business venture) will continue to operate in the foreseeable future, or will be liquidated, the inventory will state both values.

(3) The evaluation of the value the objects can be performed by an expert.

(4) Upon the request of the Bankruptcy Trustee, the Bankruptcy Judge can order that an inventory is not compiled, but in that case the Bankruptcy Trustee must state the ground and the reasons for his request. If a Board of Creditors has been established, the Bankruptcy Trustee can file such request only with prior consent of the Board of Creditors.

List of Creditors

Article 163

(1) The Bankruptcy Trustee will make a list of all creditors of the debtor which he can identify by investigating the debtor's commercial books and other business documents, through any other information provided by the debtor, through the fact that they have reported their claims, or in any other way.

(2) In the list mentioned in paragraph 1 of this Article, the Bankruptcy Trustee will categorise separately creditors with a right to a separate settlement, and each category of lower ranking creditors in the Bankruptcy Proceeding by payment orders. The list will include the address of each creditor, as well as the grounds, the reasons and the amount of his claim. For creditors with rights to separate settlement, the item from which each creditor with a right to separate settlement should be settled will be stated separately, as well as the probable amount of the part of their claims that might not be settled. In this case Article 162 paragraph 2 of this Law will apply accordingly.

(3) In addition, the list of creditors will state every situation that enables mutual offsetting of the claims. If due to the circumstances of the case or due to its nature, the title of the debtor should be alienated in an expeditious way, the Bankruptcy Trustee will immediately make an evaluation of the amount of the liabilities related to the property that comprises the Bankruptcy Estate.

Initial Balance of the Bankruptcy

Article 164

(1) On the day when the Bankruptcy Proceeding is opened, the Bankruptcy Trustee will compile an inventory of rights and objects that represent a portion of the property that comprises the Bankruptcy Estate (assets) and of obligations of the debtor (liabilities) in sequence, and on the basis of that survey he will create an initial balance of the bankruptcy. In respect to the evaluation of the value of the objects will be applied Article 162 paragraph 2 of this Law accordingly. In respect to the categorisation of the debtor's obligations, Article 163 paragraph 2 of this Law will be applied accordingly.

(2) Following the compilation of the inventory of assets and liabilities, upon the request of the Bankruptcy Trustee, or upon a request made by a creditor, the Bankruptcy Council can order the debtor to provide a separate written statement in respect to the comprehensiveness, completeness and authenticity of such compiled survey. In this case the provisions from Articles 108 and 111 of this Law are applied accordingly.

Depositing at the Register of the Bankruptcy Court

Article 165

The inventory of the property that comprises the Bankruptcy Estate, the list of creditors and the initial balance of the bankruptcy will be deposited in the register of the bankruptcy Court and placed for inspection by the creditors at least eight days prior to the hearing for submitting a report.

Accounting in Accordance with Statutory Prescriptions

Article 166

(1) With the opening of the Bankruptcy Proceeding the debtor, according to the statutory prescription, keeps and handles the commercial records/books, the accounts and other business documents and reports in accordance with the Law. In respect to the property that comprises the Bankruptcy Estate, such obligations represent a duty of the Bankruptcy Trustee.

(2) A new business and accounting year will begin on the day when the Bankruptcy Proceeding is opened. However, the period that has elapsed before the hearing for submitting of the report was held will not be taken into consideration when the legal time periods proscribed for compilation and publishing of the annual accounts and other financial reports are calculated.

(3) Respective statutory prescriptions are applied to the appointment of an auditor of the balance of the situation in the Bankruptcy Proceeding, with the fact that such auditor will be appointed by the register Court upon a request made by the Bankruptcy Trustee. If a auditor has been appointed for the business year before the opening of the Bankruptcy Proceeding, such appointment stays into effect after the opening of the Bankruptcy Proceeding as well.

Chapter Two

DECISION FOR THE MANNER OF DISPOSITION

Hearing for Submission of a Report

Article 167

(1) At the hearing for submitting of a report, the Bankruptcy Trustee will submit a report on the debtor's economic and financial situation and the reasons for such situation. He will give his evaluation of the possible prospects for further maintenance of the debtor's business venture (enterprise), as a whole or a portion of it; he will present and explain all possible variations for the preparation of a bankruptcy plan, and will describe the effects of each possible decision on the possibility to settle the creditors.

(2) The debtor, the Board of Creditors, the representatives of the workers, and representatives of the Ministry of Economy and the Ministry of Finance will be given the opportunity to present their opinions on the report of the Bankruptcy Trustee at the hearing for submitting the report. If the debtor is a merchant, at the hearing for submitting the report competent representatives of a professional body of an industry, trade, craft, agriculture or other relevant professional association, or the competent representatives of the respective chambers in which the debtor is a member, can also be given an opportunity to express their opinion upon the report of the Bankruptcy Trustee.

Decision for Further Action

Article 168

(1) At the hearing for submission of the report, the Assembly of Creditors will decide whether the business venture (enterprise) of the debtor will be closed and liquidated or temporarily continued. The Assembly of Creditors can authorise the Bankruptcy Trustee to prepare a bankruptcy plan and to establish the goals and the tasks of the plan on his behalf. In its later sessions, the Assembly of Creditors can change its decisions.

(2) The Assembly can determine the manner and the conditions for conversion of the debtor's property into cash (realisation)

Measures before the Decision is brought

Article 169

(1) If the Bankruptcy Trustee intends to close and liquidate the business venture (enterprise) of the debtor before the hearing for submission of report takes place, he must obtain permission from the Board of Creditors, if such Board has been established.

(2) The Board of Creditors, before it brings its decision or, if such a Board has not been established, the Bankruptcy Trustee, will inform the debtor about the decision before the closing of the enterprise. Upon a request made by the debtor, and after the hearing of the Bankruptcy Trustee, the Bankruptcy Council may refuse to close the debtors business venture (enterprise), if such closure can be postponed until the hearing for submission of the report without substantial reduction of the property that comprises the Bankruptcy Estate.

Disposition of the property that comprises the Bankruptcy Estate or Conversion of the Bankruptcy Estate into cash (realisation)

Article 170

After the hearing for submission of the report takes place, the Bankruptcy Trustee will immediately liquidate, that is, will convert into cash the objects and other property rights that represent portion of the property that comprises the Bankruptcy Estate, unless such disposition is contrary to any decision brought by the Assembly of Creditors.

Legal Actions of Special Importance

Article 171

(1) The Bankruptcy Trustee is required to obtain prior permission of the Board of Creditors for legal actions of special importance to the Bankruptcy Proceeding. If a Board of Creditors has not been established, the Bankruptcy Trustee must obtain prior consent for undertaking legal actions of special importance from the Assembly of Creditors.

(2) The prior consent referred to in paragraph 1 of this Article will be needed especially:

1. if such legal action is in fact a proposal for the sale of the enterprise, part of the enterprise, of all existing reserves; of part of the non-moveables that should be sold, of the debtor's shares and stocks in other enterprises if such stocks and shares are directed towards a more permanent linking to the other enterprise; or authorisation to receive periodical incomes;
2. if such legal action is in fact a proposal to enter a contract for a loan that would significantly encumber the property that comprises the Bankruptcy Estate;
3. if such legal action is in fact a proposal to initiate a lawsuit or to involve into a Court Proceeding, when the suit involves a significant amount; or proposal for non-initiation of such lawsuit; entering into negotiations for an out-of-Court resolution of the dispute, or settlement or proposal to reject such lawsuit.

Temporary Prohibition of Undertaking Legal Actions

Article 172

In all cases stated in Article 171 of this Law, if it is possible not to cause a delay of the Bankruptcy Proceeding and adversely affect it, the Bankruptcy Trustee will inform the debtor of his intention to undertake certain legal actions, before the Board of Creditors or the Assembly of Creditors makes its decision on it. If the Assembly of Creditors does not give its prior consent, upon the request of the debtor, or upon the request of the majority of the creditors specified in Article 41, paragraph 1 item 3 of this Law, and after hearing the Bankruptcy Trustee, the Bankruptcy Council can temporarily prohibit the undertaking of the proposed legal action, and call the Assembly of Creditors in order to bring a decision in respect to the undertaking of the proposed legal action.

Sale of the Whole or a Portion of the Enterprise to Persons with Special Interests

Article 173

(1) The debtor's enterprise, or a portion of it, can be sold only with prior permission from the Assembly of Creditors if the buyer or the person that possesses at least one fifth of the capital of the buyer:

1. is a persons close to the debtor as defined by Article 148 of this Law;
2. is a creditor with right to a separate settlement or a creditor in the Bankruptcy Proceeding with higher ranking claims, whose right to a separate settlement or claims were estimated by the Bankruptcy Council as a total of one fifth of the amount of all rights to separate settlement, or one fifth of the total amount of the claims of all creditors in the Bankruptcy Proceeding with higher ranking claims.

(2) In the sense of paragraph 1 of this Article it will also be considered that the person possesses shares or stocks of the buyer, if an enterprise controlled by that person or by a third person possesses stocks or shares of the buyer on behalf of the person or on the behalf of the enterprise controlled by that person.

Sale of the Whole or of Part of the Enterprise under its Value

Article 174

(1) Upon a request by the debtor or upon a request by the majority of creditors specified in Article 41, paragraph 1, item 3 of this Law, and after hearing the Bankruptcy Trustee, the Bankruptcy Council may decide that prior consent be obtained from the Assembly of Creditors for the proposed sale of the whole or a portion of the debtor's enterprise under its value, if the proposer that has submitted the request convinces the Council that the

sale to another buyer would be much more beneficial for the property that comprises the Bankruptcy Estate.

(2) If the proposer that had submitted the request incurred expenses in relation to that request, he has a right to reimbursement from the Bankruptcy Estate, immediately after the Court brings a decision in accordance with paragraph 1 of this Article.

Validity of the Undertaken Legal Actions

Article 175

(1) Violation of the provisions contained in Articles 171 through 174 of this Law does not affect the validity of the legal actions undertaken by the Bankruptcy Trustee.

(2) The legal actions that were undertaken by the Bankruptcy Trustee on behalf of the bankruptcy debtor can be defeated in accordance with the general rules for defeating of legal actions, that is legal matters outside of bankruptcy.

Chapter Three

SALE OF OBJECTS OVER WHICH THE RIGHT TO A SEPARATE SETTLEMENT WAS ACQUIRED

Disposition of non-moveables

Article 176

(1) The Bankruptcy Trustee can propose to the Bankruptcy Court a public sale of a non-moveable that represents a part of the property that comprises the Bankruptcy Estate, even in the case when a right to separate settlement has been acquired over that non-moveable. The provisions from the Law on Executive Proceedings which regulate the execution of non-moveables, except for the provisions which regulate the debtor's proposal to determine the execution by other means or over another property, note for execution, accession, personal easements and burdens registered in a public record which do not cease to exist with the sale of the non-moveable, exemption from execution, stopping of the execution upon a proposal and the right of the debtor over a sold apartment, are applied to the sale accordingly.

(2) In its decision authorising the sale of the non-moveable, the Court will specify that the non-moveable is sold in a Bankruptcy Proceeding. A note of the decision for the sale of the non-moveable will be made in the public records.

(3) If the creditor with a right to separate settlement has initiated a Proceeding for execution of the non-moveable for forced settlement of his claim before the Bankruptcy Trustee proposes its sale in accordance with provision from paragraph 1 of this Article, the non-moveable will be sold in the executive Proceeding initiated by the creditor with a right to separate settlement.

(4) The provisions of paragraphs 1, 2 and 3 of this Article apply to the sale of ships, ships under construction and aircraft accordingly.

Disposition of Moveables

Article 177

(1) The Bankruptcy Trustee can dispose of moveable objects over which a right to separate settlement was acquired if the respective moveable object is in his possession without limitations,.

(2) The Bankruptcy Trustee can collect payments or in another way dispose of the claims that the debtor had ceded in order to provide security interest.

Informing the Creditor

Article 178

(1) When in accordance with Article 177 paragraph 1 of this Law the Bankruptcy Trustee is authorised to dispose of the moveable objects, upon a request made by the creditor with a right to separate settlement, the Trustee will inform that creditor of the condition of the moveable object over which there is a right to a separate settlement. Instead of providing the information, the Bankruptcy Trustee can allow the creditor with a right to separate settlement to inspect the object himself.

(2) When in accordance with Article 177 paragraph 2 of this Law, the Bankruptcy Trustee is authorised to collect payments and in another way to dispose of the debtor's claims, upon a request made by the creditor with a right to separate settlement, he will inform him of the respective claim. Instead of informing, the Bankruptcy Trustee can allow the creditor to inspect the commercial books and other business documents of the debtor himself.

Information on the Proposed Sale

Article 179

(1) Before the Bankruptcy Trustee sells the object mentioned in Article 177 of this Law to a third person, he will inform the creditor with a right of separate settlement of the manner in which he plans to carry out the sale. The Bankruptcy Trustee will give the creditor with right to separate settlement, the opportunity to propose another, more favourable manner of sale of the object within a period of eight days.

(2) If the creditor delivers the requested information by which he proposes some other more favourable manner of sale (for him) eight days before the sale, the Bankruptcy Trustee will use that favourable opportunity, or will settle the creditor as if he had used that favourable opportunity for sale of the object.

(3) That other, favourable opportunity for disposition, can also be to hand over the object to the creditor. A proposal that reduces the expenses in respect to the sale can also be treated as a more favourable manner of sale.

Protection of the Creditor from Prolongation of the Sale

Article 180

If the Bankruptcy Trustee has not disposed of the object mentioned in Article 177 of this Law, interest calculated from the day on which the hearing for submission of the report was held will be paid to the creditor from the Bankruptcy Estate. When on the basis of Article 51 of this Law, the Bankruptcy Court has brought a decision prohibiting a creditor from disposing of the object until the opening of the Bankruptcy Proceeding, interest will be paid to such creditor not later than ninety days after the bringing of the decision for opening of a Bankruptcy Proceeding. The provisions of this Article will not apply when the proceeds which will be realised from the sale of the object, bearing in mind the amount of the claim of the creditor with a right to separate settlement and the value of the object over which there is a right to separate settlement along with other rights that encumber that object, will in all likelihood be insufficient to fully settle the claims of the creditor with a right to separate settlement.

Distribution of the Proceeds

Article 181

(1) After the disposition by the Bankruptcy Trustee of the moveable object or of the claim mentioned in Article 177, paragraphs 1 and 2 of this Law, the proceeds of the disposition will be used first to settle the expenses for

the designation and for the disposition of the object from the Bankruptcy Estate, in advance and by using the proceeds realised through the disposition. After these expenses have been settled, the rest of the proceeds will be used to settle the creditor with right to separate settlement without delay.

(2) If the object mentioned in Article 179 paragraph 3 of this Law was transferred by the Bankruptcy Trustee to the creditor in order for him to dispose of it, the creditor will be obliged to make a payment of the amounts sufficient to settle the expenses of establishing the claim and for payment of turnover taxes from Article 182 paragraph 3 of this Law to the Bankruptcy Estate in advance, by using the proceeds realised through the disposition.

Calculation of the Expenses

Article 182

(1) “Expenses for designation of the object” include expenses for real identification of the object and expenses for establishing the rights that encumber that object. These expenses will be established as an agreed lumpsum amount, which is five percent of the proceeds received from the sale, or from the other manner of disposition of the object.

(2) The expenses for disposition of the object will be established as an agreed lumpsum amount, which is five percent of the proceeds. When the real necessary expenses for disposition of the object are much smaller or much larger than the agreed lumpsum amount, then these necessary expenses will be taken as a basis.

(3) When the disposition of the object is subject to turnover taxes and when that tax is charged to the Bankruptcy Estate, the amount needed for the collection of the turnover tax will be added to the agreed lumpsum amount or to the amount of the real necessary expenses.

Other Use of the Moveables

Article 183

(1) The Bankruptcy Trustee can use the moveable object that he is authorised to dispose of, for the purpose and in relation to the property that comprises the Bankruptcy Estate, if the creditor is adequately indemnified for any loss of the value of the object caused by such use. The indemnifying is done in current payments to the creditor, starting from the opening of Bankruptcy Proceeding. This obligation for indemnification will exist only to the degree to which the loss of value caused by such use of the object threatens the security interest of the creditor with a right to separate settlement.

(2) The Bankruptcy Trustee is authorised to process, transform and merge the object from paragraph 1 of this Article with other objects as long as that change of circumstances and the condition of the object does not threaten the security of the creditor with a right to separate settlement. If the right of the creditor is transferred to some other object, the creditor will transfer the new security interest to the Bankruptcy Trustee to the degree to which the value of that new security exceeds the value of the previous security.

Disposition of the Creditor

Article 184

(1) If the Bankruptcy Trustee is not authorised to dispose of the moveable objects or the claims which are subject to the right of separate settlement, the right to dispose of such object or claim belongs to the creditor with the right to separate settlement.

(2) Upon a request made by the Bankruptcy Trustee, and after hearing the creditor, the Bankruptcy Council will determine a time period in which the creditor must dispose of the object. After that time period has passed, the Bankruptcy Trustee will be authorised to dispose of that object or claim.

Part Five

SETTLEMENT OF THE CREDITORS IN THE BANKRUPTCY PROCEEDING

Chapter One

ESTABLISHING THE CLAIMS

Reporting Claims

Article 185

(1) The creditors in the Bankruptcy Proceeding submit their claims in writing to the Bankruptcy Trustee. Copies of documents that prove the claim must be attached to the submitted application.

(2) The claim submitted must state the legal basis, the amount of the claim, the company name or name of the creditor, the seat, the giro-account number and other account if any.

(3) If a suit, or any other proceeding concerning the submitted claims is in progress, the claim should state the Court or the body where the suit is taking place, together with the case number.

(4) Claims submitted by the Creditors with a right to separate settlement state the part of the property of the debtor to which their right refers, as well as the amount up to which their claim will not be covered with the separate settlement.

(5) Creditors of a lower rank will submit their claims in writing only if the Bankruptcy Council specifically requests them to do so. After they have reported their claims, they will be informed of their lower ranking status and a lower rank of the creditors will be established precisely.

Table (Chart) of the Reported Claims

Article 186

The Bankruptcy Trustee will make an entry of all submitted claims in a special table (chart) which sets out the details contained in the applications submitted. This table (chart), together with the accompanying documentation and the documents and proofs submitted, will be deposited at the register in the Bankruptcy Court for inspection by interested parties in the first third of the period that begins after the deadline for submitting claims has expired, and ends on the day of the hearing for investigation (a hearing for investigation and verification of claims).

Procedure for the Investigation Hearing

Article 187

(1) At the hearing for investigation and verification of claims (investigation hearing), the amount and the rank of each of the claims submitted will be established (verified) separately.

(2) The Bankruptcy Trustee is obliged to state specifically whether he accepts or disputes each of the reported claims.

(3) The claims disputed by the Bankruptcy Trustee, the debtor or the bankruptcy creditor will be considered separately.

Subsequent Submission of Claims

Article 188

(1) Claims submitted after the expiry of the deadline for reporting claims will be examined and determined at the investigation (verification)

hearing. However, if the Bankruptcy Trustee, or a creditor in the Bankruptcy Proceeding objects to the investigation and the establishment of these claims, or if the claim has been submitted after the investigation (verification) hearing, the Bankruptcy Council will either call a special additional investigation (verification) hearing, or will order that the investigation and verification of the claims be done in a written form. In both cases the expenses will be borne by the creditor who submitted its claim late. The provisions of this paragraph also apply to any later changes to the claims submitted.

(2) If the Bankruptcy Council has requested the creditors of lower rank to submit any claims for which a suit or any other proceeding is in progress, and if the period between the deadline for the submission of these claims and the day designated for the investigation (verification) hearing is less than eight days, the Bankruptcy Council will either call a separate additional investigation (verification) hearing or will order verification in a written form. The expenses for these additional proceedings will be settled from the property that comprises the Bankruptcy Estate.

(3) The date designated for separate additional investigation (verification) hearing will be announced in accordance with Article 9 of this Law. The bankruptcy creditors that have submitted their claims, the Bankruptcy Trustee, and the debtor will be notified in person, with special summons, of that additional hearing.

Preconditions and Legal Effect of the Establishing of Claims

Article 189

(1) A claim will be considered established if it is not disputed by the Bankruptcy Trustee or by a bankruptcy creditor at the investigation (verification) hearing, or in a written form. Disputed claims will be considered established if the plea or the dispute made by the party has been rejected. When the debtor disputes the claim, such disputing does not prevent the establishing of that claim.

(2) In the table (chart) of reported claims, the Bankruptcy Judge will register the extent to which the amount and the rank of the claim have been established, the fact that the claim was disputed, and will enter information on the person that disputed the establishment of the claim, for each claim submitted. The fact that the debtor has disputed the respective claim will also be recorded in the register. The established claim will be noted (incorporated) in the bill of exchange or in any other instrument of debt that the Bankruptcy Judge provides to the creditor whose claims have been established.

(3) Based on the table (chart) referred to in paragraph 2 of this Article, the Bankruptcy Council brings a decision regarding the amount and payment orders of the claims that are established or disputed. This decision of the Bankruptcy Council may instruct the creditor to initiate a suit, civil or other proceeding to establish or dispute the claim.

(4) The decision from paragraph 3 of this Article is announced on the announcement board of the Court and is served, as a rule, in a form of an abstract, on each creditor whose claim is disputed, i.e. who is instructed to initiate a suit or other proceeding. Each creditor can defeat that decision with a separate appeal in the part that refers to its reported claim, that is the claim that he has disputed.

(5) The decision from paragraph 4 of this Article is also served on the Bankruptcy Trustee, who can defeat it with a separate appeal.

(6) At later investigation (verification) hearings, claims that have been established in previous investigation (verification) hearings can not be disputed.

Disputed Claims

Article 190

(1) If a claim has been disputed by the Bankruptcy Trustee, or by a bankruptcy creditor, the creditor whose claim has been disputed should initiate a Court Proceeding against the party that had disputed it to establish the disputed claim.

(2) If the disputed claim is based on an executive document or on a final decision, the Proceeding for establishing the disputed claim should be initiated by the party that has disputed the claim.

(3) The Bankruptcy Council will issue a certified extract from the table (chart) of submitted claims to the creditor whose claim is disputed. In the cases stated in paragraph 2 of this Article, the Bankruptcy Council will also issue a certified extract from the register to the party that has disputed the claim. Creditors whose claims have been established will not be informed about the above, and indication of this will be made before holding of the investigation (verification) hearing.

(4) If the person who was instructed to initiate a suit does not do so within the period designated by the Court decision for instructing him to initiate legal proceedings, it will be considered that he has renounced the right to initiate legal proceedings.

Competence to Establish Claims

Article 191

(1) The Court in whose district the Bankruptcy Proceeding is conducted or expected to be opened is exclusively competent for resolving lawsuits to establish disputed claims.

(2) If a civil proceeding regarding the claim is already underway on the day of the opening of the Bankruptcy Proceeding, the person involved in that proceeding will initiate the establishment of the claim.

Extent of the Establishment

Article 192

The establishment of the legal grounds, the amount, and the rank of the claim can be asked for only to the extent that was stated in the claim submitted, or only to the degree that was stated during the investigation (verification) hearing.

Value of the Object of Dispute

Article 193

When a lawsuit is filed to establish claims whose legal grounds are disputed by the Bankruptcy Trustee, or by a creditor in the Bankruptcy Proceeding, the value of the object of the dispute will not be established according to the amount of the claim, but it will depend on the probable amount that will be received for that claim as a result of the distribution of the Bankruptcy Estate.

Legal Effect of the Decision for Establishing

Article 194

(1) The final Court decision determining the claim or confirming the dispute is binding on the Bankruptcy Trustee and all bankruptcy creditors.

(2) The party for the benefit of which the decision was brought will ask for a change of the amounts in the table (chart) of submitted claims at the Bankruptcy Council.

(3) If only individual creditors filed the lawsuit, and not the Bankruptcy Trustee, these creditors can ask for reimbursement of the expenses from the Bankruptcy Estate, to the degree to which the Bankruptcy Estate benefited from the Court decision handed down.

Lawsuit for Establishing a Claim Disputed by the Debtor

Article 195

If at the investigation (verification) hearing or in the written proceeding (Article 188) the debtor disputes a certain claim, the creditor can file a lawsuit against the debtor to establish the disputed claim. If a civil proceeding has already been initiated in relation to that claim on the day of the opening of the Bankruptcy Proceeding, the creditor can continue that proceeding against the debtor.

Special Competence

Article 196

When a lawsuit to establish a claim can not be filed in accordance with the provisions that regulate the regular civil proceeding for establishing of the claim, an administrative or another proceeding will be initiated before a competent body. In this case, Articles 191 paragraph 2 and Articles 192, 194 and 195 of this Law are applied respectively.

Restitution/Return to the Previous State

Article 197

(1) If the debtor was not present at the investigation (verification) hearing, upon his request the Bankruptcy Court will allow him to return to the previous situation/restitution. The restitution of the previous situation is subject to the provisions from the Law on Civil Proceedings accordingly.

(2) The creditor, whose claim was additionally disputed, will receive a Court decision allowing restitution of the previous state. If the Court has permitted restitution of a previous state, such additionally expressed disputing will be considered as disputing of the claim expressed in the course of the investigation (verification) hearing.

Chapter Two

DISTRIBUTION

Settlement of the Bankruptcy Creditors

Article 198

- (1) The bankruptcy creditors can be settled after the main investigation (verification) hearing is held.
- (2) The funds can be distributed amongst the creditors in the Bankruptcy Proceeding immediately after sufficient funds have been collected into the Bankruptcy Estate. Lower ranked bankruptcy creditors will not be taken into consideration at this advance distribution.
- (3) The Bankruptcy Trustee conducts the distribution. The Trustee has to obtain prior permission of the Board of Creditors for each distribution, if such a Board has been established. If such Board has not been established the Assembly of Creditors provides the consent.

Distribution Plan

Article 199

Before the distribution, the Bankruptcy Trustee will prepare a distribution plan, which contains a list of claims that will be taken into consideration for the distribution. This plan will be deposited in the Court register for inspection for all parties. The Bankruptcy Trustee will announce the amount of claims and the amount of the funds available for distribution from the Bankruptcy Estate.

Consideration of the Disputed Claims

Article 200

- (1) The creditor whose claim has not been established, or is not based on executive documents or an enforceable decision, will submit proof that he has initiated a lawsuit to establish the claim and its amount, or that he is involved in a proceeding that has already been initiated in respect to that claim to the Bankruptcy Trustee within fifteen days from the announcement stated in Article 199 of this Law.

(2) If such proof has been submitted within the specified period, a proportionate part of the funds will be separated from the Bankruptcy Estate for settlement of the respective claim. The part so separated will be retained until a decision that is enforceable is brought in respect to the disputed claim.

(3) If the proof was not provided within the specified period, the claim will not be taken into consideration during the distribution.

Settlement of the Creditors with a Right to Separate Settlement

Article 201

(1) A creditor with the right to separate settlement will submit proof to the Bankruptcy Trustee no later than the deadline specified in Article 200, paragraph 1 of this Law that he has cancelled the right to separate settlement, and in what amount, or that his claim was not settled completely with such separate settlement. If the stated proof is not provided by the deadline, the claim of that creditor will not be taken into consideration during the distribution.

(2) It will be considered that the creditor has fulfilled his obligation in accordance with paragraph 1 of this Article, if, in order to participate in the advance distribution, at the latest within the designated time period, he submits proof to the Bankruptcy Trustee that he had undertaken certain actions in respect to the disposition of the object over which the right to separate settlement exists and informs him of the amount (share) of his claim which most probably will not be settled. In that case, in the course of the distribution, an amount necessary for settlement of his claim will be segregated and kept. If at the final distribution the conditions stated in paragraph 1 of this Article are still not fulfilled, the amount segregated can be transferred to the funds meant for the final distribution.

(3) Paragraphs 1 and 2 of this Article will not be applied only if the Bankruptcy Trustee is authorised to dispose of the object over which the right to separate settlement exists. In the case of an advance distribution, if the Bankruptcy Trustee has still not disposed of the object, he will estimate the part of the claim of the creditor that will not be settled with separate settlement and will separate and retain certain amount (share) which will settle the claim.

Settlement of Claims Subject to a Deferred Term

Article 202

(1) The whole amount of the claim bound to a deferred term will be taken into consideration in the course of the advance distribution. At that

distribution, the part necessary for settlement of that claim will be separated and retained from the funds intended for distribution.

(2) At the final distribution, claims linked to a deferred term will not be taken into consideration if the possibility for coming into effect of that term is so remote or improbable that on the day of distribution the claim is worthless. In that case, the portion of the funds that were segregated and retained for settlement of that claim according to paragraph 1 of this Article can be freely transferred to the funds intended for final distribution.

(3) The claims linked to a rescindable term are taken into consideration at the distribution if the creditor provides assets to secure that when this term becomes effective he will return what he has received from the Bankruptcy Estate.

Additional Settlement

Article 203

Creditors who were not taken into consideration at the advance distribution, and who fulfil the conditions stated in Articles 200 and 201 of this Law, at the next additional distribution are entitled to an advance from the Bankruptcy Estate which will have the effect of placing these creditors at the same level as those who have already received an advance distribution. After this, the settlement of other creditors may begin.

Changes of the Distribution Plan

Article 204

The Bankruptcy Trustee will make changes and additions in the established distribution plan in accordance with Articles 200 and 203 of this Law within three days after the time period stated in Article 200 paragraph 1 of this Law expires.

Pleas to the Distribution Plan

Article 205

(1) In the case of an advance distribution, a creditor may submit a plea to the distribution plan to the Bankruptcy Council eight days after the expiry of the time period stated in Article 200, paragraph 1 of this Law.

(2) A Court decision that rejects the plea will be served on the creditor and on the Bankruptcy Trustee. The creditor can file an appeal against the Court decision that rejects the plea within eight days.

(3) A Court decision, which orders a correction (change or addition), to the distribution plan will be served on the creditor and on the Bankruptcy Trustee, and deposited at the Court register for inspection of all parties. The Bankruptcy Trustee and the bankruptcy creditors may file an appeal within eight days against the Court decision accepting the plea and ordering a correction. The time period for filing of this appeal starts on the day the decision is deposited in the Court register.

(4) The advance distribution may begin after the decision of paragraph 3 of this Article has become effective.

Establishing the Part Intended for Payment

Article 206

(1) Upon a proposal by the Bankruptcy Trustee, the Board of Creditors will determine the share (quota and amount) of the claims which will be settled by an advance distribution. If a Board of Creditors has not been established the Bankruptcy Trustee will determine the share.

(2) The Bankruptcy Trustee will inform the creditors that have been taken into consideration about the share thus determined for payment of the claims.

Final Distribution of Funds

Article 207

(1) The final distribution of the funds will be carried out immediately after all the property that comprised the Bankruptcy Estate has been liquidated (converted into cash).

(2) The final distribution of the funds will be carried out only with a prior permission of the Bankruptcy Court.

Final Assembly of the Creditors

Article 208

(1) Before the Bankruptcy Council issues its approval for the final distribution of funds, it will convene a final Assembly of Creditors at which:

1. the final account and the final report of the Bankruptcy Trustee will be discussed;
2. pleas may be filed against the final account and final report; and

3. decisions are made about the objects and rights that are parts of the property that comprise the Bankruptcy Estate that have not been alienated, collected or converted into cash.

(2) The final Assembly of Creditors should not be held in less than fifteen or more than thirty days from the date of its announcement. In the notice for the final Assembly of Creditors, the creditors will be informed where they can inspect the final account and the final report, and under which conditions a transcript of the same can be obtained.

(3) Article 205, paragraphs 2 and 3 of this Law apply to the decisions brought by the Bankruptcy Council upon pleas made by the creditors in the final Assembly of Creditors.

Depositing of the Retained Funds

Article 209

The Bankruptcy Trustee in concord with the Bankruptcy Council will deposit funds that were segregated and retained from the final distribution at an adequate bank on behalf of the participants.

An Excess from the Final Distribution

Article 210

If the claims of all creditors in the Bankruptcy Proceeding can be settled in the final distribution, the Bankruptcy Trustee will transfer all of the excess funds remaining to the debtor. If the debtor is not a physical person, the Bankruptcy Trustee will transfer the part of the excess that would belong to all those persons who own shares and stocks in the capital of the debtor as if the debtor has been liquidated outside of the Bankruptcy Proceeding.

Chapter Three

CONCLUSION OF THE BANKRUPTCY PROCEEDING

Decision for Conclusion of the Bankruptcy Proceeding

Article 211

(1) Immediately after the final distribution of funds has been completed, the Bankruptcy Council will bring a decision for closing of the Bankruptcy Proceeding.

(2) The decision from paragraph 1 of this Article will be published and announced in accordance with Article 9 of this Law and the provisions of Article 61 paragraph 6 and Article 66 paragraph 2 of this Law.

Rights of the Bankruptcy Creditors after the Conclusion of the Proceeding

Article 212

(1) After the conclusion of the Bankruptcy Proceeding, the bankruptcy creditors can, without any limitations, ask for a forced execution for settlement of the unpaid part of their claims against the debtor.

(2) The creditors in Bankruptcy Proceeding whose claims were established and were not disputed by the debtor during the investigation (verification) hearing, can ask for a forced execution on the basis of their registration in the table (chart) of claims submitted referred to in Article 186 of this Law. The registration of claims in the stated table (chart) of claims submitted will be considered equivalent to an execution document. Claims whose disputed validity was rejected will be considered as claims that were never disputed.

(3) The provisions from paragraph 1 and 2 of this Article do not affect the possibility for relief from the rest of the unpaid debt.

Competence

Article 213

(1) For the cases mentioned in Article 212 of this Law, the District Court in the territory where the Bankruptcy Proceeding has been initiated will have the exclusive jurisdiction over all lawsuits:

1. filed for obtaining an executive document;
2. filed in order to dispute the fulfilment of the prior conditions necessary for acquiring the executive document, after it has been acquired;
3. filed in order to dispute the very claim.

(2) The Court that conducted the Bankruptcy Proceeding is exclusively competent for defining and conducting the enforcement.

Decision for Conducting an Additional Distribution

Article 214

(1) Upon a request made by the Bankruptcy Trustee, or by a bankruptcy creditor, or in its official capacity, the Bankruptcy Council will bring a decision for enforcement of additional and deferred distribution, provided that after the final hearing:

1. the segregated funds become available for distribution;
2. the paid funds from the Bankruptcy Estate were returned;
3. additional objects and rights that form a part of the property that comprises the Bankruptcy Estate (newly found property) have been identified.

(2) The conclusion of the Bankruptcy Proceeding does not prevent the Bankruptcy Council from bringing a decision for conducting the deferred distribution.

(3) The Court may refrain from bringing such decision and can transfer the available funds or the identified objects of the debtor, if it considers that handing over to the debtor would be more suitable, having in mind the small value of the amount or object, and the expenses of a possible additional distribution. The Bankruptcy Court may, as a condition for bringing a decision for deferred (additional) distribution, request advancing of funds for settlement of the expenses of such additional distribution.

Appeal

Article 215

(1) A decision that rejects an additional distribution will be served on the party which requested it by the Bankruptcy Council. That party can file an appeal against such a decision of the Bankruptcy Council within eight days.

(2) A decision that grants an additional distribution will be served on the Bankruptcy Trustee, on the debtor and on each creditor who requested such additional distribution by the Bankruptcy Council. The debtor may file an appeal against this decision within eight days.

Additional Distribution

Article 216

When the Bankruptcy Council brings a decision for conducting an additional distribution, the Bankruptcy Trustee will divide the available sum or the proceeds acquired from the disposition of the identified (designated) object, on the basis of the final report. For such distribution, the Bankruptcy Trustee will submit a separate report and a separate account to the Bankruptcy Council.

Exclusion of the Creditors of the Bankruptcy Estate

Article 217

Creditors of the Bankruptcy Estate whose claims became known to Bankruptcy Trustee:

1. after establishing the part intended for an advance distribution;
2. after the holding of the final hearing, and during the final distribution; or
3. when the decision for conducting of an additional (deferred) distribution was brought, after the announcement of the same, may ask for settlement of their claims only from the funds that remained in the Bankruptcy Estate.

Chapter Four

STOPPING OF THE BANKRUPTCY PROCEEDING

Stopping due to Non-existence of Property that comprises the Bankruptcy Estate

Article 218

(1) If, after the opening of the Bankruptcy Proceeding, it is established that the property that comprises the Bankruptcy Estate will not be sufficient to settle the expenses of the proceedings, the Court will stop that proceeding. The Bankruptcy Council will not stop the proceedings if sufficient funds have been advanced.

(2) Before the Bankruptcy Council stops the Bankruptcy Proceeding, it will hear the Assembly of Creditors, the Bankruptcy Trustee, and the creditors of the Bankruptcy Estate.

(3) Before the stopping of the proceeding, the Bankruptcy Trustee will use all funds available in the Bankruptcy Estate to settle the expenses incurred in the proceedings up to that point, proportionately to their amounts. The Bankruptcy Trustee will not be further obliged to dispose of the property that comprises the Bankruptcy Estate, i.e. he will not be obliged to convert that property into cash.

Notification of the Insufficiency of the Property that comprises the Bankruptcy Estate

Article 219

(1) If the expenses of the Bankruptcy Proceeding have been covered, but the property that comprises the Bankruptcy Estate is not sufficient to settle the other matured liabilities of the Bankruptcy Estate, the Bankruptcy Trustee will notify the Bankruptcy Court about this matter. This provision will also apply when there is a possibility that on the day of their maturity, the property will not be sufficient to settle the outstanding liabilities of the Bankruptcy Estate.

(2) The obligations of the Bankruptcy Trustee to dispose of and manage the property that comprises the Bankruptcy Estate continue to exist even after the notification about the insufficiency of the property is reported to the Court.

(3) The Court announces the notification about the insufficiency of the property that comprises the Bankruptcy Estate in accordance with Article 9 of this Law. This information will be delivered in person to the creditors of the Bankruptcy Estate.

Settling of the Creditors of the Bankruptcy Estate

Article 220

(1) The Bankruptcy Trustee will settle the equally ranked liabilities proportionately to their amount, and the liabilities of the Bankruptcy Estate in the following order:

1. the expenses of the Bankruptcy Proceeding;
2. liabilities of the Bankruptcy Estate, which are not classified as expenses of the Bankruptcy Proceeding, but have become legally binding after the notification about the insufficiency of the property that comprises the Bankruptcy Estate became known;
3. other obligations of the Bankruptcy Estate, the last one being the support provided in accordance with Articles 110 and 111 of this Law.

(2) Obligations of the Bankruptcy Estate in the sense of paragraph 1, item 2 of this Article, include:

1. the obligations of the bilateral onerous agreements, where the Bankruptcy Trustee has made a statement about their fulfilment after the delivery of the notification of the insufficiency of the property that comprises the Bankruptcy Estate.;
2. the obligations that arise from lease agreements, contracts for deed, employment contracts, or of other similar more permanent obligations, for the period following the first day on which the Bankruptcy Trustee had a right to cancel such agreement, after the information of the insufficiency of the property that comprises the Bankruptcy Estate;
3. the obligations arising from lease contracts, contracts for deed, employment contracts of work, or of other similar more permanent obligations, if and to the extent to which the Bankruptcy Trustee required their fulfilment on behalf of the Bankruptcy Estate, following the notification of the insufficiency of the property that comprises the Bankruptcy Estate.

Prohibition on Execution

Article 221

If the Bankruptcy Trustee has given a notification about the insufficiency of the property that comprises the Bankruptcy Estate, execution for settling of the claims from the property that enters the Bankruptcy Estate stated in Article 220 paragraph 1, item 3 of this Law will not be allowed.

Stopping of the Proceeding after the Notification about the Deficiency of the Bankruptcy Estate

Article 222

- (1) The Bankruptcy Council will immediately stop the Bankruptcy Proceeding after the Bankruptcy Trustee distributes the property that comprises the Bankruptcy Estate in accordance with Article 220 of this Law.
- (2) The Bankruptcy Trustee will submit a separate final account and separate final report of his work following the delivery of the notification about the insufficiency of the property that comprises the Bankruptcy Estate.
- (3) If, after the stopping of the Bankruptcy Proceeding, specific objects and rights that are integral parts of the property that comprises the Bankruptcy Estate are identified, the Bankruptcy Council, upon a request from the Bankruptcy Trustee, or from a creditor of the Bankruptcy Estate, or in its official capacity, can order a deferred i.e. additional distribution. Article 214 paragraph 3 of this Law and Articles 215 and 216 of this Law are applied to the deferred distribution accordingly.

**Stopping of the Proceeding Due to Additional Lack of Grounds
for Opening of a Bankruptcy Proceeding**

Article 223

Upon a request made by the debtor, the Court may stop the Bankruptcy Proceeding if the debtor claims that he will avoid situations of insolvency, immediate forthcoming insolvency, or overindebtedness (if the Bankruptcy Proceeding is a result of overindebtedness) after the stopping of that Proceeding. The Bankruptcy Council will accept the debtor's request for stopping of the Bankruptcy Proceeding if the debtor provides the Court with adequate proof showing that reasons for opening of a Bankruptcy Proceeding no longer exist.

Stopping of the Proceedings in Agreement with the Creditors

Article 224

(1) Upon the request of the debtor, the Bankruptcy Council will stop the Bankruptcy Proceeding if the debtor, after the deadline for the submission of claims, submits publicly registered written statements of consent for stopping of the proceeding from all bankruptcy creditors that have reported their claims. For the creditors whose claims were disputed by the debtor, or by the Bankruptcy Trustee, and for the creditors with rights to separate settlement, the Bankruptcy Court will decide in its own finding whether these creditors should give their own consent, and with what contents, and whether some special security interest should be given to them for their claims and of what kind.

(2) Upon the request of the debtor, the Bankruptcy Council may stop the Bankruptcy Proceeding even before the time period for reporting of the claims has passed, if apart from the creditors whose statements of consent were submitted by the debtor, no other creditor is known.

Procedure upon the Proposal for Stopping of the Bankruptcy Proceeding

Article 225

(1) The Bankruptcy Council will announce the debtor's request for stopping of the Bankruptcy Proceeding in accordance with Articles 223 and 224 of this Law. The request will be deposited in the Court register and placed for inspection for the parties. In the cases stated in Article 224 of this Law, the statements of consent made by the creditors will be attached to the request. Each bankruptcy creditor can file a plea against the request for stopping

the Bankruptcy Proceeding, within eight days of its announcement. The plea can be filed in a written form or with a special statement submitted in the Court register.

(2) Before the Bankruptcy Council brings its decision in respect to the request filed for stopping the Bankruptcy Proceeding, it will hear the party that filed the request, the Bankruptcy Trustee, and the Board of Creditors, if such a Board has been founded. If some of the bankruptcy creditors make a plea against the request, the Bankruptcy Council will hear these creditors before it brings its decision.

(3) Before the Bankruptcy Proceeding is stopped, the Bankruptcy Trustee will fulfil all obligations and will settle all undisputed claims that represent liabilities of the Bankruptcy Estate. For all disputed claims, the Bankruptcy Trustee will provide adequate security interest.

Announcement and Legal Effect of the Cessation of the Bankruptcy Proceeding

Article 226

(1) The Bankruptcy Council will announce the decision stopping the Bankruptcy Proceeding in accordance with Articles 218, 222, 223 or 224 of this Law, together with the reasons for bringing such a decision. The Bankruptcy Council will inform the debtor, the Bankruptcy Trustee, and the members of the Board of Creditors in advance of the effective date at which the of the Bankruptcy Proceeding will be stopped, in accordance with Article 9 paragraph 1 of this Law. In this case, Article 211 of this Law will apply.

(2) The debtor will re-acquire the right to freely manage and dispose of the property that entered the Bankruptcy Estate, after the Bankruptcy Proceeding has been stopped. In this case, Articles 212 and 213 of this Law apply.

Appeal

Article 227

(1) Each creditor may appeal within eight days against the decision of the Bankruptcy Council to stop the Bankruptcy Proceeding in accordance with Articles 218, 223 or 224 of this Law. The Debtor may also make an appeal within eight days if his Bankruptcy Proceeding has been stopped based on Article 218 of this Law.

(2) The debtor may also file an appeal against the decision of the Bankruptcy Council rejecting his request to stop the Bankruptcy

Proceeding, filed in accordance with Articles 223 or 224 of this Law. The appeal stated in this paragraph is filed within eight days.

Part Six

BANKRUPTCY PLAN

Chapter One

PREPARATION OF THE PLAN

Basic Provision

Article 228

(1) After the opening of a Bankruptcy Proceeding, in compliance with this Law, a reorganisation of the debtor may take place on the basis of a prepared bankruptcy plan.

(2) A bankruptcy plan, with respect to the provisions of this part of the Law, can be implemented by :

1. letting the debtor manage or dispose of the whole or a portion of his property, unless this Law provides otherwise;
2. transferring the whole or a portion of the debtor's property to one or more legal entities that exist or will be founded;
3. merging of the debtor with one or several legal entities;
4. selling all or a portion of the debtor's property, with or without the rights to separate settlement;
5. dividing all or a portion of the debtor's property among the creditors;
6. determining the manner of settlement of the bankruptcy creditors;
7. settling or changing the rights to separate settlement;
8. reducing or postponing the payments of the debtor's liabilities;
9. turning the debtor's liabilities into a credit/loan;
10. undertaking a guarantee or providing other kind of security for the fulfilment of the debtor's liabilities.

Submitting a Bankruptcy Plan

Article 229

(1) The Bankruptcy Trustee or the debtor has the right to submit a bankruptcy plan to the Bankruptcy Council. Along with the bankruptcy plan, the debtor may also submit a proposal for opening of a Bankruptcy Proceeding. The Bankruptcy Council will not take into consideration the bankruptcy plan if the Bankruptcy Trustee or the debtor has submitted it after the final hearing of the creditors.

(2) When the Assembly of Creditors has instructed the Bankruptcy Trustee to prepare a bankruptcy plan, the Bankruptcy Trustee is obliged to submit it to the Bankruptcy Council within a time period of 30 days.

(3) The Bankruptcy Trustee shall submit the bankruptcy plan to the Board of Creditors, if such Board has been founded, to the representatives of the employees, to the Ministry of Economy and to the Ministry of Finance, and to the respective professional associations in which the debtor is a member. All these parties shall express their opinion upon the proposed bankruptcy plan.

Contents of the Plan

Article 230

The bankruptcy plan contains preparatory (declarative) and implementation (contents) part. The documents stated in Articles 240 and 241 of this Law are also attached to the bankruptcy plan.

Preparatory (Declarative) Part

Article 231

(1) The preparatory (declarative) part of the bankruptcy plan will describe the measures undertaken and the measures that are yet to be undertaken after the opening of the Bankruptcy Proceeding to create the basis for settling the claims of the participants.

(2) The preparatory (declarative) part of the bankruptcy plan will also contain information on the basis and the effects of the Bankruptcy Proceeding and will contain all other information that could be relevant for the creditors' decision concerning the acceptance of the plan and its approval by the Bankruptcy Council.

Implementation (Contents) Part

Article 232

The implementation (contents) part of the bankruptcy plan will establish and precisely define in a very clear and non-ambiguous manner the way in which the proposed plan will affect the existing legal status of the debtor and of the other participants in the proceeding, and will exactly determine the changes in their legal status.

Grouping of the Creditors

Article 233

(1) In the course of the establishment of the participants' rights in the bankruptcy plan, groups of different types of creditors with different legal status will be formed. The following will be differentiated:

1. creditors with a right to separate settlement, if the plan affects their rights;
2. higher ranked creditors, and
3. each group of the creditors of lower rank in the Bankruptcy Proceeding, unless some of their claims are unlikely to be taken into consideration under Article 236 of this Law.

(2) Creditors with equal rights may form groups in which the creditors with equivalent economic interests will be grouped. Each group will be distinct from other groups. The criteria for their division will be stated in the plan.

(3) The employees will form a separate group, if in the capacity of creditors in the Bankruptcy Proceeding they claim bigger sums. Separate groups can be formed for the smaller creditors.

Creditors with a Right to Separate Settlement

Article 234

(1) Unless the bankruptcy plan provides otherwise, the plan will not cover the rights of creditors with a right to separate settlement to be settled from the objects included in the relevant right for separate settlement.

(2) If the plan stipulates something else, the implementation (contents) part of the bankruptcy plan will define the percentage of these creditors that will be paid out, the extent to which their rights will be reduced, the details of the time periods for payment, i.e. the deferred deadline for the payment of their claims, and all other kinds of provisions that will be obligatory for this type of creditors.

Rights of Creditors in Bankruptcy Proceedings

Article 235

For the creditors of a higher rank, the implementation (contents) part of the bankruptcy plan will contain the defined percentage of the creditors' claims that will be paid out, the time periods for payment, the security interest provided for those claims, and all the kinds of provisions that are obligatory for this type of a creditor.

Rights of Creditors of Lower Rank in the Bankruptcy Proceeding

Article 236

- (1) The claims of the creditors of a lower rank in the Bankruptcy Proceeding will not be taken into consideration, unless the bankruptcy plan provides otherwise.
- (2) If the bankruptcy plan proscribes otherwise, the implementation (contents) part of the plan will define precisely the details stated in Article 235 of this Law for each group of creditors of a lower rank.
- (3) The bankruptcy plan will not exclude, nor limit the debtor's responsibility for payment of fines and other obligations equivalent to such sanctions after the conclusion of the Bankruptcy Proceeding, in accordance with Article 73, paragraph 1, line 3 of this Law.

Equal Treatment of the Participants

Article 237

- (1) Within the framework of each group of creditors, equal rights shall be given to all participants.
- (2) Any different treatment of the participants that form one group will need consent of all interested participants. In such case, statements of consent of all participants with respect to thusly-defined different treatment will accompany the bankruptcy plan.
- (3) Each agreement concluded by the Bankruptcy Trustee, by the debtor, by a third person, or by a specific creditor or creditors, which provides some conveniences or property benefits that are not stated in the bankruptcy

plan in exchange for the manner in which that creditor or creditors will vote upon the proposed bankruptcy plan and all other agreements that are in some other way linked to the Bankruptcy Proceeding, will be null and void.

Responsibility of the Debtor

Article 238

(1) Unless the bankruptcy plan provides otherwise, after the settlement of the creditors in the Bankruptcy Proceeding in accordance with the provisions of the implementation (contents) part of the bankruptcy plan, the debtor will be released of his remaining obligations towards those creditors.

(2) When the debtor is a trading organisation comprised of partners with unlimited liability, paragraph 1 of this Article will apply to the personal unlimited liability of those partners accordingly.

Ownership and other Property Rights

Article 239

When the implementation of the bankruptcy plan involves supplying, changing, transferring or alienating the ownership or other property rights over moveable objects or over real estate, the implementation (contents) part of the bankruptcy plan must be accompanied by the necessary statements of consent of all participants. When the bankruptcy plan refers to the real estate and title over real estate, it must contain the necessary instructions for all steps that need to be taken with regard to the registration of those rights or burdens in the respective public records where the title of the real estate is booked. This provision also applies to the rights registered in the register of ships, register of ships under construction or in the register of aircraft.

Inventory of the Property - Incomes and Financial Plan

Article 240

When the bankruptcy plan proscribes that the creditors' claims will be settled from the incomes resulting from a further continuation of the debtor's business venture (enterprise), regardless whether the enterprise will continue to be led by the debtor or a third party, the bankruptcy plan will include an inventory of the debtor's property, where the value of each item of the assets and liabilities will be stated, as well as the obligations to be settled, provided the proposed bankruptcy plan is approved. In addition, the bankruptcy plan will define the sum of the inflows and

outflows expected in the period which is planned for the settlement of liabilities to creditors, and the sequence of inflows and outflows in the course of that period required to maintain the liquidity of the business venture (enterprise).

Future Contributions

Article 241

(1) When the bankruptcy plan provides that the debtor will continue to manage his business activity (enterprise), and if the debtor is an individual, a statement that the debtor is willing to continue and run the business activity (enterprise) in a way and under conditions defined in the proposed bankruptcy plan will be attached to the plan. If the debtor is a trading organisation comprised of partners with unlimited liability, similar statements of all partners with unlimited liability will be attached to the bankruptcy plan. Such a statement by the debtor is not necessary where the debtor himself has submitted the bankruptcy plan.

(2) When the bankruptcy plan provides that the creditors will acquire stocks, shares, rights or interests in a trading company, statements of consent of all such creditors will be attached to the bankruptcy plan, regardless of whether the stocks, shares, rights or interests in question are in the debtor's enterprise, or in a third party.

(3) When a third party agrees to assume the liabilities to the creditors after the approval of the bankruptcy plan, a statement of consent of that third party will be attached to the bankruptcy plan.

(4) If the bankruptcy plan anticipates changes of the debtor's status, the provisions from the Law on Trading Organisations will apply.

Rejection of the Plan

Article 242

(1) In its official capacity the Bankruptcy Council will reject the bankruptcy plan:

1. if the provisions that regulate the right to submit a bankruptcy plan or the provisions that regulate its contents have not been respected, and the person who has submitted the plan can not remove those shortcomings within a time period set by the Bankruptcy Council;
2. if the plan is submitted by the debtor and it is quite obvious that there is no prospect that the plan will be accepted by the creditors, or approved by the Bankruptcy Council;
3. if the plan is submitted by the debtor and it is quite obvious that it is impossible for the claims to be settled in the manner and conditions set in the implementation (contents) part of the bankruptcy plan.

(2) If in the course of the Bankruptcy Proceeding the debtor had already submitted a plan which was not accepted by the creditors, was not approved by the Bankruptcy Council, or was withdrawn by the debtor himself after the announcement of the date on which the hearing on the proposed bankruptcy plan was to take place, the Bankruptcy Council will decline to accept a new plan submitted by the debtor if such rejection is requested by the Bankruptcy Trustee, with the consent of the Board of Creditors, if such a Board has been established.

(3) The party that has submitted the plan may appeal within eight days against the decision for its rejection.

Opinions on the Plan

Article 243

(1) If the bankruptcy plan has not been rejected, the Bankruptcy Council will submit the plan to the following persons for opinion:

1. to the Board of Creditors, if it has been established, to the representatives of the employees, and to the Ministries of Economy and Finance;
2. to the debtor, if the bankruptcy plan has been submitted by the Bankruptcy Trustee, and
3. to the Bankruptcy Trustee, if the bankruptcy plan has been submitted by the debtor.

(2) The Bankruptcy Council can also deliver the proposed bankruptcy plan to the official representative bodies of the industry, trade, crafts or agriculture in which the debtor is a member, or to some other professional association, to give them the opportunity to express their opinion upon the proposed bankruptcy plan.

(3) The Court will set a time period for the submission of opinions.

Cessation of the Disposition and Settlement

Article 244

Upon the request of the debtor or the Bankruptcy Trustee, the Bankruptcy Council will order a cessation of the disposition or the division of the property that comprises the Bankruptcy Estate, to the extent to which such disposition or distribution could threaten or harm the implementation of the bankruptcy plan submitted. The Bankruptcy Court will abolish or terminate this order if it creates a risk of significant damage to the property that comprises the Bankruptcy Estate, or if the Bankruptcy Trustee, with prior consent of the Board of Creditors, or the Assembly of

Creditors, asks for a continuation of the disposition and division of the property.

Depositing of the Bankruptcy Plan

Article 245

The bankruptcy plan together with its attachments and all opinions received will be deposited in the Court register for inspection by the parties.

Chapter Two

ACCEPTANCE AND APPROVAL OF THE BANKRUPTCY PLAN

Hearing for Discussion and Voting upon the Proposed Bankruptcy Plan

Article 246

(1) The Bankruptcy Council will call a hearing at which the proposed bankruptcy plan will be considered, the voting rights of the creditors will be determined, and the proposed bankruptcy plan will be voted on (“hearing for discussion and voting”). Not more than thirty days may pass from the day of the calling of the hearing, until it is held.

(2) The Bankruptcy Court will announce the day of the hearing for discussion and voting, and will point out that the proposed bankruptcy plan and the received opinions are available for inspection by all parties in the Court register.

(3) The bankruptcy creditors who have submitted claims, the creditors with a right to separate settlement, the Bankruptcy Trustee, the debtor, the representatives of the employees, and the representatives of the Ministries of Economy and Finance will receive personal notices (invitations). A summary of the basic contents of the bankruptcy plan along with the notices will be sent to the above stated persons. A copy of the bankruptcy plan will also be served on any of the above stated persons upon request.

Integration with the Investigation (Verification) Hearing

Article 247

The hearing for discussion and voting upon the proposed bankruptcy plan should not be called before the investigation (verification) hearing. Nonetheless, these two hearings can be held at the same time.

Voting Rights of the Bankruptcy Creditors

Article 248

(1) In the course of the voting on the bankruptcy plan, Article 43, paragraphs 1, 2 and 3 of this Law apply to the voting rights of the bankruptcy creditors. Creditors with the right to a separate settlement can vote only as bankruptcy creditors if the debtor is personally liable to them and if they have relinquished their right to a separate settlement, or if their claims have not been completely settled through the right of a separate settlement and only for the part that is not settled yet. If the part of their claim that has not yet been settled has not been established, the creditors with right to separate settlement will be taken into consideration by the likely value of the part not yet settled.

(2) The creditors whose rights are not concerned, nor threatened by the proposed bankruptcy plan, are not eligible to vote.

Voting Rights of the Creditors with the Right to Separate Settlement

Article 249

(1) If the legal status of the creditors with the right to separate settlement is contained in the bankruptcy plan, the hearing will also discuss the voting rights of each of these creditors separately. The right to vote will be given to each creditor with a right to separate settlement, provided that that right was not disputed, neither by the Bankruptcy Trustee, by the creditors with a right to separate settlement, nor by the bankruptcy creditors. Article 43, paragraph 2 and paragraph 3, and Article 75 of this Law apply to the disputed, deferred and not yet mature rights for separate settlement

(2) In this case Article 248, paragraph of this Law also applies.

List of Voting Rights

Article 250

The competent official of the Court register will compile a separate list of voting rights of creditors in the manner and under conditions established at the hearing.

Changes and Annexations of the Proposed Bankruptcy Plan

Article 251

The party that has submitted the bankruptcy plan has the right to make changes and annexations to the contents of certain provisions in the plan, in accordance with the outcome and the results of the hearing on which the bankruptcy plan was considered. The same hearing can contain voting upon the thusly-changed plan.

Separate Hearing for Voting

Article 252

(1) The Bankruptcy Council may also call a separate hearing at which only the proposed bankruptcy plan will be voted upon. In that case, not more than thirty days should elapse between the hearing at which the proposed bankruptcy plan was considered and the hearing at which that plan will be voted upon.

(2) The creditors who are eligible to vote and the debtor will be notified with special, personally delivered notices of the hearing for voting. If the plan was changed or additions were made, such changes or additions will be visibly marked, in a very clear and non-ambiguous way.

Voting in Written Form

Article 253

(1) If a separate hearing for voting is called, the voting right can be exercised in a written form.

(2) After the hearing at which the proposed bankruptcy plan has been considered, the Bankruptcy Council will distribute ballots to the creditors informing them about their eligibility to vote. When the creditors vote in a written form, only the votes that the Bankruptcy Council had received at the latest one day before the hearing for voting takes place will be counted. After the distribution of the ballots, the Bankruptcy Council will explicitly point out to the creditors eligible to vote those requirements, and the consequences of the failure to submit the ballots by the specified deadline.

Voting by Groups

Article 254

Each group of creditors eligible to vote shall vote separately on the proposed bankruptcy plan.

Necessary Majority

Article 255

(1) The proposed bankruptcy plan will be considered accepted, if in each group of creditors:

1. the majority of creditors who are eligible to vote voted for the proposed bankruptcy plan; and
2. the amount of the claims of the creditors who voted for the proposed bankruptcy plan exceeds half of the total amount of claims of all creditors eligible to vote.

(2) The creditors who up to the emergence of a cause for opening of a Bankruptcy Proceeding jointly possessed certain specific right or whose rights represented one single right, will be considered as one creditor for purposes of voting. The provisions of this paragraph will also apply when a collateral or right to usufruct exists.

Prohibition of Obstruction

Article 256

(1) If the necessary majority has not been achieved during the voting, it will be considered that the voting group has given its consent provided:

1. the creditors who form this group do not suffer any losses or damages by accepting the bankruptcy plan, in comparison to their situation without that plan;
2. the creditors who form this group, to some reasonable extent participate in the amount of economic value in accordance with the provisions of the bankruptcy plan, and
3. the majority of voting groups had voted for the plan with the necessary majorities.

(2) For the purposes of paragraph 1, item 2 of this Article, the participation to a reasonable extent of the creditors that form the group is defined with regard to the anticipation of the proposed bankruptcy plan that:

1. none of the creditors will receive property benefit or other conveniences that exceed the full amount of their claims;
2. none of the creditors with a claim of a lower rank that should be settled outside the bankruptcy plan, in comparison to the creditors who form his

group, nor a person that owns shares or stocks of the debtor will receive property benefit or other conveniences; and
3. none of the creditors who should be settled outside the bankruptcy plan at the same level with the creditors that form his group, will receive property benefit or other conveniences, in comparison to these creditors.

Consent of the Creditors of Lower Rank in the Bankruptcy Proceeding

Article 257

(1) It will be deemed that the groups described in Article 73, paragraph 1 and item 1 and 2 of this Law, have given their consent, if with the proposed bankruptcy plan the relevant claims for the interest or expenses had not been taken into consideration, or if these claims had not been taken into consideration in accordance with Article 236, paragraph 1 of this Law, and if in comparison to the provisions of the bankruptcy plan even the basic claims (principal) of the bankruptcy creditors will not be settled completely.

(2) It will be deemed that the groups ranked as described in Article 73, paragraph 1, item 3, of this Law have given their consent, if according to the provisions of the bankruptcy plan none of the bankruptcy creditors receives any property benefit or other convenience in comparison to the creditors that form this group.

(3) It will be deemed that the respective group has given its consent if none of the creditors that form that group voted.

Consent of the Debtor

Article 258

(1) It will be deemed that the debtor has consented to the proposed bankruptcy plan, if he did not oppose the plan in writing by the day of the hearing, or if he did not submit a special written statement in the Court register.

(2) Any opposition by the debtor according to paragraph 1 of this Article will not be taken into consideration and will be considered irrelevant if:

1. with the acceptance of the bankruptcy plan the debtor is not put in a less favourable position in comparison to his situation without that plan; and
2. none of the creditors receives property benefit or any other convenience that exceeds the full amount of his claims.

Approval of the Bankruptcy Plan

Article 259

(1) After the creditors have accepted bankruptcy plan, and after the consent of the debtor has been received, the proposed bankruptcy plan needs to be approved by the Bankruptcy Council.

(2) Prior to bringing a decision of approval of the proposed bankruptcy plan, the Bankruptcy Council will hear the Bankruptcy Trustee, the Board of Creditors if such Board has been formed, and the debtor.

(3) The decision which approves the bankruptcy plan includes the executive (contents) part of the plan that the creditors have accepted.

Conditional Plan

Article 260

When the bankruptcy plan requires fulfilment of some specific services or activities or the conduct of some other measures prior to the Court approval of the plan, the plan can not be approved until the proscribed conditions have been fulfilled. The Bankruptcy Council in the line of its official duty shall refuse to approve the proposed bankruptcy plan if the proscribed conditions have not been fulfilled not even after the passing of the additional time period for their fulfilment determined by the Court.

Violation of the Proceeding

Article 261

The Bankruptcy Council in its official capacity shall refuse to approve the proposed bankruptcy plan if:

1. the provisions that regulate the contents of the bankruptcy plan or the Proceeding for the bringing of the plan have not been respected, nor have the provisions that regulate the adoption of the plan by the creditors and by the debtor, and the respective defects can not be removed; or
2. the proposed plan was adopted in an illicit way or through illicit means, and especially if the proposed bankruptcy plan places some of the creditors in a more favourable situation.

Protection of the Minority Creditors

Article 262

(1) Upon the request of a creditor, the Bankruptcy Council shall refuse to approve the proposed bankruptcy plan if:

1. the creditor has opposed the plan in a written form or with a statement given in the Court register at the latest during the hearing for voting; and
2. with the proposed bankruptcy plan the creditor has been placed in a less favourable situation in comparison to his situation without that plan.

(2) The Bankruptcy Council shall accept such a request only if the creditor convinces the Court that in accordance with the provisions of the proposed bankruptcy plan he has been put in a less favourable position.

Announcement of the Court Decision

Article 263

(1) The Bankruptcy Council will announce its decision which approves or rejects the proposed bankruptcy plan at the hearing held for voting on the proposed bankruptcy plan, or at a special hearing that will be called immediately after the hearing for voting.

(2) When the Bankruptcy Council brings a decision approving the proposed bankruptcy plan, a copy of the plan or a summary of its basic contents will be delivered to the bankruptcy creditors who have reported their claims, and to the creditors with the right to a separate settlement, with special indication that the delivered plan has been approved by the Bankruptcy Council.

Appeal

Article 264

The creditors can file an appeal against the decision of the Bankruptcy Council that approves or rejects the proposed bankruptcy plan within 8 days.

Chapter Three

LEGAL EFFECT OF THE APPROVED BANKRUPTCY PLAN

SUPERVISION OVER THE IMPLEMENTATION OF THE PLAN

Legal Effect of the Plan

Article 265

(1) After the Court decision approving the proposed bankruptcy plan goes into effect, the provisions of the implementation (contents) part of the plan become binding on all participants. When, by the provisions of the implementation (contents) part of the bankruptcy plan, certain rights over objects and rights are created, changed, limited, transferred or cancelled, or

when shares or stocks are to be transferred to another trading company, the statements of will of the intentions and of the consent of the participants, which represent an integral part of the bankruptcy plan, will be considered to have been given in a form proscribed by the Law.

(2) The provisions of paragraph 1 of this Article also apply to those enterprises that are included in the bankruptcy plan in any way, and which form the basis of the creation, changes, cancellation, limitation or transfer of rights over objects and rights, or transfer of shares and stocks.

(3) The provisions from paragraphs 1 and 2 of this Article also apply to the bankruptcy creditors who have not submitted their claims, as well as to the participants who have opposed or voted against the proposed bankruptcy plan.

(4) The bankruptcy plan will not affect the rights that the creditors have against the debtor's solidarity co-debtors and guarantors in a Bankruptcy Proceeding, nor will it affect the rights of these creditors over the objects or rights that are not a part of the property that comprises the Bankruptcy Estate.

(5) With the bankruptcy plan, the debtor will be released from the claims of his solidarity co-debtors and guarantors, as well as from other claims of recourse against him, in the same manner as he was released from the claims of the creditors in the Bankruptcy Proceeding.

(6) When a creditor has received more than what had been guaranteed under the bankruptcy plan, i.e. when the creditor's claims have been settled in a larger percentage or in a shorter term than the one established in the bankruptcy plan, he is not obliged to return the excess received.

Non-fulfilment of the Bankruptcy Plan

Article 266

(1) When the deadlines for payment have been postponed on the basis of the implementation (contents) part of the bankruptcy plan, or it has been agreed that the claims of the creditors in the Bankruptcy Proceeding will be paid out in a reduced amount, the postponed deadlines for payment or the established percentage of payment of the claims will no longer be binding on the creditor if the debtor fails to perform to a significant extent his obligations to that creditor in the manner and under conditions set in the bankruptcy plan. The failure to fulfil the obligations to a significant extent occurs only when the debtor does not make a payment to settle a mature claim, although the creditor had previously called him to do so with a written notice, leaving him a time period of at least fifteen days to fulfil that obligation.

(2) When a new Bankruptcy Proceeding has been opened over the debtor's property prior to a complete implementation of the bankruptcy plan, the postponed deadlines for payment, or the reduced percentage of payments of the claims determined in the unsuccessful bankruptcy plan will no longer be binding on any of the creditors in the Bankruptcy Proceeding.

(3) The bankruptcy plan may also contain different provisions and may anticipate something else, but in no case shall the plan exclude the application of the provisions of paragraph 1 of this Article to the benefit of the debtor.

Disputed Claims – Still Unsettled Claims

Article 267

(1) When a claim was disputed at the investigation (verification) hearing, or when the part of the claim of a creditor with a right to separate settlement that will not be settled through separate settlement has not yet been determined, for the purposes of Article 261, paragraph 1 of this Law, it will not be assumed that the debtor failed to perform his obligations towards the relevant creditors to a significant extent during the implementation of the bankruptcy plan, if the debtor has taken into account the possible final determination of the disputed claim, or by the final determination of the part of the claim of the creditor with right to separate settlement that was not settled after the separate settlement, to a degree that is adequate to the decision of the Bankruptcy Court in respect to the right to vote of those creditors for the voting on the plan. If the Court has not yet brought a decision regarding the voting rights of the numbered creditors, upon a request made by the debtor or by a creditor, the bankruptcy Court will also determine the degree to which the debtor will temporarily take into consideration those claims.

(2) If the final determination of the amount of the claims shows that the debtor has not paid his debts completely, he will have to pay the rest of his debt, that is, the established claim that had previously been disputed and the part of the claim of the creditor with right to separate settlement that has not been settled with the separate settlement. It will be assumed that the debtor has not fulfilled his obligations that incur from the bankruptcy plan to a significant extent only if the debtor has not paid the rest of the debt, although previously the creditor had demanded of him to do so with a written notice, leaving him a time period of at least fifteen days for fulfilment.

(3) If the final determination of the amount of the claim shows that the debtor had paid a larger amount than the amount claimed, or a larger percentage than is designated in the bankruptcy plan, or that the debtor paid a claim that is not yet mature, he can ask for a return (restitution) of the excess amount paid, or the amount that was paid for settlement of the

claim that according to the provisions of the bankruptcy plan was not yet mature.

Settlement in Accordance with the Plan

Article 268

(1) The bankruptcy creditors whose claims have been confirmed and have not been disputed by the debtor at the investigation (verification) hearing, can be executed against the debtor as an executive adjudication for settlement of their claims recorded in the table (chart) of submitted claims in the legally approved bankruptcy plan. The disputed claims that have become enforceable later shall be treated as undisputed claims. Article 213 of this Law will apply in this case.

(2) The provision of paragraph 1 of this Article will also be applied to the execution against a third party, if the third party has provided a guaranty or together with the debtor had undertaken some other obligation regarding the implementation of the bankruptcy plan evidenced by a special written statement delivered to the Bankruptcy Court.

(3) When a creditor asserts that the debtor has not fulfilled his obligations under the bankruptcy plan to a significant degree, that creditor will have to prove to the Bankruptcy Council that he has made out a written demand to the debtor to fulfil his obligation, and that the required time period for that has passed, but he does not have to prove any other facts that would represent omission by the debtor in order to acquire an execution for his claim and to require execution for settlement.

Conclusion of the Bankruptcy Proceeding

Article 269

(1) After the decision of the Bankruptcy Council approving the proposed bankruptcy plan has gone into effect, the Bankruptcy Council will bring a special decision to conclude the Bankruptcy Proceeding.

(2) After the conclusion of the Bankruptcy Proceeding, the Bankruptcy Trustee will settle the claims of the creditors of the Bankruptcy Estate, if they have not been disputed and will provide security interest for the disputed claims.

(3) The Bankruptcy Council will announce the decision by which it has concluded the Bankruptcy Proceeding, together with the reasons for its conclusion. The debtor, the Bankruptcy Trustee, and the members of the Board of Creditors will be given an advance notice of the day on which the conclusion of the Bankruptcy Proceeding will become effective in

accordance with Article 9, paragraph 1 of this Law. Article 211, paragraph 2 of this Law will apply in this case.

Legal Effect of the Conclusion of the Bankruptcy Proceeding

Article 270

(1) The authority of the Bankruptcy Trustee and of the members of the Board of Creditors is effective until the conclusion of the Bankruptcy Proceeding. Immediately following the conclusion of the Bankruptcy Proceeding, the debtor reacquires the right to dispose of the property that comprises the Bankruptcy Estate.

(2) Any provisions regarding the supervision and control over the implementation of the bankruptcy plan remain in force.

(3) When the Bankruptcy Trustee filed a lawsuit to defeat any of the debtor's legal actions in the course of the Bankruptcy Proceeding, he can continue with the lawsuit after the conclusion of the Bankruptcy Proceeding, if the implementation (contents) part of the bankruptcy plan contained such provision. In this case, the lawsuit will be conducted at the expense of the debtor, unless the bankruptcy plan provides otherwise.

Supervision and Control over the Implementation of the Bankruptcy Plan

Article 271

(1) The implementation (contents) part of the bankruptcy plan can contain provisions that will regulate the supervision and the control over the implementation of the bankruptcy plan after the conclusion of the Bankruptcy Proceeding.

(2) In the case of paragraph 1 of this Article, after the conclusion of the Bankruptcy Proceeding, control will be enforced over the settlement of the claims of the creditors against the debtor in accordance with the provisions of the implementation (contents) part of the bankruptcy plan.

(3) If the contents of the bankruptcy plan so provides, the supervision will also encompass the settlement of claims of the creditors against the trading companies formed after the opening of the Bankruptcy Proceeding in order to take over or continue to run the debtor's business activity (enterprise) or some portion of it.

Rights and Obligations of the Bankruptcy Trustee

Article 272

(1) The supervision over the implementation of the bankruptcy plan after the conclusion of the Bankruptcy Proceeding will be entrusted to the Bankruptcy Trustee. For that purpose the authority and the obligations of the Bankruptcy Trustee and of the members of the Board of Creditors, if such a Board has been founded, as well as the supervision of the Bankruptcy Council will continue to exist. In this case Article 52, paragraph 4 of this Law will be applied.

(2) While the supervision over the implementation of the bankruptcy plan is in progress, at least once a year the Bankruptcy Trustee will submit reports to the Board of Creditors, if such Board has been established, and to the Bankruptcy Council describing the expectations regarding the implementation of the bankruptcy plan. The Board of Creditors and the Bankruptcy Council are entitled to ask for special information and other periodical reports from the Bankruptcy Trustee at any time.

The Duty of the Bankruptcy Trustee to Inform

Article 273

When the Bankruptcy Trustee establishes that the claims whose settlement he is supervising have not been settled yet or can not be settled, he will so inform the Board of Creditors and the Bankruptcy Council without delay. If a Board of Creditors has not been founded, the Bankruptcy Trustee will inform all creditors who in accordance with the implementation (contents) part of the bankruptcy plan have established rights against the debtor and the trading organisation that had taken over or continued to run the debtor's business activity (enterprise) or some part of it.

Legal Actions that Require Prior Permission

Article 274

The implementation (contents) part of the bankruptcy plan may include that in the course of the supervision over the implementation of the bankruptcy plan, the undertaking of certain legal actions by the debtor, or by the trading company that takes over the debtor's business activity (enterprise), will require a prior permission of the Bankruptcy Trustee. In this case Articles 93 and 94 of this Law will be applied.

Maximum Amount of the Loan

Article 275

(1) The implementation (contents) part of the bankruptcy plan can proscribe a lower rank status for the bankruptcy creditors and higher rank status for the creditors whose claims arise from loans or from other credits issued during the supervision over the implementation of the bankruptcy plan of the debtor or of the trading company that takes over the debtor's business activity. In such cases, the implementation (contents) part of the bankruptcy plan will specifically define the maximum of those loans or other credits. The established maximum should not exceed the value of the objects and rights in possession of the debtor stated in the inventory of the debtor's property that is an integral part of the bankruptcy plan in accordance with Article 240 of this Law.

(2) The bankruptcy creditors can be of a lower rank, in accordance with paragraph 1 of this Article, only in relation to those creditors whose claims arise from the loans issued after the conclusion of the Bankruptcy Proceeding, and in the course of the supervision over the implementation of the bankruptcy plan, and only if the amount of the principle, the interest and the expenses of the loan does not exceed the established maximum. The agreement for a loan must be concluded in a written form and have the prior approval of the Bankruptcy Trustee.

(3) In this case Article 73 paragraph 1 item 5 of this Law will apply.

Lower Rank Status of the New Creditors

Article 276

The creditors whose claims arise from a bilateral onerous contract concluded after the closing of the Bankruptcy Proceeding, but during the supervision over the implementation of the bankruptcy plan, will also have a lower rank status in comparison to the creditors whose claims incur from loans issued in accordance with Article 275 of this Law. Claims that were established before the conclusion of the Bankruptcy Proceeding, arising from lease contracts, contracts for deed or employment contracts and from other similar more permanent obligations will also receive a lower rank status if after the conclusion of the Bankruptcy Proceeding the Bankruptcy Trustee could have cancelled them or terminate them, but he did not do so. These claims will receive that lower rank status from the moment when the Bankruptcy Trustee could have cancelled or terminated the relevant contract.

Lower Rank Status

Article 277

(1) The lower ranking status of the bankruptcy creditors and of the creditors described in Article 276 of this Law will be taken into consideration only in the case when a new Bankruptcy Proceeding has been opened before the complete execution of the bankruptcy plan, and only in such Bankruptcy Proceeding.

(2) In the newly opened Bankruptcy Proceeding, the creditors described in paragraph 1 of this Article will have priority above all other creditors of a lower rank in the new Bankruptcy Proceeding.

Announcement of the Supervision

Article 278

(1) When the implementation (contents) part of the bankruptcy plan stipulates that after the conclusion of the Bankruptcy Proceeding the Bankruptcy Trustee will supervise the implementation of the plan, that fact will be announced together with the decision with which the Bankruptcy Council has concluded the Bankruptcy Proceeding.

(2) Along with the announcement of the decision to conclude the Bankruptcy Proceeding, the Bankruptcy Court will also announce:

1. with reference to Article 271, paragraph 3 of this Law, the fact that the supervision also refers to the trading organisation that has taken over or continued to run the debtor's business activity or some part of it;
2. with reference to Article 274 of this Law, the criteria for determining the legal actions that require prior permission from the Bankruptcy Trustee;
3. with reference to Article 275 of this Law, the maximum amount of the loan.

(3) In this case, Articles 61, paragraph 6 and Article 66, paragraph 2 of this Law apply as well. When with reference to Article 274 of this Law, the right to transfer a non-moveable, registered ship, ship under construction or an aircraft, the rights over those objects or the rights over such rights are subject to prior permission. Articles 61 paragraph 6 and Article 62 paragraph 2 of this Law apply respectively.

Termination of the Supervision

Article 279

(1) The Bankruptcy Council will make a special decision by which it will terminate the supervision over the implementation of the bankruptcy plan provided that:

1. the supervision involves claims that have been completely settled, or for which adequate security for settlement has been provided; or
2. three years have passed from the conclusion of the Bankruptcy Proceeding, and there has not been a request for an opening of a new Bankruptcy Proceeding.

(2) The Court decision stated in paragraph 1 of this Article will be announced. In this case Article 278, paragraph 3 of this Law will apply.

Expenses of the Supervision

Article 280

The debtor will bare the expenses for the supervision of the implementation of the bankruptcy plan. In the case of Article 271, paragraph 3 of this Law, the trading company that has taken over the debtor's business activity will bear the expenses for its supervision.

Part Seven

PERSONAL MANAGEMENT

Assumptions

Article 281

(1) At the hearing about the filed proposal for opening of a Bankruptcy Proceeding, the Bankruptcy Council may allow the debtor to manage and dispose of the property that comprises the Bankruptcy Estate under the supervision of a Commissioner. In such case, in the decision for opening of the Bankruptcy Proceeding, the Bankruptcy Council will state that it will allow personal management under the supervision of a Commissioner. This Proceeding is subject to the general provisions on Bankruptcy Proceedings proscribed with this Law, unless this part of this Law proscribes otherwise.

(2) The Bankruptcy Council will reach a decision to open a Bankruptcy Proceeding which allows personal management under the supervision of a Commissioner:

1. upon a request made by the debtor;
2. if the opening of a Bankruptcy Proceeding was requested by a creditor, with the consent of the creditor in relation to the request stated in item 1 of paragraph 2 of this Article;

3. when the Court is convinced that, with regard to the circumstances of the case, such decision will not defer the proceeding, or cause other damage to the creditors.

(3) In the case of paragraph 1 of this Article, a Commissioner will be appointed instead of Bankruptcy Trustee. The creditors in Bankruptcy Proceeding will submit their claims to the appointed Commissioner. In this case, the provisions from Article 61, paragraph 6 and Article 66, paragraph 2 of this Law will not be applied.

Additional Decision

Article 282

Irrespective of the fact that the Bankruptcy Council had rejected the request of the debtor for personal management of the property that comprises the Bankruptcy Estate under the supervision of a Commissioner, the Court can subsequently allow it, if after the opening of the Bankruptcy Proceeding the Assembly of Creditors at its first meeting requests the Bankruptcy Council to allow the debtor to manage the property personally. In such case, the previously appointed Bankruptcy Trustee can be appointed a Commissioner.

Termination of the Court Decision

Article 283

(1) The Bankruptcy Council will cancel a decision allowing personal management upon a request made by:

1. the Assembly of Creditors;
2. a creditor with the right to separate settlement or a bankruptcy creditor, but only if there is no danger as stated in Article 281, paragraph 2, item 3; or
3. the debtor.

(2) The Bankruptcy Council will accept the request of a creditor only if the creditor convinces the Court that the personal management by the debtor under the supervision of a Commissioner will only defer the Proceeding or cause other damage to the creditors. Prior to bringing a decision on the request of the creditor, the Bankruptcy Council will hear the debtor. The creditor or the debtor can file an appeal within eight days from the day of the receipt of the decision against the Court decision made on the request to cancel the personal management.

(3) In the case of paragraph 1 of this Article, the Commissioner can be appointed a Bankruptcy Trustee.

Article 284

The Bankruptcy Council in its official capacity will announce the decision by which personal management by the debtor is allowed after the opening of a Bankruptcy Proceeding, or the decision by which such personal management is terminated, in accordance with Article 9 and Article 61, paragraph 6 and Article 66, paragraph 2 of this Law.

Legal Status of the Commissioner

Article 285

(1) The provisions of this Law which apply to the appointment, responsibilities and remuneration of a Bankruptcy Trustee also apply to the appointment of a Commissioner working under the supervision of the Bankruptcy Court.

(2) The Commissioner will determine the debtor's economic and financial position and will control the management of the business activity (enterprise) and the debtor's expenditures needed for his own support and living. In this case Article 52, paragraph 4 of this Law will apply accordingly.

(3) If the Commissioner concludes that further personal management by the debtor may damage the creditors and put them in a less favourable position, he will immediately inform the Board of Creditors and the Bankruptcy Council of these circumstances. If a Board of Creditors has not been established, the Commissioner will inform all bankruptcy creditors who have submitted claims, together with all creditors with right to separate settlement of the relevant circumstances.

Prior Permission of the Commissioner

Article 286

(1) The debtor should not undertake any legal action or activity that is not a part of his regular operations, without prior permission of the appointed Commissioner. The debtor should not undertake even those legal actions or activities that are part of the regular operation, if the Commissioner is opposed to the undertaking of that legal action or activity.

(2) The Commissioner can request that he personally collect and make all money payments.

Consent of the Board of Creditors

Article 287

The debtor must receive prior permission of the Board of Creditors before he undertakes any of the legal actions or activities that have special significance for the Bankruptcy Proceeding. In this case Articles 171, 172 and 175 of this Law apply accordingly.

Conditioning of the Validity of the Legal Actions

by Obtaining Prior Permission

Article 288

(1) Upon a request made by the Assembly of Creditors, the Bankruptcy Council will make the undertaking of certain legal actions by the debtor conditional on the debtor through obtaining the prior permission from the appointed Commissioner. In this case, Articles 93 and 94 of this Law apply as appropriate. When the Commissioner has given prior permission to the debtor to undertake an activity that creates obligations for the Bankruptcy Estate, Article 29, paragraph 4 of this Law also apply.

(2) The Bankruptcy Council can also make the undertaking of certain activities by the debtor conditional on obtaining the prior permission of the appointed Commissioner, upon a request made by a creditor with right to separate settlement, or upon a request made by a bankruptcy creditor, if such a condition is urgently necessary in order to prevent damage to the creditors, or to prevent from putting them in a less favourable position. The Bankruptcy Council will accept the request of a creditor if he convinces the Court of the urgency and the necessity of such conditions.

(3) The Bankruptcy Council announces the decision by which it makes the undertaking of certain legal actions by the debtor conditional on obtaining the prior permission of the Commissioner. In this case Article 61, paragraph 6 and Article 66, paragraph 2 of this Law also apply. When the prior permission of the Commissioner is necessary for undertaking of legal actions in respect to transfer of non-moveables, registered ship, ship under construction or aircraft, regarding the rights over these objects or regarding the rights over these rights, Article 61, paragraph 6 and Article 66, paragraph 2 of this Law apply.

Resources for Living and Support of the Debtor

Article 289

(1) The debtor can use funds from the Bankruptcy Estate for the necessary support of his family and himself, in accordance with Article 110 of this Law.

(2) When the debtor is a trading organisation with partners with unlimited liability, paragraph 1 of this Article will be applied as appropriate to the partners with unlimited liability that were authorised to represent the debtor.

Bilateral Onerous Agreements

Article 290

The provisions that regulate the fulfilment of the obligations and the co-operation of the representatives of the employees (Articles 112 through 138) will also apply to the personal management, except that the “debtor” will replace the “Bankruptcy Trustee”. The debtor will perform the rights that he has in accordance with Articles 112 through 138 of this Law together with the appointed Commissioner. The prior permission of the appointed Commissioner is necessary to give effect to the rights stated in Articles 130, 132 and 136 of this Law.

Responsibility. Defeating the Debtor’s Legal Activities

Undertaken in the Course of the Bankruptcy Proceeding

Article 291

Only the Commissioner has the right to responsibility for the damage created in accordance with Articles 102 and 103 of this Law for the benefit of the Bankruptcy Estate, and only the Commissioner can defeat the debtor’s legal actions in accordance with Articles 139 through 156 of this Law.

Informing the Creditors

Article 292

(1) The debtor will make an inventory of the property that comprises the Bankruptcy Estate, a list of the creditors, and an overview of the property in accordance with Articles 161 through 163 of this Law. The Commissioner will confirm the credibility and the comprehensiveness of the inventory, the list of creditors, and of the overview of the property. He will issue special written statements for each of the documents described stating whether the results of his control provide grounds to doubt the credibility or the comprehensives of those documents.

(2) At the hearing for submitting of the report, the debtor submits a report on the economic and financial situation and the reasons for that situation.

At the same hearing, the Commissioner will provide his opinion of the report submitted.

(3) The keeping and managing of the trade books, the accounts and other business documents and reports represent an obligation of the debtor in accordance with Article 32 and Article 166 of this Law. The Commissioner will confirm the credibility and the comprehensiveness of the debtor's annual accounts by making a separate written statement. In the written statement, the Commissioner is obliged to state all reasons that give grounds for doubting the credibility and the comprehensiveness of the annual accounts.

Disposition of Objects and Rights over which there is a Right to Separate Settlement

Article 293

(1) The right of the Bankruptcy Trustee to dispose of the objects over which a right to separate settlement exists will be given to the debtor in accordance with Articles 176 through 184 of this Law. Nevertheless, the debtor can not require settlement of the expenses for determination of the object and determining the rights that encumber the object in accordance with Article 182, paragraph 1 of this Law. Only necessary expenses incurred during the disposition, and the amount of the turnover tax, can be taken into account as expenses of disposition for the object.

(2) The debtor together with the Commissioner will have the right to dispose of objects over which a right to a separate settlement exists.

Settlement of the Bankruptcy Creditors

Article 294

(1) The Bankruptcy creditors, the debtor, or the appointed Commissioner can dispute the submitted claims. A claim that has been disputed by a bankruptcy creditor, by the debtor or by the appointed Commissioner will not be considered determined.

(2) The debtor will make the distribution. The appointed Commissioner must confirm the plan for the distribution and the plans for the advance, final and additional distributions. In each of the above stated cases he will make a special written statement concerning the manner of distribution and will state all facts that can lead to a founded doubt that there are certain irregularities in the distribution.

Bankruptcy Plan

Article 295

(1) The Assembly of Creditors can authorise the debtor or the Commissioner to compile a bankruptcy plan. If the Assembly of Creditors authorises the debtor, the Commissioner will act in the capacity of a counsellor.

(2) The appointed Commissioner will control the realisation of the bankruptcy plan after the Bankruptcy Proceeding has been concluded.

Deficiency of the Property that comprises the Bankruptcy Estate

Article 296

The Commissioner will inform the Bankruptcy Council if there is no property which could be included in the Bankruptcy Estate.

Part Eight

RELIEF FROM THE REST OF THE OBLIGATIONS OF THE DEBTOR MERCHANT – INDIVIDUAL

Basic Provision

Article 297

In accordance with the provisions of the Articles 298 through 314 of this Law, an individual debtor can ask to be released from his obligations to bankruptcy creditors that were not settled in the proceedings.

Request of the Creditor

Article 298

(1) In order to be released from the rest of his obligations, the debtor must file a separate request. This request must be delivered to the to the Bankruptcy Council in a written form before the hearing for submitting of the report is held. The request can be attached to the proposal for opening of a Bankruptcy Proceeding.

(2) The request will be accompanied by a statement in which the debtor cedes his claims of salaries, benefits or other similar periodic payments that are owed according to the contract for deed, employment contract and

other similar contracts that replace them to the Commissioner who will be appointed by the Bankruptcy Council for a period of seven years after the finishing of the Bankruptcy Proceeding. If the debtor has already ceded them or has pledged those claims to a third person before filing the request to be released from the rest of his obligations, he will designate that release or pledge in his statement.

(3) The contracts, which exclude, condition or in other ways limit the cession of the debtor's claims for payments arising from employment contracts, contracts for deed or other similar contracts, will be null and void if they disable or in any other way harm the statement mentioned in paragraph 2 of this Article by which the claims are ceded.

Right to Proposal

Article 299

The debtor and the creditors can propose a suitable individual for Commissioner to the Bankruptcy Council, taking into account the circumstances of the case at hand.

Decision of the Bankruptcy Council

Article 300

(1) Upon a request of the debtor, at the final Assembly of Creditors the Bankruptcy Council will hear the bankruptcy creditors and the Bankruptcy Trustee. The Bankruptcy Council will bring a separate decision in respect to the debtor's request for release from the rest of his obligations.

(2) The debtor, and any bankruptcy creditors who opposed the debtor's request for release from the rest of his obligations at the final hearing, can file an appeal the decision mentioned in paragraph 1 of this Article within eight days. The Bankruptcy Council will not conclude the Bankruptcy Proceeding before the decision for exemption from the rest of the obligations comes into force. The effective Court decision will be announced together with the decision by which the Bankruptcy Council concludes the Bankruptcy Proceeding.

(3) When the Bankruptcy Proceeding has been concluded due to a lack of property that would be included in the Bankruptcy Estate, the Bankruptcy Court may grant a release from the rest of the debtor's obligations only if after the conclusion of the Bankruptcy Proceeding an additional distribution was done in a manner proscribed in Article 222 of this Law.

Rejection to Release the Debtor from the Rest of his Obligations

Article 301

(1) The Bankruptcy Council will reject the debtor's request and will not make a decision releasing him from his remaining obligations, if at the final hearing such a rejection was requested by a bankruptcy creditor, and:

1. if the debtor has been found guilty of a criminal act against the property or a criminal act against the public finances, the payment operations or the economy;

2. if in the three years preceding the filing of the proposal for opening of a Bankruptcy Proceeding, or after the filing of that proposal, the debtor intentionally or through gross negligence has given a false or incomplete written statement regarding his financial situation in order to obtain a loan or a grant from the budget or from other public funds, or in order to evade payments to the budget or other public funds;

3. if the debtor had been granted a release from the rest of his obligations in the ten years before the proposal for opening of the Bankruptcy Proceeding was filed, or after the submission of that proposal, or if the request for release from the rest of his obligations was rejected in accordance with Articles 307 or 308 of this Law;

4. if in the year preceding the date on which the proposal for the opening of a Bankruptcy Proceeding was filed, or after the filing of that proposal, the debtor deliberately or through gross negligence has threatened the settlement of the creditors in the Bankruptcy Proceeding through engaging in some inadequate obligating relations, through prodigal behaviour towards the property or through delay of the opening of the Bankruptcy Proceeding, while at that point there were no prospects that would indicate an improvement in his financial situation;

5. if, during the Bankruptcy Proceeding, the debtor deliberately or through gross negligence has failed in his duties to co-operate and to make all necessary information available in the manner and under the conditions proscribed with this Law; or

6. if the debtor deliberately or through gross negligence has given false or incomplete statements in the inventory of the accessible property and incomes, in the list of creditors, or in the list of his debts that should be delivered in accordance with Article 316, paragraph 1, item 3 of this Law.

(2) The Bankruptcy Council will accept the request made by a creditor not to release the debtor from the rest of his obligations, only if that creditor gives reasons before the Court why the Bankruptcy Council should decline to issue a decision releasing the debtor from the rest of his obligations.

Information on the Release from the Rest of the Obligations

Article 302

(1) When none of the assumptions stated in Article 301 of this Law exists, the Bankruptcy Council will bring a separate decision which will state that

the debtor will be exempt from the rest of his obligations if he fulfils his obligations in accordance with Article 306 of this Law, and if there are no assumptions for rejection stated in Article 308 or in Article 309 of this Law.

(2) With the decision stated in paragraph 1 of this Article the Bankruptcy Court will appoint a Commissioner to whom the debtor's claims of salaries, benefits or other similar claims that replace them will be ceded, in accordance with the statement of the debtor stated in Article 298, paragraph 2 of this Law.

Legal Status of the Commissioner

Article 303

(1) The debtor and the appointed Commissioner will together inform the person obliged to pay the salaries, benefits or other similar periodical payments, of the performed cession. The appointed Commissioner is obliged to keep the amounts he receives on the basis of these ceded claims, as well as all other amounts paid by the debtor or by third persons, separate from his own property and to distribute them once a year to the bankruptcy creditors in the manner and under the conditions that were established in the final report. From the amounts that he had received on the basis of the ceded claims or from the amounts received from the debtor or from a third person on any grounds, the appointed Commissioner will pay out to the debtor ten percent after four years from the conclusion of the Bankruptcy Proceeding, fifteen percent after five years from the conclusion of the Bankruptcy Proceeding and twenty percent after six years.

(2) The Assembly of Creditors can entrust the appointed Commissioner to supervise the manner in which the debtor fulfils his obligations. In that case, the appointed Commissioner will be obliged instantly to inform the creditors of each violation of those obligations. The Commissioner will be obliged to perform such supervision only if the creditors undertake to advance or settle the additional expenses of the Commissioner for such supervision, and if they provide him a reward for the execution of this additional obligation.

(3) The appointed Commissioner, after the period for which he has been appointed ends, will submit to the Bankruptcy Council an account of his work and a special final report. Articles 27 and 28 of this Law will apply, with the fact that at the application of Article 28 each bankruptcy creditor can ask for dismissal of the Commissioner and each bankruptcy creditor can file an appeal within the proscribed period of eight days.

Reward for the Commissioner

Article 304

(1) The Commissioner has a right to a reward for his work and to reimbursement of the expenses necessarily incurred. The period and the size of the tasks of the appointed Commissioner will be taken into consideration when determining the amount of the reward.

(2) In this case Article 30 and Article 31 of this Law apply accordingly.

Equal Treatment of the Creditors

Article 305

(1) While the debtor's statement for cession of the claims lasts, execution for settlement from the debtor's property will not be allowed to individual bankruptcy creditors.

(2) All contracts between the debtor or a third person and certain bankruptcy creditors, which provide some material benefit to that creditor or creditors, or by which they are put in a more favourable position, are null and void.

(3) The person obliged to pay the salaries, benefits or other similar periodical payments to which the debtor's statement for cession refers, can offset these debtor's claims with claims that he has against the debtor, only if his claims meet the conditions stated in Article 123, paragraph 2 of this Law. To these situations Article 340, paragraphs 3 and 4 of the Law on Obligations will not be applied.

Obligations of the Debtor

Article 306

(1) In the course of the cession, the debtor will be obliged:

1. to engage himself with adequate employment for salary or ask for such employment and should not decline any sensible activity;
2. to transfer to the Commissioner half of the value of the ownership that he will gain through inheritance or in relation to his future status of a successor;
3. to immediately inform the Bankruptcy Court and the appointed Commissioner of any change of the place of residence or place of employment; not to conceal salaries, benefits or other similar periodical payments to which the statement for cession refers, nor to conceal the material benefits accepted on the basis of item 2 of this paragraph, and upon a request made by the Court or the appointed Commissioner to

provide a statement of his employment, of his efforts to find such employment, as well as a statement of his incomes and of his property;
4. to deliver the amounts with which the bankruptcy creditors should be settled only to the appointed Commissioner, and not give any material benefits or other conveniences to any creditors or place them in a more favourable position.

(2) When the debtor has the status of a self-employed person, he will be obliged to settle the bankruptcy creditors through payments made to the Commissioner, in exactly the same way as if he were a person employed by an employer.

Violation of the Debtor's Obligations

Article 307

(1) Upon a request made by a bankruptcy creditor, the Bankruptcy Council will refuse to grant a release from the rest of his obligations, if the debtor in the course of the cession violates some of his obligations in a manner that threatens the settlement of the bankruptcy creditors. This provision will not be applied when the debtor has violated his obligation for reasons beyond his control. The request of a creditor can be filed within one year from the day when the creditor became aware of the violation. The Bankruptcy Court will accept the request filed only if the creditor convinces the Court of the existence of reasons due to which the debtor should not be released from the rest of his obligations.

(2) Before the Bankruptcy Council brings its decision regarding the request filed, it will hear the appointed Commissioner, the debtor and the bankruptcy creditors. The debtor will make all data and documents in relation to the fulfilment of his obligations available, and upon a request made by the creditor, he will confirm the credibility and the comprehensives of his statements by giving a separate statement in the minutes. The Bankruptcy Council will refuse to grant a release from the rest of his obligations if the debtor does not make the requested data and documents available without a justified reason, or he fails to submit the requested statement in the minutes within the time period established for that purpose, or if the debtor does not attend the appointed hearing without a justified reason, despite being properly notified by the Court.

(3) The participant that filed that request and the debtor can file an appeal within eight days against the decision of the Bankruptcy Council brought on the request not to allow release from the rest of his obligations. The Bankruptcy Council will announce its decision by which it refused to grant a release from the rest of his obligations.

Charging for a Criminal Act

Article 308

(1) Upon the request of a creditor in a Bankruptcy Proceeding, the Bankruptcy Court will refuse to grant a release from the rest of his obligations, if in the period between the final hearing and the conclusion of the Bankruptcy Proceeding, or during the period of the statement for releasing of future claims, the debtor is charged with a criminal act stated in Article 301, paragraph 1, item 1 of this Law.

(2) In this case Article 307, paragraphs 1 and 3 of this Law apply accordingly.

Minimum Reward for the Appointed Commissioner

Article 309

(1) Upon the request of the appointed Commissioner, the Bankruptcy Council will refuse to grant a release from the rest of the debtor's commitments if the amount that the Commissioner has received for the previous year as a reward for his work does not cover for the minimum reward, and if the debtor has not paid the outstanding amount, despite of the fact that the Commissioner had made a demand in writing for such payment from the debtor, giving him not less than fifteen days to fulfil his obligation. The demand should state explicitly the possibility that the Bankruptcy Council may refuse to grant a release in case of default.

(2) The Bankruptcy Council will hear the debtor before it makes a decision in relation to the request made by the appointed Commissioner stated in paragraph 1 of this Article. The Bankruptcy Council will grant a release to the debtor from the rest of his obligations if the debtor, upon a request made by the Court, within fifteen days settles the part of the reward that has not yet been settled for the work of the appointed Commissioner.

(3) In the cases of paragraph 1 and 2 of this Article, Article 307, paragraph 3 of this Law will be applied accordingly.

Expiry of the Time Period

Article 310

When the Bankruptcy Court in accordance with the Articles 307, 308 and 309 of this Law refuses to grant a release to the debtor from the rest of his obligations, the authority of the appointed Commissioner, the cession of the claims loses the legal effect and all limitations on the rights of the creditors cease when the Court decision comes into effect.

Decision for Relief from the Rest of the Obligations

Article 311

(1) When the time period in which the debtor's claims were ceded expires in a normal way, after hearing the bankruptcy creditors, the Commissioner and the debtor, the Bankruptcy Court will bring a decision to release the debtor from the rest of his obligations.

(2) Upon the request of a creditor in the Bankruptcy Proceeding, in accordance with the conditions stated in Article 307, paragraphs 1 and 2, or Article 308 of this Law, or upon a request made by the appointed Commissioner, the Bankruptcy Council will refuse to grant a release from the rest of his obligations in accordance with the conditions stated in Article 309 of this Law.

(3) The decision will be announced in accordance with Article 9 of this Law, and if the debtor has been released from the rest of his obligations, an extract from the Court decision will be published in the "Official Gazette of Republic of Macedonia". An appeal can be filed within eight days against the Court decision by the debtor or a bankruptcy creditor who at the hearing stated in paragraph 1 of this Article requests that the debtor not be granted a release from the rest of the obligations.

Legal Effect of the Release from the Rest of the Obligations

Article 312

(1) When the debtor has been released from the rest of his obligations, that exemption is binding on all bankruptcy creditors. The release will also be binding on those creditors who have not submitted claims.

(2) The release of the debtor from the rest of his obligations does not encroach on the rights of the bankruptcy creditors against the debtor's solidarity co-debtors, guarantors and recourse obligators, or on their right to a separate settlement in the Bankruptcy Proceeding. Nevertheless, the debtor will be released from the claims of his solidarity co-debtors, guarantors and recourse subjects in precisely the same way as he was released from the claims of the bankruptcy creditors.

(3) If after the release from the rest of the obligations the creditor who was not entitled to settlement received fulfilment of his claim, he is not obliged to return what he had received.

Exempt Claims

Article 313

The release from the rest of the obligations will not apply to:

1. the debtor's obligations arising from a deliberately created damage;
2. fines and other similar obligations in accordance with Article 73, paragraph 1, item 3 of this Law.

Refusal to grant a Release from the Rest of the Obligations

Article 314

(1) Upon the request of a bankruptcy creditor, the Bankruptcy Council will refuse to grant a release from the rest of the debtor's obligations if the creditor discovers that the debtor has deliberately violated some of his obligations, which seriously threatened the settlement of the creditors in the Bankruptcy Proceeding.

(2) The Bankruptcy Council will accept the request stated in paragraph 1 of this Article only if the request is submitted within one year after the decision under which the debtor has been released from the rest of his obligations comes into effect, and only if the creditor convinces the Court of the existence of the reasons stated in paragraph 1 of this Article, and that at the time the Court decision came into force the creditor did not know of the existence of that reason.

(3) Before bringing its decision on the request filed, the Bankruptcy Council will hear the debtor and the person appointed a Commissioner. The debtor and the creditor who submitted the request stated in paragraph 1 of this Article can file an appeal against the Court decision within eight days. The Bankruptcy Council in its official capacity will announce the decision that abolishes the release from the rest of the obligations.

Part Nine

SPECIAL TYPES OF BANKRUPTCY PROCEEDINGS FOR A DEBTOR - INDIVIDUAL WITH A STATUS OF A MERCHANT

Chapter One

BANKRUPTCY PROCEEDING OVER THE PROPERTY OF A DECEASED PERSON

Local Competence

Article 315

The Court on the territory where a deceased person (defunct) was a resident, is competent for the Bankruptcy Proceeding opened over the property of this person. If the deceased person had a registered business with a seat in another place, the Court on the territory where the seat is will be competent.

Possibility for Opening of a Bankruptcy Proceeding

Article 316

(1) The fact that the heirs have not yet accepted the inheritance or that they are personally unlimitedly liable for the obligations of the heritage does not influence the opening of a Bankruptcy Proceeding over the property of the deceased.

(2) If there are several heirs, the Bankruptcy Proceeding can also be opened after the division of the inheritance.

(3) No special Bankruptcy Proceeding will be conducted for the different parts of the inherited property.

Persons with a Right to Propose opening of a Bankruptcy Proceeding

Article 317

(1) The heirs, Commissioner, person authorised to manage the property, executor of the will, or a creditor of the property can request that a Bankruptcy Proceeding over the heritage of the deceased be opened.

(2) When a request for opening of a Bankruptcy Proceeding was not filed by all of the heirs, the Bankruptcy Council will accept that request only if it establishes that there are reasons for opening of the Bankruptcy

Proceeding. Before it brings its decision, the Bankruptcy Council will hear the other heirs as well.

(3) When the inheritance is managed by a person who has been appointed an executor of the will of the deceased, the Bankruptcy Council will hear that person, if the proposal for opening of a Bankruptcy Proceeding was filed by an heir; or it will hear the heir, if the proposal was filed by the person appointed to manage the property of the deceased.

Right to Submit Proposal for Opening of a Bankruptcy Proceeding over the Mutual Marital Property

Article 318

(1) If the property of the deceased is a part of a mutual marital property, the proposal for opening of a Bankruptcy Proceeding can be filed by the spouse who is the heir, or by the spouse who is not an heir, but who alone or together with the other spouse manages and disposes of the mutual property of the spouses. No prior permission from the other spouse will be required to file a proposal for opening of a Bankruptcy Proceeding. The spouses will retain the right to file such a proposal even if the marriage was divorced.

(2) If the proposal for opening of a Bankruptcy Proceeding was not filed by both spouses, the Bankruptcy Council will accept this proposal if it is convinced that there are some basic reasons for opening of this Proceeding. Before the Bankruptcy Council reaches its decision, it will hear the spouse who does not agree with the filed proposal for opening of a Bankruptcy Proceeding.

Time Period for Filing of the Proposal for Opening of a Bankruptcy Proceeding

Article 319

A creditor of the property of the deceased can file a proposal for opening of a Bankruptcy Proceeding no later than two years after the acceptance of the inheritance by the heir.

Reasons for Opening of a Bankruptcy Proceeding

Article 320

The insolvency or the overindebtedness of the inheritance will represent a reason for opening of a Bankruptcy Proceeding over the property of the deceased person who had a status of a merchant. Immediate prospective insolvency will also represent a reason for opening

of a Bankruptcy Proceeding over the inheritance of the deceased person if the proposal was filed by an heir, a person that manages the inheritance, a Commissioner, or an executor of the will

Execution Following the Inheritance

Article 321

After the heir has accepted the inheritance, the execution for securing of the inherited property does not provide the right to a separate settlement of the creditor that requested such execution.

Defeating the Legal Actions of the Heirs

Article 322

If, before the opening of a Bankruptcy Proceeding over the inherited property of the deceased, the heir has settled the claims of the other heirs to the share of the inheritance that belongs to them, or the legacy or the post-humus gifts to persons to whom they are addressed, these legal actions undertaken by the heir can be defeated in exactly the same way as the other free dispositions of that heir.

Expenses of the Heir

Article 323

The heir can not refuse to fulfil any of his obligations regarding the inherited property, nor can he request to offset his obligations against his claims from the inherited property under the name of reimbursement of the expenses incurred.

Obligations of the Bankruptcy Estate

Article 324

(1) For the property that comprises the Bankruptcy Estate, the following obligations will be treated as debts related to the Bankruptcy Estate:

1. necessary expenses incurred that should be compensated to the heir of the Bankruptcy Estate;
2. expenses for the funeral of the deceased person;
3. expenses necessarily incurred in relation to the Proceeding for reporting and announcing the death of the deceased person;
4. expenses incurred in relation to the opening and announcement of the will of the deceased person related to the protection and conservation of the inherited property; the commissioning over that inherited property;

publishing the notice to the creditors of the inherited property to submit claims, and to the inventory of that property;

5. the obligations that arise from the legal actions undertaken by the commissioner or by the executor of the will;

6. the obligations arising from the regular management of the inherited property by the commissioner, by the executor of the will, or by the heir who did not accept the inheritance, to a degree to which these obligations would become burden to the creditors of the inherited property if any other person had been appointed to run that property for their account.

(2) In case when there is no property that could comprise the Bankruptcy Estate, the obligations stated in paragraph 1 of this Article have a rank established with Article 220, paragraph 1, item 3 of this Law.

Obligations related to the Inherited Property

Article 325

In the Bankruptcy Proceeding opened over the property of a deceased person, the creditors can report only those claims that relate to that heredity (the property that comprises the Bankruptcy Estate).

Claims of the Heirs

Article 326

(1) The heir can submit claims that he has against the deceased person.

(2) If the heir had fulfilled an obligation of the Bankruptcy Estate, the heir will report his claim against that Bankruptcy Estate as a bankruptcy creditor, unless that heir is not personally unlimitedly liable for the obligations of the Bankruptcy Estate.

(3) If the heir is personally unlimitedly responsible for the obligations of the deceased person to some of the creditors of that heredity, the heir can submit a claim as a creditor in the Bankruptcy Proceeding opened over the property of the deceased person, only if the creditor had not done so.

Claims of Lower Rank

Article 327

(1) The following claims will be settled after the settlement of the claims stated in Article 73 of this Law in the following order, with the fact that equally ranked claims will be settled proportionately to their amount:

1. claims of heirs from the immediate family;

2. claims of the legatees and of the persons entitled to receive posthumous gifts that the deceased person had determined in his will;
3. claims of persons who can take the place of the heirs.

(2) If the deceased person has determined in his will that one legacy will be fulfilled before another legacy, or that one gift will be delivered before another gift, such legacies and gifts will have priority.

Restitution of the Objects

Article 328

(1) The objects returned to the property that comprises the Bankruptcy Estate after defeating the legal action of the heir, or in respect to such defeating, can not be used for settlement of the claims stated in Article 338, paragraph 1 of this Law.

(2) The objects that the heir must return to the property that comprises the Bankruptcy Estate can be claimed by the creditors of the heredity on the basis of the legal provisions that regulate the acquiring without grounds (unfounded enrichment).

Inherited Disputes

Article 329

Articles 334, 335, paragraph 1, item 1 and Article 337, paragraphs 2 and 3 of this Law are applied to the heir, even when according to the provisions that regulate the inheriting, another person replaced him.

Buying of the Heredity

Article 330

(1) If the heir had sold the property of the deceased person, for the purposes of the Bankruptcy Proceeding the buyer of the heredity will replace the heir.

(2) The heir can require an opening of the Bankruptcy Proceeding as a creditor of the heredity for claims of it that arise from a bilateral onerous agreement concluded between the heir and the buyer of the heredity. The heir will also have the same rights in relation to the other claims of the heredity, unless the heir is personally unlimitedly liable for the obligations of that heredity. Articles 334, 335, paragraph 1, item 1, and Article 337 of this Law apply to the heir who sold the heredity even after the sale.

(3) Paragraphs 1 and 2 of this Law also apply to situations in which the person has sold the hereditiy obtained through a contract, or in another way has taken over the obligation to sell the hereditiy obtained by law or in another way.

Concomitant Insolvency of the Heir

Article 331

(1) If, when a Bankruptcy Proceeding is opened over the property of the heir, at the time a Bankruptcy Proceeding over the hereditiy of the deceased person is being heard, Articles 86, 201, 203, 209 and 248, paragraph 1 of this Law apply to the creditors of the hereditiy to whom the heir is personally and unlimitedly liable for the obligations of the hereditiy.

(2) When one of the spouses is an heir, and the hereditiy represents a part of the mutual marital property which is managed only by the other spouse, the provisions of paragraph 1 of this Article will also be applied in a Bankruptcy Proceeding opened over the property of that other spouse. When one spouse is an heir, and the hereditiy represents a part of the mutual marital property which the spouses manage and dispose of mutually and in agreement, the provisions of paragraph 1 of this Article will also be applied in a Bankruptcy Proceeding opened over a mutual marital property and also in a Bankruptcy Proceeding opened over the separate property of the spouse who is not an heir.

Chapter Two

BANKRUPTCY PROCEEDING ON THE BASIS OF MUTUAL PROPERTY OF THE SPOUSES

Instruction for the Bankruptcy Proceeding Opened over the Property of a Deceased Person

Article 332

(1) Articles 326 and 342 of this Law apply to the Bankruptcy Proceeding opened over the mutual property of the spouses accordingly.

(2) Only those creditors whose claims existed as claims of the mutual property of the spouses can appear as creditors in a Bankruptcy Proceeding opened over a mutual marital property.

Chapter Three

BANKRUPTCY PROCEEDING OVER THE MUTUAL MARITAL PROPERTY WHICH BOTH SPOUSES MANAGED AND DISPOSED OF JOINTLY AND IN AGREEMENT

Right to File Request and Grounds for Opening of Bankruptcy Proceeding

Article 333

(1) The opening of a Bankruptcy Proceeding over the mutual property of spouses which was managed jointly and in agreement by both spouses can be requested by any creditor who has the right to require settlement of the obligation from the mutual property of the spouses.

(2) The spouse also has a right to file a request for opening of a Bankruptcy Proceeding over a mutual property. If both spouses did not file the request, the Bankruptcy Council will accept the filed request only if it is convinced of the insolvency of the mutual property. Before the Bankruptcy Council brings its decision, it will hear the other spouse. If both spouses filed the request, immediate prospective insolvency will also represent a ground for opening of a Bankruptcy Proceeding.

Personal Liability of Spouses

Article 334

(1) During the Bankruptcy Proceeding, the personal liability of the spouses for the obligations of the mutual marital property can be requested only by the Bankruptcy Trustee or by the appointed Commissioner.

(2) In a case of a bankruptcy plan, Article 238, paragraph 1 of this Law will apply to the personal liability of the spouses.

Part Ten

BANKRUPTCY PROCEEDINGS WITH A FOREIGN

ELEMENT

Chapter One

INTERNATIONAL COMPETENCE OF A COURT OF REPUBLIC OF MACEDONIA

Exclusive International Competence

Article 335

- (1) The Court of Republic of Macedonia is exclusively competent for conducting a Bankruptcy Proceeding against a debtor whose seat is in the Republic of Macedonia.
- (2) If the debtor – legal entity has a material seat in Republic of Macedonia, and not in the state in which it was founded, it will be considered a domestic legal entity and the Court of Republic of Macedonia will be exclusively competent for the conduct of the Bankruptcy Proceeding against this legal entity.
- (3) The proceeding from paragraph 1 of this Article encompasses the whole property of the debtor, regardless of whether that property is in the Republic of Macedonia or abroad.

International Competence in Respect to a Branch Office of a Foreign Debtor in Republic of Macedonia

Article 336

- (1) The Court of Republic of Macedonia is competent to conduct a Bankruptcy Proceeding against a debtor who has a branch office without the capacity of a legal entity in Republic of Macedonia. The Bankruptcy Proceeding of this paragraph encompasses only the property of the debtor that is in Republic of Macedonia.
- (2) If according to the provisions of paragraph 1 of this Article, several District Courts could be locally competent to conduct the Bankruptcy Proceeding in Republic of Macedonia, then the Court which first received a proposal for opening of a Bankruptcy Proceeding is locally competent.

(3) If the foreign debtor, who has a branch office without the capacity of a legal entity in Republic of Macedonia, is a citizen, or has a seat or a material seat in a state with which there is no mutual verification of the Court decisions regarding Bankruptcy Proceedings, the Court of Republic of Macedonia will be exclusively competent for the conduct of Bankruptcy Proceeding over that debtor in respect to the property of its branch office in Republic of Macedonia.

Chapter Two

RECOGNITION OF A FOREIGN COURT DECISION FOR OPENING OF A BANKRUPTCY PROCEEDING

Application of General Rules for Recognition of a Foreign Court Decision

Article 337

(1) The general rules governing the recognition of the foreign court decisions by Republic of Macedonia apply to the recognition of foreign court decisions for opening of a Bankruptcy Proceeding against a debtor who has a seat in the territory of the Bankruptcy Court.

(2) The provisions of this chapter of the Law apply only if all conditions for recognition of foreign court decisions are fulfilled in accordance with the legislation of Republic of Macedonia, and in particular if:

1. the decision was reached by a competent court;
2. the decision is final and enforceable in the territory where the Bankruptcy Proceeding was opened;
3. the decision is not contrary to the public law and order of Republic of Macedonia established with the Constitution; and if
4. reciprocity exists.

(3) The existence of reciprocity regarding the recognition of foreign court decisions in respect to Bankruptcy Proceedings will not be presumed, and it will be assumed that such reciprocity does not exist until the Ministry of Justice submits an explanation in relation to that. Until the Ministry of Justice of Republic of Macedonia confirms the reciprocity, the absence of reciprocity will represent an obstacle to the recognition of a foreign court decision.

(4) If some of the conditions established with the legislation of Republic of Macedonia for recognition of foreign court decisions, especially reciprocity, do not exist, a foreign court decision brought with regard to a Bankruptcy Proceeding will not be recognised and will be considered that in any related matter the court of Republic of Macedonia has exclusive jurisdiction.

Decision for Recognition of a Foreign Court Decision

Article 338

(1) The decision recognising a decision of a foreign court is announced in the “Official Gazette of Republic Macedonia” in a manner proscribed by this Law for the announcement of the decision for opening of a Bankruptcy Proceeding.

(2) The decision from paragraph 1 of this Article is serviced on the proposer, on the foreign Bankruptcy Trustee, on the bankruptcy debtor, on the banks where the debtor has giro-accounts, and also on the public prosecutor. The decision will also be serviced on the bodies that are in charge of the public records where the rights of the non-moveables (cadastre), register of ships, register of ships under construction, and of aircraft are registered. In their official capacity, these bodies will record the recognition of the foreign decision for opening of the Bankruptcy Proceeding based on the delivered decision.

Effect of a Decision for Recognition

Article 339

With the recognition, the foreign decision is equivalent to a decision of a Court of Republic of Macedonia for opening of a Bankruptcy Proceeding and in Republic of Macedonia it can only have an effect that is in accordance with the domestic bankruptcy law.

Accordant Application of the Provisions of this Law

Article 340

The provisions of this Law apply to the legal position of the foreign debtor, and to the foreign Bankruptcy Trustee accordingly.

**Non-appointment of a New Bankruptcy Trustee
and of a New Board of Creditors**

Article 341

If the foreign court decision about an opening of a Bankruptcy Proceeding over a foreign debtor is recognised, for the parts of the debtor's property that are on the territory of Republic of Macedonia, no new Bankruptcy Trustee will be appointed, nor a Board of Creditors formed in Republic of Macedonia.

Expiry of Time Periods

Article 342

The time periods defined by the Law of Republic of Macedonia begin to expire with the announcement of the decision for recognition.

Part Eleven

**Responsibility for Failure to file a Proposal for
Opening of a Bankruptcy Proceeding on a Timely
Basis**

Article 343

(1) The individuals and bodies authorised to manage, represent and supervise the legal entities will bear personal, joint and several liability for the damages that they have caused to the creditors of the legal entity - debtor if they had not filed a proposal for opening of a Bankruptcy Proceeding although they knew, or should have known, about the insolvency or of the overindebtedness of the legal entity.

(2) The material responsibility for the damages of the individuals and bodies stated in paragraph 1 of this Article does not exclude and does not affect their possible criminal responsibility.

Part Twelve

PUNITIVE PROVISIONS

Article 344

A fine ranging from 10,000 denars to 300,000 denars will be levied against a debtor – legal entity for an offence if:

1. it undertakes some legal action or activity outside the frames of the regular operation, without prior approval from the appointed Commissioner, or if it undertakes legal actions or activities within the frames of the regular operation, but the Commissioner has opposed it (Article 286, paragraph 1); and if
2. it undertakes legal action or activities that are of special meaning to the Bankruptcy Proceeding (Article 287) without prior approval from the Board of Creditors.

A fine ranging from 1,000 denars to 50,000 denars will be levied against the person responsible for the debtor - legal entity for the offences specified in paragraph 1 of this Article.

In addition to the fine specified in paragraph 2 of this Article, the person responsible within the legal entity will be prohibited from conducting responsible work and tasks in duration of three months to one year.

Article 345

A fine ranging from 10,000 denars to 100,000 denars will be levied against the debtor-merchant individual for an offence if:

1. he does not fulfil the obligations designated with Article 306, paragraph 1 of this Law; and
2. he does not make all data and documents concerning the fulfilment of his obligations available, or upon the request of the creditors he does not confirm the credibility and the comprehensiveness of his statements by providing a special separate statement in the minutes, in accordance with Article 307, paragraph 2 of this Law.

A fine ranging from 1,000 denars to 15,000 denars will be levied against the person responsible for the debtor - merchant individual for the offence set out in paragraph 1 of this Article.

Part Thirteen

TRANSITIONAL AND FINAL PROVISIONS

Replacement of the Delivered Fine with Imprisonment

Article 346

Fines levied in accordance with the provisions of this Law that can not be forcibly collected shall be replaced with imprisonment in accordance with the provisions of the Criminal Code.

Application of the Current Law

Article 347

The Bankruptcy Proceeding and the Proceedings of forced settlement and liquidation opened before this Law comes into effect will be concluded in accordance with the rules that were valid up to the day when this Law comes into force.

Application of this Law

Article 348

This Law applies to Bankruptcy Proceedings that will be opened after the date on which this Law begins to be implemented.

Laws that Cease to be Valid

Article 349

Starting with the date when the implementation of this Law begins, the following cease to be valid:

- 1) The Law on Forced Settlement, Bankruptcy and Liquidation ("Official Gazette of SFRY", no. 84/89).
- 2) The provisions from the Law on Financial Operations ("Official Gazette of Republic of Macedonia" no 42/93) which regulate the opening of Bankruptcy Proceedings by the Payment Operations Service.

Coming into Force and Beginning of the Application

Article 350

This Law comes into force on the eighth day following its publication in the "Official Gazette of Republic of Macedonia", and begins to be implemented six months after the day of its coming into force.