

THE LAW OF UKRAINE

ON RESTORING OF THE DEBTOR'S SOLVENCY OR DECLARING IT BANKRUPT

with the amendments and addenda made by the Laws of Ukraine
dtd. June 17, 1993 N 3292-XII,
dtd. February 25, 1994 N 4036-XII,
dtd. March 14, 1995 N 90/95-VR,
dtd. October 14, 1998 N 177-XIV,
dtd. November 18, 1999 N 1240-XIV,
dtd. June 30, 1999 N 784-XIV
(pursuant to the Law of Ukraine dtd. June 30, 1999 N 784-XIV
this Law has a new edition),
dtd. December 21, 2000 N 2181-III,
dtd. January 18, 2001 N 2238-III,
by the Criminal code of Ukraine
dtd. April 5, 2001 N 2341-III
by the Laws of Ukraine
dtd. September 20, 2001 N 2740-III,
dtd. January 10, 2002 N 2922-III,
dtd. March 7, 2002 N 3088-III,
dtd. March 6, 2003 N 594-IV,
dtd. March 6, 2003 N 597-IV,
dtd. April 3, 2003 N 672-IV,
dtd. May 15, 2003 N 762-IV,
dtd. June 10, 2003 N 1096-IV,
dtd. November 20, 2003 N 1294-IV,
dtd. February 17, 2004 N 1499-IV,
dtd. May 12, 2004 N 1713-IV,
dtd. January 18, 2005 N 2354-IV,
dtd. March 3, 2005 N 2453-IV,
dtd. March 3, 2005 N 2454-IV,
dtd. May 31, 2005 N 2597-IV,
dtd. June 23, 2005 N 2711-IV,
dtd. September 6, 2005 N 2801-IV,
dtd. November 17, 2005 N 3108-IV,
dtd. December 15, 2005 N 3201-IV,
dtd. December 22, 2005 N 3273-IV

(Since December 14, 2006 this Law will be amended pursuant to the Law of Ukraine dtd. November 17, 2005 N 3107-IV).

(In this Law text the words "arbitration court", "reviewed by a relevant supervising authority" are substituted accordingly by the words "economic court", "appealed against per the established procedure" pursuant to the Law of Ukraine dtd. March 7, 2002 N 3088-III).

(In this Law text the words "arbitration procedural code of Ukraine" are substituted accordingly by the words "economic procedural code of Ukraine" pursuant to the Law of Ukraine dtd. May 15, 2003 N 762-IV).

This Law establishes conditions and procedures for the restoration of solvency of a debtor subject of business activities, or declaring it bankrupt, and applying the liquidation procedure, satisfying creditors' claims fully or in part.

SECTION I. GENERAL PROVISIONS

Article 1. Definition of terms

For the purposes of this Law, the terms shall be defined as follows:

insolvency - inability of a subject of business activities to fulfill its pecuniary obligations to its creditors, including wage related obligations, by the due date, and to fulfill its obligations regarding payment of insurance fees for compulsory state pension insurance, taxes and duties (obligatory payments), other than through solvency restoration;

(paragraph two of Article 1 as amended by the Law of Ukraine
dtd. November 17, 2005 N 3108-IV)

debtor - a subject of business activities incapable of fulfilling its pecuniary obligations to creditors within three months of the due date, including obligations regarding payment of insurance fees for compulsory state pension insurance, taxes and duties (obligatory payments);

(paragraph three of Article 1 as amended by the Law of Ukraine
dtd. November 17, 2005 N 3108-IV)

bankruptcy – an economic court established inability of the debtor to restore its solvency and fulfill the creditors' claims allowed by the court, other than through liquidation procedure;

subject of bankruptcy (hereinafter referred to as '*bankrupt*') - a debtor whose inability to fulfill its pecuniary obligations has been established by an economic court. Subdivisions of a legal entity operating on a stand-alone basis (subsidiaries, representative offices, branches) shall not be subjects of bankruptcy;

creditor - legal entities and/or natural persons which/who have properly documented claims against the debtor regarding the debtor's pecuniary obligations, back wage obligations to the debtor's employees, as well as state tax authorities and other state agencies overseeing the correctness and timeliness of tax and duties collection (obligatory payments). Competition creditors are creditors that have claims to the debtor that arose before initiation of bankruptcy proceedings, or are allowed as competing claims under this Law, and are unsecured by the debtor's property. Competition creditors are also creditors that have claims to the debtor that arose due to legal succession, provided such claims arose prior to instituting bankruptcy proceedings. Current creditors are creditors that have claims to the debtor that arose after initiation of insolvency proceedings.

(paragraph six of Article 1 as amended by the Law of Ukraine
dtd. March 7, 2002 N 3088-III,
edited as of April 3, 2003 N 672-IV,
amended by the Law of Ukraine
dtd. November 17, 2005 N 3108-IV)

pecuniary obligation - a debtor's obligation to pay the creditor a certain amount of money under a civil law contract, or otherwise as provided for by the Ukrainian Civil Code. The debtor's pecuniary obligations shall not include forfeit (penalties and fines) determined as of the date of the filing of the bankruptcy petition with an economic court, neither shall they include obligations to individuals related to the loss of life and health damage liability, royalty payment related obligations, obligations to the founders (participants) of the debtor legal entity resulting from their participation in the entity's business. The structure and amount of pecuniary obligations, including the amount of debt for goods delivered, work done, and services rendered, the total amount of loans, including interest, to be fulfilled/repaid by the debtor, shall be determined as of the date of the bankruptcy petition filing, unless otherwise provided for by this Law.

(paragraph seven of Article 1 as amended by the Laws of Ukraine
dtd. March 7, 2002 N 3088-III,
April 3, 2003 N 672-IV)

indisputable creditors' claims - creditors' claims accepted as valid by the debtor, or claims based on relevant writs of execution or payment documents which authorize, under the law, collection of funds from the debtor's bank accounts;

pre-trial sanation - a system of measures to restore the debtor's solvency, taken by the owner of the debtor (the agency authorized to manage the debtor's property), an investor in order to prevent the debtor's bankruptcy, through carrying out reorganizational, organizational, economic, managerial, investment, technological, financial, and legal measures consistent with the legislation in effect, before the bankruptcy proceedings are commenced;

administration of the debtor's property - a system of measures to ensure proper supervision and control over the management and administration of the debtor's property and assets, for the purpose of securing the preservation and effective use of the debtor's property assets and making the analysis of the debtor's financial situation;

trustee - a natural person hereunder empowered to supervise and control management and administration of the debtor's property for the duration of bankruptcy proceedings per the procedure established by the Law;

sanation - a system of measures taken in the course of bankruptcy proceedings to prevent the declaring of the debtor bankrupt and the debtor's liquidation, rehabilitate its financial and economic state, and satisfy, fully or partially, creditors' claims, by means of lending, restructuring the enterprise, its debts and/or capital, and/or changing organizational, legal, and production structure of the debtor;

restructuring of an enterprise - carrying out organizational, economic, legal, and technological measures to reorganize an enterprise, specifically through dividing the enterprise and transferring its debt obligations to the legal entity that is not subject to sanation, if this is stipulated by the sanation plan, and also change its management, forms of ownership, organizational and legal forms, which will facilitate the enterprise's financial rehabilitation, increase in the turnout of competitive goods, and efficiency in operating the enterprise and satisfying creditors' claims;

sanation manager - a natural person who organizes the implementation of sanation proceedings of the debtor entity, pursuant to a court of arbitration ruling;

liquidation - termination of operations of a subject of business activities that has been declared bankrupt by an economic court, for the purpose of carrying out measures to satisfy creditors' claims allowed by the court through selling the bankrupt's property;

liquidator - a natural person who carries out, pursuant to an economic court ruling, liquidation of a business entity declared bankrupt, and ensures satisfaction of creditors' claims allowed by the court, as per procedure provided for by this Law;

arbitration manager (trustee, sanation manager, liquidator) – a natural person officially licensed for the job according to the procedure established by the law, and acting pursuant to an economic court ruling.

(paragraph seventeen of Article 1 as amended by the Law of Ukraine dtd. March 7, 2002 N 3088-III)

amicable settlement - an agreement between the debtor, creditor/group of creditors about the deferral of payments and/or payment by installments, or termination of an obligation, based on the relevant agreement by the parties (hereinafter referred to as debt forgiveness);

official publication –newspapers “*Holos Ukrainy*” or “*Uryadovy Kuryer*”;

(paragraph nineteen of Article 1 as amended by the Law of Ukraine dtd. March 7, 2002 N 3088-III)

representative of the bankrupt's employees - a person authorized by a meeting of the bankrupt's employees, providing that the quorum of not less than $\frac{3}{4}$ of the bankrupt's employees is present at the meeting, or by the respective decision of the debtor's trade union lowest body to represent their interests in the course of bankruptcy proceedings with the right of advisory vote;

(paragraph twenty of Article 1 as amended by the Law of Ukraine dtd. July 10, 2003 N 1096-IV)

parties to bankruptcy proceedings are creditors (the creditors committee's representative), the debtor (bankrupt);

participants of bankruptcy proceedings are the parties thereto, the arbitration manager (trustee, sanation manager, liquidation), the debtor's property owner (agency authorized to manage the property), and, whenever applicable under this Law, other persons participating in the bankruptcy proceedings, the State Property Fund of Ukraine, the state agency for bankruptcy affairs, the local self-government body's representative, the debtor's employees' representative;

interested persons with regard to the debtor - a legal entity set up with the participation of the debtor, debtor's manager, members of the debtor's managing bodies, the debtor's chief accountant/an accountant, including those persons who were discharged one year prior to the commencement of bankruptcy proceedings, as well as persons who have family relations with the aforementioned persons and a self-employed debtor (natural person), i.e., spouses and their children, parents, brothers, sisters, and grandchildren. For the purposes of this Law interested persons with regard to the sanation manager or creditors shall be defined as persons qualifying to be on the same list as the list of interested persons with regard to the debtor;

moratorium on satisfying creditors' claims - suspension of the debtor's carrying out its pecuniary obligations, and payment of taxes and duties (obligatory payments) which became due prior to the date of the introduction of the moratorium, and suspension of measures to secure the fulfillment of the said obligations, payment of taxes and duties (obligatory payments) taken prior to the rendering of the ruling to introduce the moratorium;

(paragraph twenty four of Article 1 as edited
by the Laws of Ukraine dtd. March 7, 2002 N 3088-III,
April 3, 2003 N 672-IV)

repaid creditors' claims are satisfied claims, claims with respect to which an agreement has been reached on assigning or modifying obligations, or any other termination, as well as such other claims as are deemed to have been repaid hereunder;

significant deals are the deals related to administration of the debtor's property whose balance sheet value exceeds one percent of the total balance sheet value of the debtor's assets as of the date when the deal is concluded;

deals of interest are those deals the parties to which are the interested persons associated with the debtor, sanation manager or creditors.

Article 2. Powers of the state agency for bankruptcy affairs

1. The state policy as to bankruptcy prevention and securing conditions for the implementation of procedures of restoring the debtor's solvency or declaring it bankrupt, with regard to state enterprises, enterprises with the state-owned stake exceeding twenty-five (25) per cent, and, whenever applicable under this Law, subjects of business activities of other forms of ownership, shall be carried out by the state agency for bankruptcy affairs acting pursuant to the rules adopted in accordance with the established procedure.

2. The state agency for bankruptcy affairs shall:

promote establishment of organizational, economic, and other conditions necessary for the implementation of procedures of restoring the debtor's solvency or declaring it bankrupt;

propose, for consideration by an economic court, candidates for the position of the arbitration manager (trustee, sanation manager, liquidator) at state-owned enterprises or enterprises with state-owned stake exceeding twenty-five (25) per cent, against which a bankruptcy case has been commenced, and in other situations provided by this Law;

set up a training system for arbitration managers (trustees, sanation managers, liquidators);

issue licenses to individual entrepreneurs acting as arbitration managers (trustees, sanation managers, liquidators);

arrange for the implementation of bankruptcy proceedings regarding an absent debtor;

maintain a unified data base on enterprises undergoing bankruptcy proceedings, develop and approve the format in which the arbitration manager must submit information needed to maintain the unified data base on enterprises undergoing bankruptcy proceedings;

make arrangements for carrying out an expert examination of the financial situation of state-owned enterprises and enterprises with the state-owned stake exceeding twenty-five (25) per cent, while preparing for the hearing of the bankruptcy case by an economic court, or in the course of such hearing, should the economic court decide to hold such examination and issue the respective assignment;

report on the existence of indications of a concealed, fictitious, or malicious bankruptcy of state-owned enterprises or enterprises with the state-owned stake exceeding twenty-five (25) per cent, should it be requested to do so by a court, prosecutor's office, or another duly authorized agency;

prepare and submit for approval by the Cabinet of Ministers of Ukraine according to the established procedure standard documents pertaining to the implementation of the bankruptcy procedure;

perform such other functions as stipulated by the law.

Article 3. Measures to prevent a debtor's bankruptcy and out-of-court procedures

1. The founders (members) of a debtor legal entity, its property owner, central agencies of executive power, and local self-government executive agencies shall take adequate and timely measures to prevent the debtor's bankruptcy.
2. The property owner of the debtor state-owned or private enterprise, founders (members) of the debtor legal entity, its creditors, other persons and entities may, as part of efforts to prevent the debtor's bankruptcy, provide the debtor with financial assistance in the amount sufficient to fulfill its obligations to creditors, including obligations in respect of taxes and duties (obligatory payments), and restore the debtor's solvency (pre-trial sanation).
3. Should the financial assistance be provided for the debtor, the latter shall assume certain obligations to persons who rendered such assistance pursuant to the procedure set by the law.
4. Pre-trial sanation of state-owned enterprises shall be funded by state-owned enterprises, as well as from other sources. The amount of funds allocated from the State Budget of Ukraine for pre-trial sanation of state-owned enterprises shall be determined annually by the Law On State Budget of Ukraine.

The conditions for pre-trial sanation of state-owned enterprises conducted at the expense of other sources of funding shall be coordinated with the agency authorized to manage the debtor's property, following the procedures established by the Cabinet of Ministers of Ukraine.

Pre-trial sanation of state owned enterprises shall be implemented in accordance with the legislation at large.

Article 3¹. Arbitration manager

1. Unless otherwise is established by the law, a natural person – subject of business activities that has a university degree in law or economics, possesses special knowledge, and is not an interested party in relation to the debtor and creditors can be appointed to act as arbitration manager (trustee, sanation manager, liquidator).

One and the same person can act as arbitration manager (trustee, sanation manager, liquidator) at all stages of bankruptcy proceedings in accordance with this Law.

2. Arbitration managers act on the basis of the license issued by the State Bankruptcy Agency in accordance with the procedure established by Ukrainian law, if not provided otherwise by this Law.

Revocation of the license of an arbitration manager in the course of performing his duties constitutes grounds for removing him from performing the duties of the arbitration manager in bankruptcy proceedings.

The arbitration manager is removed from performing his duties based on these grounds by an arbitration court ruling.

3. The following cannot be appointed to act as arbitration manager:

persons that are deemed interested under this Law;

persons that were previously managing the debtor-legal entity, except when not less than three years has elapsed from the moment of removal of this person from management of the debtor, except as otherwise provided by this Law;

persons that have been barred to be involved in entrepreneurial activity or occupy managerial positions;

persons that were convicted for committing acquisitive crimes.

Prior to his/her appointment, the arbitration manager shall file a petition with the economic court stating that he/she is not disqualified from service because of belonging to one of the abovementioned categories.

4. The arbitration manager shall have the following rights:

to summon the creditors' meetings and meetings of the creditors' committee and participate in those meetings with an advisory vote;

to apply to the economic court in situations specified by this Law;

to receive compensation in the amount and according to procedures specified by this Law;

to attract the other persons and entities to assist the arbitration manager in performing his/her duties. Services of such persons or entities shall be paid for by the debtor, unless otherwise provided by this Law or an agreement with the creditors ;

to request and receive documents or copies thereof from enterprises, entities, organizations, associations, and private citizens with their consent;

to receive from the state pledge register information on the pledged assets of the debtor;

to file a request with the economic court for an early termination of his/her duties;

to take other actions, provided for by law.

5. The arbitration manager shall be obliged to:

take measures for protection of the debtor's assets;

analyze the financial, economic, and investment activity of the debtor and its market position;

provide the State Agency for Bankruptcy with the necessary data for maintaining the unified data base of bankrupt enterprises and bankruptcy cases with law;

perform the other duties provided for by this Law.

6. When exercising his powers and duties, the arbitration manager shall act reasonably and in good faith, taking into consideration both the debtor's and the creditors' interests.

7. Arbitration manager shall be insured against causing damage to the debtor or the creditors. The procedure for mandatory insurance of arbitration managers is set forth by law.

8. Failure to fulfill or improper fulfillment of his duties by the arbitration manager under this Law that resulted in causing significant damage losses to the debtor or to creditors may constitute grounds for revocation of his license.

The economic court may hand down a ruling on failure to fulfill or improper fulfillment of his duties by the arbitration manager, this ruling shall be submitted to the State Bankruptcy Agency.

9. Failure to fulfill or improper fulfillment of his duties by the arbitration manager under this Law that did not cause the consequences specified in this Article, can constitute grounds for removal of the arbitration manager from performing his duties, of which the economic court shall hand down a ruling.

10. Payment for services and compensation of expenses of arbitration managers (trustee, sanation manager, liquidator) in connection with their duties are made from proceeds from the sale of assets of the debtor according to the procedures stipulated by this Law, or at the expense of the creditors' funds, or from revenues received in the result of business activity of the debtor.

Payment for services of the arbitration manager (trustee, sanation manager, liquidator) for the period from the date of the economic court ruling on initiation of insolvency procedures to the date of the first meeting of the creditors' committee that determines the amount of payment for the services and compensation of expenses of the arbitration manager, is made by the petitioning creditor or the debtor, in the maximum amount defined in this Article.

11. Creditors may create the fund for payment for the services and compensation of expenses and payment of bonuses to the arbitration manager (trustee, sanation manager, liquidator). Creation of the fund and procedure for the use of the fund shall be approved by a ruling of the economic court.
12. Payment for services of the arbitration manager (trustee, sanation manager, liquidator) for every month of performing his/her duties is set and paid in the amount determined by the creditors' committee and approved by the economic court, unless otherwise provided by this Law, but not less than two minimum salaries and not more than the average monthly salary of the debtor's manager for the last twelve months preceding initiation of bankruptcy proceedings.
13. The creditors are entitled to set and pay additional bonuses to the arbitration manager based on his performance, the amount of which is approved by the economic court.
14. The report on the payment for services and compensation of expenses of the arbitration manager is approved by decision of the creditors' committee and ruling of the economic court. This ruling may be appealed against per the established procedure.
15. Health and life of the arbitration manager can be insured at the expense of the creditors in accordance with Ukrainian law.

(the Law is supplemented with Article 3¹ pursuant to
the Law of Ukraine dtd. March 7, 2002 N 3088-III)

Article 4. Judicial procedures applicable to the debtor

1. Under this Law, the following judicial bankruptcy procedures shall be applied to the debtor:
 - the debtor's property administration;
 - an amicable settlement;
 - sanation (restoration of the debtor's solvency);
 - liquidation of a bankrupt.
2. Sanation of a debtor or liquidation of a bankrupt shall be carried out under observation of the legislative requirements on protection of economic competition.

(part two of Article 4 as amended by the Law of Ukraine
dtd. November 20, 2003 N 1294-IV)

Article 5. Legislation governing bankruptcy proceedings

1. Bankruptcy proceedings shall be subject to this Law, the Economic-Procedural Code of Ukraine and other legislative acts of Ukraine.
2. When the court considers a bankruptcy case to declare a bank insolvent (bankrupt), the legislation on restoration of the debtor's solvency or declaring it bankrupt shall be applicable to the extent not contradicting provisions of the law of Ukraine "On Banks and Banking Operation".

(part two of Article 5 as edited by the
Law of Ukraine dtd. January 10, 2002 N 2922-III)

3. Bankruptcy proceedings against certain categories of subjects of business activities shall be conducted with due regard of special provisions set forth in Section VI of this Law.
4. This Law shall apply to legal entities operating in the form of consumer cooperatives, charity or other types of foundations.
5. The sanation and liquidation provisions of this Law shall become applicable to state-owned legal entities listed among those not subject to privatization, if and after they are excluded from the list of such enterprises.
6. Bankruptcy proceedings against mining enterprises (mines, open pits, quarries, drill cores, ore mills, coal mines, concentration mills, coal mining enterprises) with the state-owned stake not less than twenty-five (25) per cent, created in privatization and corporatization process whose stake sale has already started, may be instituted not earlier than a year since commencement of privatization plan fulfillment (stake placement).

(a new part six is supplemented to
Article 5 pursuant to the Law of Ukraine
dtd. March 6, 2003 N 597-IV,
in this connection parts six-nigh
shall be considered parts seven-ten,
part six of Article 5 as edited by the Law of Ukraine
dtd. February 17, 2004 N 1499-IV)

7. This Law shall not apply to legal entities operating as state-aided [military] enterprises.
8. This Law shall not apply to legal entities which constitute communal property, should a specific decision to this effect be made with regard to such entities at a plenary meeting of the local self-government bodies.
9. Bankruptcy proceedings with participation of foreign creditors shall be subject to this Law, unless otherwise provided by Ukraine's international treaties recognized by the Verkhovna Rada of Ukraine as binding.
10. Rulings of foreign courts in bankruptcy cases shall be carried out in Ukraine according to the rules provided by relevant international treaties signed by Ukraine and recognized by the Verkhovna Rada of Ukraine as binding.

Should no relevant international treaty signed by Ukraine appear to apply, foreign court rulings in bankruptcy cases shall be recognized on a reciprocal basis unless otherwise provided by the Law.

SECTION II. BANKRUPTCY PROCEEDINGS

Article 6. Jurisdiction, rights, and grounds for commencement of bankruptcy proceedings.

1. Bankruptcy cases shall be placed under the jurisdiction of economic courts and be heard by a court of arbitration at the debtor's domicile.

2. The right to file a bankruptcy petition with an economic court shall be reserved for the debtor and its creditors.
3. The economic court shall commence bankruptcy proceedings if the total amount of indisputable claims of a creditor/creditors' against the debtor is not less than three hundred (300) statutory minimum monthly salaries, and the said claims have not been satisfied by the debtor within three months of the deadline set for doing so, unless otherwise provided by this Law.

Article 7. Bankruptcy petition

1. A bankruptcy petition shall be filed in writing by the debtor or its creditor, signed by the debtor's or creditor's manager (or other person whose powers are defined by the law or charter documents), by an individual who is a subject of business activities (or its representative), and include the following:

the name of the economic court the petition is filed with;

the name (first name, family name, and patronymic) of the debtor, his/her mailing address;

the name of the creditor, its legal address if the creditor is a legal entity; if the creditor is a natural person, the petition shall include his/her name (first name, family name, and patronymic), place of residence;

the tax payer identification number to identify the creditor as a payer of taxes and dues (compulsory payments);

description of the circumstances confirming the debtor's insolvency, specifics as to the amount of creditors' claims, as well as the due date thereof, fines and penalties, information on the payment document ordering collection of funds from the debtor's bank account or correspondent bank account, and the date when the document was accepted by the bank for execution;

the list of documents enclosed with the petition.

2. In addition to the information required under paragraph 1 of this Article, the debtor's bankruptcy petition shall contain the following:

the amount of creditors' claims in respect of the debtor's pecuniary obligations that is not disputed by the debtor;

the amount of debt on insurance fees for the compulsory state pension insurance under taxes and fees (compulsory payments);

(paragraph three, part two of Article 7 as amended by
the Law of Ukraine dtd. November 11, 2005 N 3108-IV)

the amount of debt in respect of compensation for life and health damages, wages and severance pay owed to the debtor's employees, and royalties;

information concerning the debtor's assets, including cash and receivables;

the names of the debtor's servicing and crediting banks.

3. Enclosed with the debtor's bankruptcy petition shall be the following:

the decision of the debtor's property owner (the agency authorized to manage the debtor's property) directing the debtor to file a bankruptcy petition with an economic court, with the exception of situations provided for in part five of this Article;

(paragraph two, part three of Article 7
as amended by the Law of Ukraine dtd. April 3, 2003 N 672-IV)

the most recent balance sheet signed by the manager and chief accountant of the debtor entity;

the list and full description of the pledged assets, specifying their location and value at the time the right to collateral arose;

minutes of the general meeting of the debtor's employees at which a representative of the employees was elected to participate in the arbitration process during bankruptcy proceedings and in case of impossibility to call such meeting – a conference/meeting resolution of representatives of the debtor's employees;

(paragraph five, part three of Article 7
as amended by the Law of Ukraine dtd. April 3, 2003 N 672-IV)

other documents confirming the debtor's insolvency.

4. The debtor shall file a bankruptcy petition, provided its assets are sufficient to cover anticipated legal costs, unless otherwise provided by this Law.

5. The debtor shall file a bankruptcy petition with an economic court within a period of one month should the following circumstances arise:

satisfying claims of one or several creditors will make it impossible for the debtor to pay the full amount of its debts to the other creditors;

the debtor's governing body, authorized under the debtor's statutory documents or the law to decide on the debtor's liquidation, made the decision to file the debtor's bankruptcy petition with an economic court;

the debtor's out-of-bankruptcy liquidation revealed inability of the debtor to satisfy its creditors' claims in full;

any other circumstances provided by this Law.

6. In the event of a debtor-filed bankruptcy petition, a plan of sanation shall be attached to the debtor's petition.

7. In addition to the information required under part one of this Article, the creditor's petition shall include:

the amount of creditors' claims against the debtor, including fines and penalties to be paid;

description of the circumstances confirming the actuality of the debtor's obligation to the creditor that gave rise to the claim, and the due date of the obligation;

proof of the fact that the amount of allowed claims exceeds three hundred (300) statutory minimum monthly salaries, unless otherwise provided by this Law;

proof of the fact that the creditor's claims are well justified;

other evidence on which the creditor's petition is based.

8. The following shall be attached to the creditor's petition:

orders of the court of general jurisdiction or economic court that has considered the creditor's claims against the debtor;

a copy of the unpaid payment document used, under the law, to effect collection of funds from the debtor's bank account, the bank's communication notifying the debtor of the fact and the date of the document's acceptance for execution, execution documents (writs of execution, notary's writs, etc.), or other documents proving that the debtor accepts creditors' claims;

proof of the fact that the value of the collateral is insufficient to fully satisfy the secured claim, should the sole allowed claim of the petitioning creditor be secured by the debtor's assets.

9. The creditor's petition may be based on the consolidated debt of the debtor under the debtor's various obligations to the creditor.

Creditors shall have the right to combine their claims against the debtor and petition the court collectively. Such petition shall be signed by every creditor of the pool.

During the course of bankruptcy proceedings the interests of all creditors shall be represented by the creditors committee formed pursuant to this Law.

10. If the creditor filing a bankruptcy petition is the state tax agency or other state agencies exercising control over the correctness and timeliness of insurance payments for the compulsory state pension insurance, taxes and dues (obligatory payments), the petition shall be supplemented with proof of the efforts which were made to secure the receipt of overdue obligatory payments in the manner stipulated by the law.

(part ten of Article 7 as amended by
the Law of Ukraine dtd. November 17, 2005 N 3108-IV)

11. At the time of filing his/her bankruptcy petition the creditor shall mail to the debtor copies of
the petition and documents attached thereto.

12. If by the time of the filing of a bankruptcy petition one or more bankruptcy petitions have already been filed against one debtor, the court shall consider all the petitions, including this

last petition filed by a creditor or the debtor.

13. Filing a bankruptcy petition shall require paying the state duty pursuant to Ukrainian laws.

Article 8. Accepting or rejecting a bankruptcy petition

1. An economic court judge shall accept a bankruptcy petition filed in compliance with the requirements of the Economic Procedural Code of Ukraine and this Law.
2. An economic court judge shall reject a bankruptcy petition if:

the debtor is not entered in the Unified State Register of Enterprises and Organizations of Ukraine, or the Register of Subjects of Business Activities;

the debtor in question is a liquidated or reorganized legal entity (except when reorganized in the form of transformation);

a bankruptcy case has already been commenced against the debtor legal entity/the debtor natural person who is a subject of business activities;

the total amount of the petitioning creditors' claims is less than three hundred (300) statutory minimum monthly salaries, unless otherwise provided by this Law;

creditors' claims are fully collateralized.

3. If the petition is rejected, a ruling shall be rendered and corresponding order mailed to the petitioner within five days of the date the petition was filed, along with the petition and documents attached to it.
4. The ruling to reject a petition may be appealed against per the established procedure. If the ruling is canceled, the petition shall be deemed to have been filed on the date of its original filing with the economic court.

Article 9. Dismissal of a bankruptcy petition

1. A judge shall render a ruling to dismiss without consideration a bankruptcy petition and the documents attached thereto within five days of its filing if:

the petition is signed by a person not authorized to do so, or by a person whose position in the company is not specified;

the petition does not contain the full names of the parties, their mailing addresses and other information specified in Article 7 of this Law;

no proof of payment of the state duty in accordance with the established procedure has been provided;

the petitioner failed to meet the deadline set in paragraph three of Article 1 of this Law;

other grounds for the petition dismissal provided by Article 63 of the Economic Procedural

Code of Ukraine are applicable, taking into consideration the requirements of this Law.

2. The dismissal of the petition shall not prevent it from being re-filed with the economic court; the re-filing to be done in accordance with the general procedure after the correction of inconsistencies with the filing requirements.
3. Should several bankruptcy petitions be filed and one of them dismissed without consideration, the judge shall consider the remaining petitions.

The ruling to dismiss a bankruptcy petition without consideration may be appealed against per the established procedure.

Article 10. Withdrawal of a bankruptcy petition

1. A bankruptcy petition may be withdrawn by petitioners before the publishing in an official publication of the announcement about the commencement of bankruptcy proceedings, or after the publishing, provided no other claims have been filed by creditors within 30 days [of the publication].
2. The court may render a ruling allowing the withdrawal of the petition only if such a withdrawal does not infringe upon the rights of the debtor and its creditors.

Article 11. Commencement of bankruptcy proceedings

1. Having accepted a bankruptcy petition, the judge, within five days after the petition was filed, shall render a ruling and mail to the parties and the state agency for bankruptcy affairs the corresponding order on the commencement of bankruptcy proceedings and acceptance of the matter for consideration, activation of the procedure of the debtor's property administration, appointment of the trustee, the date of the preparatory court hearing which hearing shall take place within thirty days of the date the bankruptcy petition was accepted unless otherwise provided by this Law, declaration of a moratorium on satisfying creditors' claims.

Should it be impossible to appoint the trustee at the time the petition is accepted, the judge shall rule on appointing the trustee at the preliminary court hearing.

2. The debtor shall submit a response to the economic court and the petitioner by the date of the preparatory court hearing.
3. The debtor's response shall include:

the debtor's objections to the petitioner's/petitioners' claims;

the overall amount of the debtor's obligations to the creditors, including back wages owed to the debtor's employees, and overdue insurance fees for the compulsory state pension insurance, taxes and duties (obligatory payments);

(paragrapg three, part three of Article 11 as amended by the Law of Ukraine dtd. November 17, 2005 N 3108-IV)

information on the debtor's assets, including funds in the debtor's bank accounts or other lending agencies, as well as mailing addresses of the banks and other financing and lending agencies.

4. At the preparatory hearing the judge shall evaluate the documents submitted to the court, hear the parties' explanations, consider the validity of the debtor's objections.
5. In order to identify all the creditors and those willing to participate in the debtor's sanation, the judge shall render a ruling at the preparatory hearing ordering the petitioner to place a bankruptcy case commencement notice in an official publication; the notice to be placed at the petitioner's expense within ten days of the court ruling rendering. The notice shall contain the full name of the debtor entity, the debtor's legal address, numbers of its bank accounts and other relevant bank particulars, the name and address of the economic court hearing the case, case number, and information about the trustee.
6. Should the debtor be a state-owned enterprise concerning which a decision has been made about its privatization, the judge shall rule to suspend the privatization process pending the completion of bankruptcy proceedings. Copies of the ruling shall be forwarded to the agency administering the debtor's property, the state agency for bankruptcy affairs, and the relevant state privatization agency.
7. In order to ascertain the financial state of the debtor, the judge may issue an order, at the preparatory hearing or during the course of bankruptcy proceedings, to conduct a relevant expert examination. By the court order the expert examination shall be carried out by the state agency for bankruptcy affairs that may use the services of outside experts in accordance with the established procedure.

Should the bankruptcy petition be filed by the debtor itself, the court shall ascertain at its preparatory hearing if there any signs indicative of the debtor's insolvency.

8. The creditor who initiated bankruptcy proceedings shall have the right to file further property claims against the debtor within the term indicated in Article 14 hereof.
9. A secured creditor shall have the right to file claims against the debtor to the value unsecured by collateral, or to the value of the entire claim less potential proceeds from the sale of the collateral, if the value of the collateral is not sufficient to satisfy the creditor's claim in full.
10. In its ruling on the commencement of bankruptcy proceedings the economic court may order the debtor to submit an auditing report or have an audit conducted. Should the debtor lack funds for the above, the economic court may rule to have the audit conducted at the expense of the creditor, but only if the latter consents to it.

Absence of an auditing report shall not cause suspension of bankruptcy proceedings or constitute grounds for their termination.

11. Upon the consideration of the creditor's petition and the debtor's response the preparatory hearing shall render a ruling setting/designating the following:

the amount of claims of the creditors who filed the bankruptcy petition;

the deadline for the trustee compiling the creditors' claims register which shall be compiled and submitted to the economic court for approval within two months and ten days of the date of the preparatory court hearing;

the date of the preliminary court hearing, which shall be within three months of the date of the preparatory court hearing;

the date of convening the first general creditors meeting, which shall be within three months and ten days of the date of the preparatory court hearing;

the date of the court hearing at which a ruling will be made to conduct the debtor's sanation, or declare the debtor bankrupt and commence liquidation proceedings, or terminate the bankruptcy case; the hearing to be held within six months of the date of the preparatory court hearing.

The court shall rule to terminate the bankruptcy case if there are grounds for such termination provided by Article 40 of this Law.

The ruling may be appealed against per the established procedure.

12. The absence of the debtor's response shall not cause suspension of bankruptcy proceedings.
13. Should the petitioner fail to meet the deadline requirement of the economic court ruling regarding the publication of the announcement about the commencement of bankruptcy proceedings, the economic court shall have the right to dismiss the petition without consideration.
14. After the court rules to commence bankruptcy proceedings, the decision on the reorganization or liquidation of the debtor legal entity shall be made in accordance with the procedure provided by this Law.
15. After the bankruptcy proceedings commencement announcement is published in the official print media, any creditor shall have the right, under Article 14 of this Law, to file his/her pecuniary claim against the debtor, irrespective of the due date of the debtor's obligations.
16. Should the petition of the original petitioner is dismissed, the economic court shall consider commencing bankruptcy proceedings based on petitions of other creditors in accordance with the calendar order in which they were filed with the court.

Article 12. Measures to secure satisfaction of creditors' claims and moratorium on satisfying the creditors' claims

1. The economic court, at the request of the parties to or participants in the insolvency proceedings, or on its own initiative, shall be entitled to take measures to secure the creditors' claims.

On the motion of the trustee, or the creditors, or on its own initiative, the economic court may prohibit concluding agreements without consent of the arbitration manager, as well order the debtor to transfer securities, currency valuables, or other assets into a third party's

custody, or may take other measures for the safekeeping of assets, of which a ruling is handed down.

2. During property administration, the economic court has the right to suspend the debtor's manager and delegate his duties to the trustee on motion filed by the participants in the bankruptcy proceedings or by the trustee, which contains information on the impediments created by the debtor's manager to the actions of the trustee, as well as actions of the debtor's manager that violate the rights and legitimate interests of the debtor and the creditors. The economic court shall hand down a ruling on suspension the debtor's manager; this ruling can be appealed against by the debtor's manager per the procedure established by this Law.
3. The measures for securing the creditors' claims shall be applied till the moment of commencement of sanation and appointment of the sanation manager, or till the moment the ruling to declare the debtor bankrupt, commence liquidation, and appoint the liquidator is handed down, or till approval of the amicable settlement agreement by the economic court, or till the moment the ruling on refusal to declare the debtor bankrupt has been handed down.

The economic court also has the right to rescind or alter the measures for securing the creditors' claims before occurrence of these circumstances, of which a ruling is handed down that may be appealed against per the established procedure.

4. The Moratorium on satisfying the creditors' claims shall be introduced at the same time with the initiation of bankruptcy proceedings, which is stated in the economic court ruling.

During action of moratorium on satisfying the creditors' claims:

penalty seizure shall be prohibited on the basis of executive documents and other enforcement documents eligible for seizure pursuant to the law;

forfeit (fine, penalty) shall not be charged, other sanctions shall not be applied for non-fulfillment or unduly fulfillment of monetary obligations and obligations on insurance fee payment for the compulsory state pension insurance, taxes and dues (compulsory payments).

(paragraph four, part four of Article 12 as amended by the Law of Ukraine dtd. November 17, 2005 N 3108-IV)

5. The moratorium shall apply to creditors' claims for compensation of losses arisen in connection with the debtor's rejection to fulfill the obligations per the procedure stipulated by part ten of Article 17 of this Law.
6. The moratorium shall not apply to the payment of wages, alimony, compensation for damage to life or health of individuals, royalties.

(paragraph one, part six of Article 12 as amended by the Law of Ukraine dtd. April 03, 2003 N 672-IV)

The moratorium does not apply to satisfying creditors' claims that are satisfied by the debtor in accordance with the procedure specified in Articles 14 of this Law, or by the sanation manager in accordance with a sanation plan approved by the economic court, or by

the liquidator during liquidation in accordance with the order of priority specified in Article 31 of this Law.

Paragraph three, part six of Article 12 is withdrawn.

(pursuant to the Law of Ukraine
dtd. April 3, 2003 N 672-IV)

Paragraph four, part six of Article 12 is withdrawn.

(pursuant to the Law of Ukraine
dtd. April 3, 2003 N 672-IV)

7. The moratorium shall be terminated upon termination of bankruptcy proceedings.

(Article 12 as edited by the Law of Ukraine
dtd. March 7, 2002 N 3088-III)

Article 13. The trustee

1. The economic court ruling to commence bankruptcy proceedings, or the ruling rendered at the preparatory hearing for the purpose of protecting creditors' property interests, shall contain the decision to introduce the debtor's property administration, and appoint a trustee according to the procedure provided by this Law.

2. The trustee shall be appointed by the economic court from among the persons registered as trustees by the state agency for bankruptcy affairs, the information thereon being forwarded to the High Economic Court of Ukraine in accordance with the established procedure.

Creditors shall have the right to propose their own nominee for the position of the trustee, providing the nominee meets the requirements stipulated by this Law.

3. Unless otherwise provided by this Law, the trustee shall be a natural person who is a subject of business activities, has a University degree in law or business, or relevant expertise, and is not an interested person under Article 1 of this Law in respect of the debtor or its creditors, and has an arbitration manager license issued in accordance with the law.

4. The revocation of a trustee's license in accordance with the law shall constitute grounds for a court of arbitration to rule to dismiss the trustee from performing his/her duties.

5. The following persons may not be appointed as trustees:

persons who were in the past managers of the debtor legal entity, except if no less than three years had passed after they were dismissed as the debtor's managers;

persons who have previous convictions for embezzlement-related crimes.

6. The court ruling on the appointment of a trustee may be appealed against per the established procedure.

7. The trustee shall be appointed for a period not exceeding six months. The court may extend this term or reduce it on the motion of the creditors committee, the trustee, or the debtor's property owner (the agency authorized to manage the debtor's property).

8. The trustee shall have the following rights:

the right to call the creditors meeting and participate in the meeting with an advisory vote;

the right to analyze the debtor's financial state, and give the creditors meeting recommendations as to the measures to secure the debtor's financial rehabilitation;

the right to contact the court in situations specified by this Law;

the right to receive compensation in the amount and per the procedures specified by this Law;

the right to contract specialists to assist the trustee in performing his/her functions, whose specialists' services shall be paid for by the debtor, unless otherwise provided by this Law or a decision of the creditors committee;

the right to lodge a request with the economic court for early termination of his/her duties;

the right to exercise other powers provided by this Law.

9. The trustee shall have the following duties:

to review together with the debtor's officers copies of creditors' pecuniary claim petitions against the debtor filed with the economic court in connection with the bankruptcy case commencement and forwarded to the debtor according to the procedure established by this Law;

to keep the creditors' claims register in accordance with the established procedure;

to notify the creditors about the results of their claims' review by the debtor, specifying whether their claims were entered in the creditors' claims register or rejected by the debtor;

to take measures to protect the debtor's property;

to analyze the debtor's financial, economic and investment activities, and its status at the commodity markets;

to detect signs of false or fraudulent bankruptcy;

to call the creditors meeting;

to provide the state agency for bankruptcy affairs with the information needed to maintain a unified data base of businesses against which bankruptcy proceedings are under way;

to submit to the economic court and the creditors committee the information about the debtor's financial status, proposals as to the possible ways of restoring the debtor's solvency;

to perform other functions specified by this Law.

10. While performing his/her duties the trustee shall act in good faith, prudently, and show regard for the interests of the debtor and its creditors.

The trustee shall be liable under the Ukrainian law for any improper fulfillment of his/her authority.

The powers of the arbitration manager acting as a trustee shall be terminated as of the date an amicable settlement is approved by the economic court, or the sanation manager is appointed, or the liquidator is appointed, unless otherwise stipulated by this Law.

11. After a trustee is appointed and till termination of the property administering, the debtor's managing bodies shall not be entitled without the trustee's consent to make decisions regarding the following actions:

(paragraph one, part eleven of Article 13 as edited by
the Law of Ukraine dtd. April 3. 2003. N 672-IV)

reorganization (merger, incorporation, division, separation, transformation) and liquidation of the debtor;

setting up legal entities or participation in the other legal entities;

setting up branches and representative offices;

paying dividends;

issuing securities by the debtor;

departure of a legal entity from the debtor's company, and buying earlier issued shares from the shareholders.

12. The debtor's managing bodies shall make decisions, by the trustee's consent, regarding the debtor participation in corporations, associations, unions, holding companies, industrial and financial groups, or other associations of legal entities.

13. The debtor's manager or its managing body shall act exclusively with the consent of the trustee when entering into agreements:

whereby real property is leased out, pledged, contributed to a business's charter fund, or administered otherwise;

whereby loans (credits) are obtained or extended, sureties and guarantees are issued, rights to claims are assigned, debt is transferred, and management of the debtor's property is transferred to a trusteeship;

pertaining to the administration of other assets of the debtor, should their balance sheet value exceed one percent of the balance sheet value of all the debtor's assets.

14. The trustee shall not be entitled to interfere in the day-to-day economic activity of the debtor, except for the cases stipulated by this Law.
15. Appointment of a trustee shall not constitute grounds for terminating powers of the debtor's manager or managing body.
16. An economic court shall have the right to terminate the powers of the debtor's manager or other managing bodies vested by the law or the entity's by-laws in case no measures are taken by them to protect the debtor's property, or the trustee's work is obstructed, or other violations of the law occur. In these cases, on the motion of the creditors committee, the economic court shall render a ruling to temporarily assign the debtor's manager's duties to the trustee until a new debtor's manager is appointed per the procedure provided by the law and the entity's by-laws. The court shall render a ruling on termination of the powers of the debtor's manager/managing bodies which may be appealed against per the established procedure.
17. As of the date of termination by the economic court of the powers of the debtor's manager or its managing bodies, the trustee shall, within three days, take over the books and other debtor's documents, seals, stamps, material and other assets.

Article 14. Identifying creditors and persons willing to participate in the debtor's sanation

1. Competition creditors whose claims arose before the date of initiation of bankruptcy proceedings shall file with the economic court written applications with claims to the debtor, along with the documents of proof, within thirty days from the date of publication of notice on initiation of bankruptcy proceedings in the official publication.

Creditors that have claims to pay salary arrears, author's royalties, or alimony, as well as obligations to compensate damage caused to life and health of citizens, shall be entitled to file their applications with claims to the debtor with the economic court, as well as documents of proof.

The creditors shall send copies of their applications and attached documents to the debtor and the trustee.

2. The claims of competition creditors that were filed after expiration of the term for their filing, or that were not filed at all, shall not be considered and be deemed settled, which is stated in the court ruling approving the creditors' claims register. This term is a final bar and is not subject to renewal.
3. By the results of the claims consideration, the debtor together with the trustee shall accept or reject them in full or in part, and shall provide the grounds for rejection, and the trustee shall notify in writing thereof the applicants and the economic court.

The debtor's decision on claim rejection may be appealed against to the economic court that instituted bankruptcy proceedings.

4. Part four of Article 14 is withdrawn

(pursuant to the law of Ukraine
dtd. April 3, 2003, N 672-IV)

5. Applications of creditors with claims to pay salary arrears, author's royalties, alimony as well as obligations to compensate damage caused to life and health of citizens, to which the debtor or the trustee have objections, are considered by the courts of appropriate jurisdiction according to the legislation.
6. Claims of the creditors, recognized by the debtor or by the economic court, shall be entered by the trustee into the creditors' claims register.

The trustee shall separately enter claims of secured creditors into the register in accordance with their applications, and should there be no applications of such creditors – in accordance with the debtor's accounting data, as well as including in the register the data on the collateral in accordance with the State Register of Pledges.

The trustee shall separately enter into the creditors' claims register information on claims to pay wages, royalties, alimony, and compensation for damage to life and health of individuals in accordance with the applications of such creditors and the debtor's accounting data.

7. Natural persons and/or legal entities willing to participate in the debtor's sanation (hereinafter referred to as investors) may submit to the trustee their respective applications to participate in the debtor's sanation and their proposals regarding sanation (sanation plan).

(Article 14 as edited by the Law of Ukraine
dtd. March 7, 2002, N 3088-III)

Article 15. Preliminary hearing of the economic court

1. Preliminary economic court hearing shall be held within three months of the date of the preparatory court hearing. The parties to bankruptcy proceedings, as well as participants thereof recognized as such under this Law, shall be notified of the [time and place of the] preliminary court hearing.
2. At the preliminary hearing, the economic court shall review the creditors' claims register, creditors' petitions regarding pecuniary claims which were disputed by the debtor and not entered by the trustee in the creditors' claims register.

Based on the results of the hearing, the economic court shall render a ruling in which it shall state the amount of creditors' claims it allowed, order the trustee to enter the said claims in the creditors' claims register, and designate the date of the creditors meeting.

The creditors' claims register shall include all claims allowed by the court.

The creditors' claims register shall contain information about each and every creditor, amount of his/her claims in respect of pecuniary obligations or obligations on insurance fee payment for the compulsory state pension insurance, taxes and duties (obligatory payments), order of priority in claims satisfaction for every claim, penalty (fine) amount.

(paragraph four, part two of Article 15
as amended by the Law of Ukraine dtd. November 17, 2005, N 3108-IV)

The ruling shall be used as a basis for determining the number of votes held by each creditor during voting at the creditors' meeting/creditors' committee meeting.

3. The economic court shall forward copies of its ruling to the parties to and participants to bankruptcy proceedings, as well as to the state agency for bankruptcy affairs.

Article 16. Holding the creditors meeting and forming the creditors committee

1. Within ten days of the ruling of the preliminary economic court hearing, the trustee shall notify the creditors whose claims were entered in the creditors' claims register of the time and place of the creditors meeting. The trustee shall organize the meeting.

The participants of the creditors meeting having the casting vote shall be the creditors whose claims were entered into the creditors' claims register. A representative of the debtor's employees and the arbitration manager may participate in the meeting with an advisory vote.

2. The creditors meeting shall be deemed competent regardless of the number of votes belonging to the attending creditors, provided all the creditors were duly notified in writing of the time and place of the meeting under part 1 of this Article. The number of the creditors' votes shall be determined according to part 4 of this Article.
3. A creditors meeting shall be called by the arbitration manager on his/her own initiative, or upon the request of the creditors' committee or other creditors whose claims amount to not less than one-third of the total of all the claims included in the creditors' claims register, or upon the request of the creditors having one third of the total number of creditors' votes.

A creditors meeting requested by the creditors committee or some individual creditors shall be convened by the arbitration manager (trustee, sanation manager, liquidator) within two weeks of the date of receipt of the written request to call the meeting.

The creditors' meeting shall be held at the place of the debtor's principal business.

4. The number of votes any creditor, including state tax agencies and other state agencies exercising control over the correctness and timeliness of insurance fee for the compulsory state pension insurance, tax and duty payments (obligatory payments), has at the creditors meeting shall be calculated pro rata the amount of the creditors' claims included to the creditors' claims register multiple 1,000 UAH.

(part four of Article 16 as amended by
the Law of Ukraine dtd. November 17, 2005, N 3108-IV)

5. The creditors' meeting shall have power to make decisions regarding:

election of the creditors committee members;

determining the number of the creditors committee members, defining the powers of the committee, early termination of the powers of the creditors committee or its individual members;

other issues under this Law.

6. The creditors meeting shall elect the creditors committee to serve for the duration of bankruptcy proceedings; the committee's membership not to exceed seven (7) people.

The voting shall be done for a list of candidates. The creditors committee shall be elected by open ballot by a majority of votes belonging to the creditors present at the meeting, and determined as specified in part 4 of this Article.

7. A copy of the decision to form the creditors committee, as well as the names of its members shall be forwarded to the economic court.

8. The creditors committee shall have power to make decisions regarding the following:

electing the chairman of the committee;

calling the creditors meeting;

preparing and concluding an amicable settlement;

making recommendations to the economic court as to the extension or reduction of the term of the debtor's property administration, or the debtor's sanation;

requesting the economic court to open sanation proceedings, declare the debtor bankrupt and open liquidation proceedings, terminate powers of the arbitration manager (trustee, sanation manager, liquidator) and appoint a new arbitration manager (trustee, sanation manager, liquidator), permit the arbitration manager to conclude significant deals or deals of interest on behalf of the debtor;

other matters governed by this Law.

The arbitration manager, representative of the debtor entity's employees, and, if necessary, representative of the agency authorized to manage the debtor's property, and representative of the local self-government body shall have the right to participate in the committee's work with their respective advisory votes.

9. A decision of the creditors meeting (creditors committee) shall be deemed adopted by a majority vote of the creditors if it was voted for by those creditors present at the creditors meeting (creditors committee) whose number of votes is determined as specified in part 4 of this Article.

Article 17. Rendering a ruling on sanation of the debtor, the appointment of the sanation manager and his/her powers

1. If requested by the creditors committee within the time frame that does not exceed the term of property administration under this Law, the economic court shall have the right to rule to conduct the debtor's sanation and appoint the sanation manager.

(paragraph one, part one of Article 17 as edited by the Law of Ukraine dtd. March 7, 2002, N 3088-III)

The sanation shall be introduced for a period of up to twelve months.

Upon the request of the creditors committee or sanation manager or investors this term may be extended by another six months or reduced.

2. The creditors committee shall make a decision on the approval of the candidate for the position of the sanation manager, choice of investor/investors, approval of the debtor's sanation plan.

The candidate for the sanation manager's office and a potential investor/investors may be recommended to the creditors committee by any creditor, or the representative of the agency authorized to manage the debtor's property. The candidate for the sanation manager's office may be the person who performed the duties of the trustee, or the debtor entity's manager, providing that is agreeable with the creditors committee and/or investors.

3. Concurrently with rendering the ruling on sanation, the economic court shall rule to appoint a sanation manager, provided the sanation manager has a relevant license, with the exception of the situations specified by this Law.

The ruling on commencement of sanation and the appointment of the sanation manager shall take effect since the date of its approval and may be appealed against per the established procedure.

(paragraph two, part three of Article 17
as edited by the Law of Ukraine dtd. March 7, 2002, N 3088-III)

4. As of the date the economic court rules upon the sanation:

the debtor entity's manager shall be suspended under the labor law, and the sanation manager shall take over management of the debtor entity, except for the case stipulated by Article 53 of this Law;

(paragraph two, part four of Article 17 as edited by
the Law of Ukraine dtd. March 7, 2002, N 3088-III)

the powers of the managing bodies of the debtor legal entity shall be terminated and transferred to the sanation manager. Within three days after the sanation ruling is rendered and a sanation manager is appointed, the debtor's managing bodies shall transfer to the sanation manager the accounting books and other documents of the debtor legal entity, its seals, stamps, material and other assets;

(paragraph three, part four of Article 17 as amended
by the Law of Ukraine dtd. April 3, 2003, N 672-IV)

the debtor's property may not be seized and other property management restrictions may be imposed on the debtor within sanation procedure only, unless they prevent to perform the sanation plan and contradict the interests of competition creditors.

(paragraph four, part four of Article 17 as amended
by the Law of Ukraine dtd. April 3, 2003, N 672-IV)

Paragraph five of part four is withdrawn

(pursuant to the Law of Ukraine
dtd. March 7, 2002, N 3088-III)

5. The sanation manager shall have the following powers:

to administer the debtor's property, with the restrictions provided by this Law;

to conclude, on the debtor's behalf, an amicable settlement agreement, labor agreements [employment contracts] and other agreements;

to file petitions on declaring the debtor's agreements invalid.

(part five of Article 17 as edited by the
Law of Ukraine dtd. March 7, 2002, N 3088-III)

6. The sanation manager shall have the following duties:

to take over the administration of the debtor's assets and to inventory them;

to open a special account for the purposes of sanation and making settlements with the creditors;

to draw up a sanation plan of the debtor and submit it for consideration of the creditors' committee;

(paragraph four, part six of Article 17 as edited by the
Law of Ukraine dtd. March 7, 2002, N 3088-III)

to keep accounting and statistical books, and financial records;

to take measures to collect the debtor's receivables; the duty to file claims regarding collection of debts owed to the debtor by its debtors, as well as by the persons that jointly with the debtor have subsidiary (additional) or joint and several liability under law or an agreement they concluded;

(paragraph six, part six of Article 17 as edited by the
Law of Ukraine dtd. March 7, 2002, N 3088-III)

to review creditors' claims in respect of the debtor's obligations which arose after the commencement of the bankruptcy case during the debtor's property administration and sanation;

to make objections, in accordance with the established procedure, to the creditors' claims against the debtor specified in paragraph seven of this part;

to report to the creditors' committee on the progress of the sanation plan implementation;

to notify, within ten days of the economic court relevant ruling, the state agency for bankruptcy affairs of his/her appointment, conclusion of an amicable settlement, sanation plan implementation completion, his/her discharge from his/her duties;

to establish initial value of the property by way of conducting independent appraisal in case of the property alienation in sanation procedure.

(part six of Article 17 is supplemented with a new paragraph eleven
pursuant to the Law of Ukraine dtd. September 6, 2005, N 2801-IV,
in this connection paragraph eleven shall be considered paragraph twelve)

other duties under this Law.

7. The approval of the sanation manager's report or early termination of sanation proceedings shall cause the termination of the arbitration manager's powers in his sanation manager's capacity, which shall be effected through a relevant court ruling.

Should the sanation be terminated before the expiration of its term as a result of the conclusion of an amicable settlement or repayment of the creditors' claims, the sanation manager shall keep exercising the powers of the debtor's manager/managing bodies until a[nother] debtor's manager/managing bodies is/are appointed in accordance with the established procedure.

8. The sanation manager may be discharged from exercising the powers of a sanation manager by the economic court ruling:

on his/her own request;

on the motion of the creditors' committee, should the sanation manager fail to perform or to properly perform his/her functions. In this case the creditors' committee shall recommend another prospective sanation manager, which shall be reflected in a relevant ruling of the economic court.

The ruling of the economic court on the sanation manager's removal may be appealed against per the established procedure, which, however, shall not prevent its enforcement.

9. The owner of the debtor's property/agency authorized to manage the debtor's property may not in any way restrict the sanation manager's powers regarding administration of the debtor's property.

Significant deals and deals of interest shall be concluded by the sanation manager exclusively with the consent of the creditors committee, unless otherwise provided by this Law or the sanation plan.

10. Within three months since the date when sanation was ruled upon, the sanation manager shall have the right to refuse to fulfill the debtor's agreements which had been entered into prior to the commencement of bankruptcy proceedings and failed to be carried out, fully or partially, provided:

fulfillment of the debtor's agreement will cause losses to the debtor;

(paragraph two, part ten of Article 17 as edited by the Law of Ukraine dtd. March 7, 2002, N 3088-III)

the agreement is a long-term one (over 1 year) or is intended to produce positive results for the debtor in the long term, except when the production cycle exceeds the term of the debtor's sanation;

the agreement, if carried out, will give rise to the circumstances preventing the debtor from restoring its solvency.

Within thirty days of the date of the sanation manager's decision to refuse the agreement fulfillment, the other party to the agreement shall have the right to claim, according to the

established procedure and within the framework of bankruptcy proceedings, compensation for the losses caused by the debtor's refusal to honor its agreement.

11. The debtor's agreements, including those concluded prior to the economic court ruling to commence sanation, may be declared null and void by the economic court on the sanation manager's motion, in accordance with the civil laws, in the following cases:

the agreement was concluded between the debtor and interested persons, which resulted, or may result, in damages for the debtor's creditors;

the agreement concluded by the debtor with a certain creditor or another person during the six months prior to the ruling on sanation, gives preference to one creditor over the others, or provides for paying of a part (share) of the debtor's assets to any creditor terminating its participation in the debtor's entity.

Everything received under such agreement shall be returned to the parties.

The sanation manager's petitions requesting the court of arbitration to declare an agreement null and void and have everything received under such agreement returned [to the other party thereof] shall be considered by the economic court in the process of bankruptcy proceedings.

(part eleven of Article 17 as edited by the
Laws of Ukraine dtd. March 7, 2002, N 3088-III.
April 3, 2003 N 672-IV)

12. Part twelve of Article 17 is withdrawn

(pursuant to the Law of Ukraine
dtd. March 7, 2002, N 3088-III)

13. Should the economic court rule to declare the debtor bankrupt and commence its liquidation, the sanation manager shall keep performing his/her duties until the liquidator takes over, or he/she is appointed liquidator in accordance with the procedure provided by this Law.

14. Should bankruptcy proceedings be commenced against a state-owned enterprise, the enterprise's employees shall be given preferential treatment as to the right to lease the enterprise as a going concern, provided they assume the debtor's pecuniary obligations and there is consent of the creditors thereto.

Article 18. Plan of the debtor's sanation

1. Within three months of the date when the court rules to commence the debtor's sanation, the sanation manager shall submit a sanation plan to the creditors' committee for approval, except as otherwise provided by this Law.

The sanation plan shall contain measures aimed at the restoration of the debtor's solvency, and the terms of the participation of investors, if any, in the full or partial satisfaction of creditors' claims, including, but not limited to, transfer of the debt (or a part thereof) to the investor, the deadline and order of priority of the repayment of the debt to the creditors by the

debtor, investor, and the conditions under which he/she becomes liable for failure to fulfill obligations assumed under the plan of sanation.

The sanation plan shall specify the deadline for the restoration of the debtor's solvency. Solvency shall be considered restored unless there are indications of bankruptcy as established by this Law.

Should there be investors willing to participate in the debtor's sanation, the plan of sanation shall be drawn up and approved with the participation of the investors.

The sanation plan may include the following provisions:

(part one of Article 18 is supplemented with paragraph five pursuant to the Law of Ukraine dtd. April 3, 2003 N 672-IV)

fulfillment of the debtor's obligations by the third persons;

(part one of Article 18 is supplemented with paragraph six pursuant to the Law of Ukraine dtd. April 3, 2003 N 672-IV)

exchange of creditors' claims for the debtor's assets and/or his corporate rights;

(part one of Article 18 is supplemented with paragraph seven pursuant to the Law of Ukraine dtd. April 3, 2003 N 672-IV)

satisfaction of the creditors' claims by the other way in compliance with the law.

(part one of Article 18 is supplemented with paragraph eight pursuant to the Law of Ukraine dtd. April 3, 2003 N 672-IV)

2. The sanation plan measures to restore the debtor's solvency may include the following:

restructuring the enterprise;

changing the line of business;

closing down unprofitable operations;

deferring the debt and/or providing for its repayment by installments or partial debt forgiveness (writing off the debt), regarding which an amicable settlement shall be concluded;

collecting receivables;

restructuring the debtor's assets in line with this Law;

(part two of Article 18 is supplemented with a new paragraph seven pursuant to the Law of Ukraine dtd. April 3, 2003 N 672-IV, in this connection, paragraphs seven-thirteen shall be considered respectively paragraphs eight-fourteen)

selling off a part of the debtor's assets;

the investor assuming an obligation to repay the debtor's debt (or a part thereof) by way of having the debt (or a part thereof) transferred to the investor; the investor assuming the responsibility for failure to fulfill the obligations taken upon himself/herself;

fulfilling debtor's obligations by the owner of the debtor's property, or by the investor, and their responsibility for failure to fulfill the obligations taken upon themselves;

selling the debtor's assets as a going concern (for non-state-owned enterprises);

obtaining a loan for paying the severance pay to the debtor's employees who are terminated under the sanation plan; the loan to be repaid in the first order of priority, under Article 31 of this Law, through proceeds from the realization of the debtor's property;

terminating those of the debtor's employees who become redundant in the context of the sanation plan implementation. In this case the severance pay shall be paid by the investor, or, should there be no investor, through proceeds from the realization of the debtor's property, or funds coming from the loan obtained for this purpose;

other ways of restoring the debtor's solvency.

3. If the investor/investors meets/meet his/their obligations under the plan of sanation, the investor/investors may gain ownership rights to the debtor's property in accordance with the law and the plan of sanation.
4. The sanation plan shall be considered by the creditors committee at its meeting to be called by the sanation manager within four months of the date the economic court rules to commence sanation, unless otherwise provided by this Law. The sanation manager shall notify the creditors committee members in writing of the time and place of the creditors committee meeting, and, two weeks prior to the creditors committee meeting, provide the committee members with an opportunity to familiarize themselves with the sanation plan.

The sanation plan shall be deemed approved if it receives a simple majority of the votes of the creditors committee members.

5. The creditors committee may make one of the following decisions:

express its favorable opinion of the sanation plan and submit the plan to the economic court for approval;

reject the sanation plan and request that the economic court declare the debtor bankrupt and commence liquidation proceedings;

reject the sanation plan, and request that the economic court remove the sanation manager and appoint a new sanation manager. This decision shall contain the date of the next creditors committee meeting to be convened to examine a new sanation plan, which shall take place within one month of the date of the decision to reject the sanation plan.

The sanation plan favorably reviewed by the creditors committee, along with the minutes of the creditors committee meeting, shall be submitted by the sanation manager to

the economic court for approval no later than five days after the creditors committee meeting takes place. The special opinion of those creditors who voted against the procedure and deadlines of debt repayment may be expressed in the minutes of the creditors committee meeting.

Should the debtor entity be a business whose assets are more than fifty (50) percent state-owned, the sanation manager shall secure the advance agreement to the plan of the debtor's sanation by the owner and/or agency authorized to manage state-owned property.

The economic court shall render a ruling to approve the plan of the debtor's sanation, which ruling may be appealed against per the established procedure.

6. If no plan of the debtor's sanation is submitted to the economic court within six months after it rules to commence sanation, the economic court shall have the right to declare the debtor bankrupt and commence its liquidation in accordance with this Law.

If the creditors committee favorably reviews a sanation plan that requires more time than originally established, the economic court shall extend the period of sanation if there are grounds to believe that extension of the sanation period and implementation of the sanation plan will result in restoration of the debtor's solvency.

7. The sanation manager shall report to the creditors committee on a quarterly basis.
8. If during the course of sanation the parties violate the terms of any agreement concluded by them under the plan of sanation, protection of the right that had arisen in connection with the sanation implementation and was infringed upon as a result of the said violation shall be provided within the framework of bankruptcy proceedings.

Article 19. Selling the property in the course of the debtor's sanation as a going concern.

1. In order to satisfy creditors' claims and restore the debtor's solvency, the sanation plan may provide for the sale of the property of a non-state-owned debtor entity as a going concern. Measures to satisfy creditors' claims for the assets which are to be sold under the sanation plan shall be canceled by a relevant ruling of the economic court.
2. When the property of a non-state-owned debtor entity is sold as a going concern, all the assets that the debtor uses in its business activities shall be alienated according to the established procedure, including buildings, structures, equipment, inventory, raw materials, products, rights of claims, rights of marks that individualize the debtor and its products/works/services, trade name, logotypes identifying the entity's products and services, other rights belonging to the debtor, with the exception of the rights and duties that may not be transferred to other persons.
3. When the property of a not-state-owned debtor entity is sold as a going concern in accordance with the provisions of this Article, the debtor's pecuniary obligations and obligations in respect of insurance fees for the compulsory state pension insurance, tax and duty payments (obligatory payments) which existed as of the date of the acceptance of the bankruptcy petition by the economic court shall not be counted as part of the debtor entity's assets.

(part three of Article 19 as amended by the Law of Ukraine

dtd. November 17, 2005, N 3108-IV)

4. When the property of a non-state-owned debtor entity is sold as a going concern, all the labor agreements (contracts) concluded prior to the date of the debtor's property's sale as a going concern shall remain valid, and the employer's powers and duties shall be taken over by the buyer of the debtor's property.
5. The proceeds from the sale of the property of a non-state-owned debtor entity as a going concern shall be included into the debtor entity's assets.
6. The property of a non-state-owned debtor entity shall be sold as a going concern at an open sale, unless otherwise provided by the sanation plan; the sale to be made in accordance with the procedure established by the Ukrainian legislation and with due regard for special features provided by this Law.

The sanation manager shall act as the sale organizer or engage a specialized agency for this purpose. The specialized agency shall not be an interested person with regard to any creditor or the debtor.

7. The sanation manager shall publish an announcement in the official publications about an open sale of the property of the non-state-owned entity as a going concern thirty days prior to the date of the sale.
8. The announcement on the sale of the property of a non-state-owned debtor entity as a going concern shall contain:

information on the property to be sold as a going concern and procedure of securing a tour of the facilities, the deadline for submitting requests for the purchase of the property as a going concern, which shall not be later than one month after the date of the publication of the announcement;

time, place, and form of the sale;

procedure of filing the participation in the sale;

the starting price of the property to be sold as a going concern, set pursuant to the law on valuation of property, property rights and professional appraisal operation;

(paragraph five, part eight of Article 19 as edited by
the Law of Ukraine dtd. September 6, 2005, N 2801-IV)

amount of the down payment, the deadline and procedure for making the down payment;

procedure of documenting results of the sale.

9. Should no more than one application to purchase the debtor's property as a going concern be submitted within the period of time indicated in the announcement, there shall be no open sale. With the consent of the creditors committee the property put up for sale as a going concern may be sold to such applicant without holding an additional sale.
10. The sale shall have the form of an auction, unless otherwise provided by this Law.

The person who wins the auction and the sanation manager shall sign a protocol on the day when the auction is held. The protocol shall specify the terms and conditions of the sale and purchase of the property as a going concern. The relevant sale and purchase agreement shall be concluded.

Should the sale be held in the form of a contest sale, the terms and conditions of the contest sale shall be agreed with the creditors committee.

Should the sale be held in the form of a contest sale, a purchase agreement on buying the property as a going concern shall be signed within fifteen (15) days of the date of the sale, based on the protocol signed by the contest sale winner and the sale organizer on the day when the contest sale was held.

11. Should the sale winner refuse to sign the aforementioned protocol or the purchase and sale agreement, the amount of the down payment made by this person shall be included into the debtor's property treated as a going concern less the sum covering the sale organizer's sale-related expenses.

Should the debtor satisfy creditors' claims in full out of the proceeds from the sale of the debtor's property as a going concern, the economic court shall terminate the bankruptcy proceedings on the motion of the sanation manager.

12. Should the proceeds of the sale of the debtor's property as a going concern be insufficient to satisfy the creditors' claims in full, the sanation manager shall propose an amicable settlement to the creditors.

Should it be impossible to reach an amicable settlement, the economic court shall rule to declare the debtor bankrupt and commence liquidation procedure.

The sanation manager shall not make any settlement payments to the creditors until an amicable settlement is reached or until the court of arbitration rules to satisfy creditors' claims.

Article 20. Selling a part of the debtor's property in the course of sanation

1. With a view to securing the restoration of the debtor's solvency the plan of sanation may provide for the selling of a part of the debtor's property at an open sale. After the debtor's assets undergo an inventory and valuation, the sanation manager shall have the right to start selling a part of the debtor's property at an open sale, unless otherwise provided by the sanation plan. The economic court shall render a ruling to cancel those measures aimed at securing satisfaction of creditors' claims which involve the part of the debtor's property to be realized under the plan of sanation.
2. The debtor's assets subject to restrictions as to their circulation shall be sold at closed sales. Persons who have the right to own or possess such assets in accordance with the law shall have the right to participate in closed sales.

The realization of a part of the property of a state-owned debtor entity under the sanation plan shall be done according to the privatization legislation and with due regard for the specific features provided by this Law.

3. The starting price of the debtor's assets which are put up for sale shall be set in accordance with the Law of Ukraine "On valuation of property, property rights and professional appraisal activity" and other regulations.

(part three of Article 20 as edited by
the Law of Ukraine dtd. September 6, 2005, N 2801-IV)

4. The sale winner shall pay the sale price for the debtor's assets within the period of time specified in the protocol or the purchase and sale agreement, which period shall not exceed a month after the date of the sale.
5. The debtor's assets not sold at the initial sale shall be put up for the second sale, unless otherwise provided by the sanation plan. The assets not sold at the second sale may be realized by the sanation manager, with the consent of the creditors, on the basis of a purchase and sale agreement concluded without holding a sale.

Article 21. The sanation manager's report

1. The sanation manager shall submit a written report to the creditors meeting fifteen days prior to the completion of sanation, or if there are reasons for an early termination of sanation proceedings. The sanation manager shall also notify the creditors of the time and place of the meeting.

(part one of Article 21 as edited
by the Law of Ukraine dtd. April 3, 2003 N 672-IV,

2. The sanation manager's report shall contain:

the debtor's most recent balance sheet ;

the debtor's profits and losses statement;

information on the debtor's available cash that can be used to satisfy its creditors' claims;

information on the debtor's receivables as of the date of the report's submission, and information on the debtor's remaining claim rights; and

information on the debtor's payables as of the date of the report's submission.

(paragraph six, part two of Article 21 as edited by
the Law of Ukraine dtd. March 7, 2002, N 3088-III)

3. The sanation manager's report shall be supplemented with the proof of satisfying the competition creditors' claims in accordance with the register.

(paragraph one, part three of Article 21 as edited by
the Law of Ukraine dtd. March 7, 2002, N 3088-III)

At the time of submitting the report the sanation manager shall also make one of the following suggestions to the creditors meeting:

(paragraph two, part three of Article 21 as edited by the Law of Ukraine dtd. April 3, 2003, N 672-IV)

to make a decision ordering early termination of sanation proceedings because of the debtor's regaining its solvency;

to make a decision ordering termination of sanation and signing of amicable settlement agreement;

(paragraph four, part three of Article 21 as edited by the Law of Ukraine dtd. March 7, 2002, N 3088-III)

to request that the economic court extend sanation;

to request that the economic court declare the debtor bankrupt and commence its liquidation.

4. The sanation manager's report shall be reviewed by the creditors' committee meeting no later than ten (10) days after its receipt.

(part four of Article 21 as edited by the Law of Ukraine dtd. March 7, 2002, N 3088-III)

5. Upon reviewing the sanation manager's report the creditors meeting shall make one of the following decisions to apply to the economic court requesting the following:

that the economic court terminate sanation proceedings because of fulfillment of sanation plan and the debtor's regaining its solvency;

that the economic court extend the statutory term of sanation;

to request that the economic court terminate sanation, declare the debtor bankrupt and commence its liquidation;

to terminate sanation and conclude an amicable settlement.

Should there arise circumstances that serve the ground for termination of sanation, the creditors' committee may make an appropriate decision in absence of sanation manager's report.

(part five of Article 21 as edited by the Law of Ukraine dtd. March 7, 2002, N 3088-III)

6. Should the creditors meeting fail to make any of these decisions, or should it fail to submit the decision to the economic court within fifteen days of the expiration of the term of sanation proceedings or after the grounds arose for its early termination, the economic court shall consider ruling to declare the debtor bankrupt and commence its liquidation in accordance with the procedure provided by this Law.

(part six of Article 21 as amended by the Law of Ukraine dtd. April 3, 2003, N 672-IV)

7. The sanation manager's report that has been reviewed by the creditors meeting and the minutes of the creditors meeting shall be submitted to the economic court within five days of the date when the creditors meeting was held.

(paragraph one, part seven of Article 21 as amended by
the Law of Ukraine dtd. April 3, 2003, N 672-IV)

The sanation manager's report shall be supplemented with the register of creditors' claims, and, if any, complaints of the creditors who voted against the decision made by the creditors' meeting or did not vote at all.

(paragraph two, part seven of Article 21 as amended by
the Law of Ukraine dtd. April 3, 2003, N 672-IV)

8. The sanation manager's report and the creditors' complaints shall be considered at the economic court hearing. The sanation manager and the complaining creditors shall be notified of the time and place of the hearing.
9. Should the creditors meeting decide to terminate sanation proceedings because of fulfillment of sanation plan and the debtor's regaining its solvency, the sanation manager's report shall be approved by the economic court unless otherwise provided by this Law.

Should the economic court establish that the creditors' complaints are well grounded, it can refuse to approve the sanation manager's report.

(part nine of Article 21 as edited by
the Law of Ukraine dtd. March 7, 2002, N 3088-III)

10. The court of arbitration shall render a ruling on the approval of the sanation manager's report, or refusal to approve the said report, or extension of the term of sanation proceedings, or approval of an amicable settlement. The ruling of the court may be appealed against per the established procedure.
11. In case the creditors' committee did not submit a petition to extend the terms stipulated by the sanation plan and respective amendments are made to the sanation plan, the economic court may rule to declare the debtor bankrupt and commence its liquidation should settlements with the creditors are not made within the terms stipulated by the sanation plan.

(part eleven of Article 21 as amended by
the Law of Ukraine dtd. April 3, 2003, N 672-IV)

12. Settlements with the creditors whose claims were entered into the claims register are made by the sanation manager starting from the date stated in the sanation plan approved by the economic court in accordance with the order of priority established by Article 31 of this Law.

(part twelve of Article 21 as edited by
the Law of Ukraine dtd. March 7, 2002, N 3088-III)

Should payments to the creditors fail to be made within the time specified in the sanation plan, the court of arbitration shall declare the debtor bankrupt and commence liquidation.

13. Part thirteen of Article 21 is withdrawn.

(part thirteen of Article 21 as edited by the Law of Ukraine dtd. March 7, 2002, N 3088-III, is withdrawn pursuant to the law of Ukraine dtd. April 3, 2003, N 672-IV)

14. Part fourteen of Article 21 is withdrawn.

(pursuant to the law of Ukraine dtd. March 7, 2002, N 3088-III)

15. Part fifteen of Article 21 is withdrawn.

(pursuant to the law of Ukraine dtd. March 7, 2002, N 3088-III)

16. Copies of the economic court ruling and sanation manager's report shall be forwarded to the state agency for bankruptcy affairs.

SECTION III. LIQUIDATION

Article 22. Ruling on declaring the debtor bankrupt and commencing liquidation

1. Whenever applicable under this Law, the economic court shall render a ruling to declare the debtor bankrupt and commence liquidation proceedings.
2. The liquidation proceedings term shall not exceed twelve months. The economic court may extend this term by six months, unless otherwise provided by this Law.

Article 23. Implications of the declaration of bankruptcy

1. As of the date when the economic court rules to declare the debtor bankrupt and commence liquidation:

the bankrupt's business activity shall discontinue upon the completion of the production cycle to manufacture product which will be salable;

the due date of all the bankrupt's pecuniary obligations and the obligation to pay insurance fees for the compulsory state pension insurance, taxes and duties (obligatory payments) shall be deemed to have arrived;

(paragraph three part one of Article 23 as amended by the Law of Ukraine dtd. November 17, 2005, N 3108-IV)

the accrual of fines, penalties, interest in respect of all the bankrupt's debts, and sums related to other economic sanctions imposed on the debtor shall be terminated;

information on the bankrupt's financial state shall no longer be treated as confidential or a commercial secret;

agreements involving alienation of the bankrupt's property or transfer of the said property to third parties shall be allowed to the extent indicated in this Section;

the seizure of the debtor-declared-bankrupt's assets or other restrictions with regard to management of the bankrupt's assets shall be lifted. No new seizure or other restrictions with regard to management of the debtor's assets shall be allowed;

claims in respect of the bankrupt's obligations which arose during bankruptcy proceedings shall be filed exclusively within the framework of liquidation proceedings;

the bankrupt shall only be allowed to discharge its obligations on the occasions and according to the procedure provided by this Section.

2. As of the date of the economic court ruling to declare the debtor bankrupt and commence liquidation, the bankrupt's managing bodies shall be removed as administrators and managers of the bankrupt's assets, unless it was done earlier, and the bankrupt's manager shall be discharged from the office in connection with bankruptcy, which shall be duly recorded in his/her employment record, and the powers of the property owner/owners shall be terminated, unless it was done earlier.
3. The liquidator shall place a notice in the official publications of the declaration of the debtor bankrupt and commencement of liquidation proceedings; the notice to be placed within five days of the economic court ruling to declare the debtor bankrupt, and paid for by the bankrupt.
4. Until the day the economic court rules to declare the debtor bankrupt, no information on the debtor's bankruptcy may be published or otherwise made public.
5. The notice of the declaration of the debtor bankrupt and commencement of liquidation proceedings shall include:

the name and other particulars of the debtor declared bankrupt;

the name of the economic court that is hearing the bankruptcy case;

the date the economic court rendered the ruling to declare the debtor bankrupt and commence liquidation;

information on the liquidator (liquidation commission).

Article 24. Functions of the economic court in liquidation

1. By the ruling declaring the debtor bankrupt and commencing liquidation proceedings the economic court shall also appoint a liquidator according to the procedure provided for appointing the sanation manager.

The economic court shall have the right to appoint liquidator the person who fulfilled the duties of the trustee and/or the sanation manager of the debtor.

2. The economic court shall appoint members of the liquidation commission on the motion of the liquidator consented to by the creditors committee. In the event of the liquidation of a state-owned enterprise or an enterprise with a state-owned equity exceeding twenty-five (25) percent, the economic court shall appoint representatives of the state agency for bankruptcy affairs and, if necessary, local self-government body to sit on the liquidation commission.
3. The liquidator (liquidation commission) shall exercise his/her (it) powers until the end of the liquidation and in accordance with the procedures provided by this Law and other regulatory documents.
4. During the course of liquidation the economic court shall:

render rulings pertaining to complaints about actions of the participants of liquidation;

exercise other powers provided by this Law.

Article 25. Powers of the liquidator and members of the liquidation commission

1. As of the day of his/her appointment the liquidator shall have the power to:

take charge of the debtor's property and take measures for the protection thereof;

perform the functions of managing and administering the debtor's property;

inventory and value the bankrupt's property in accordance with the legislation in effect;

analyze the bankrupt's financial state;

exercise powers of the bankrupt's manager (managing bodies);

head the liquidation commission and form the liquidation stock;

file claims against third parties for the repayment of their debts to the bankrupt;

obtain loans for the purpose of paying the severance pay to the employees dismissed as a result of the bankrupt's liquidation; the loan to be repaid in the first order of priority, under Article 31 of this Law, out of the proceeds from the realization of the bankrupt's assets;

as of the day of the ruling to declare the debtor bankrupt and commence its liquidation, notify the bankrupt's employees of their imminent dismissal, and discharge them from their duties in accordance with the labor laws of Ukraine. Severance payments to the dismissed employees of the bankrupt shall be effected by the liquidator in the first order of priority out of the proceeds from the realization of the bankrupt's assets, or the loan funds obtained for this purpose;

in accordance with the established procedure, make his/her objections to the current creditors' claims against the debtor under obligations that arose during bankruptcy proceedings and were not discharged;

(paragraph eleven, part one of Article 25 as edited by the Law of Ukraine dtd. March 7, 2002, N 3088-III)

files petition with the economic court requesting to find the debtor's agreements void in accordance with the procedure set forth in Article 17 of this Law;

(paragraph twelve, part one of Article 25 as edited by the Law of Ukraine dtd. March 7, 2002, N 3088-III)

take measures to identify, locate and recover the bankrupt's assets held by third parties;

transfer for safekeeping, under the established procedure, the bankrupt's documents with regard to which there are statutory safekeeping requirements;

realize the bankrupt's property in order to satisfy creditors' claims entered in the creditors' claims register according to the procedure provided by this Law;

within ten days of the economic court's ruling of his/her appointment, notify the state agency for bankruptcy affairs of the appointment, and furnish to the state agency for bankruptcy affairs all the information required for maintaining a unified data base on bankrupt enterprises;

exercise other powers provided by this Law.

2. Within fifteen days of the appointment of the liquidator the bankrupt's officers shall transfer to the liquidator the accounting books and other documents of the bankrupt legal entity, its seals, stamps, material and other valuables. Should the bankrupt's officers attempt to avoid complying with this requirement, they shall be held liable for it in accordance with the law.

(paragraph one, part two of Article 25 as edited by the Law of Ukraine dtd. March 7, 2002, N 3088-III)

Since the day of his/her appointment the liquidator shall have the powers of the manager (managing body) of the bankrupt legal entity.

The arbitration manager shall have the right to have the seal and stamp duplicates made, should the original ones be lost.

3. The liquidation commission shall consist of the representatives of creditors, fiscal authorities, and, if necessary, representatives of the National Insurance Oversight Agency, the Antimonopoly Committee of Ukraine, the state agency for bankruptcy affairs (should the entity declared bankrupt be a state-owned enterprise), and representative of the local self-government body.
4. Appeals as to actions of the liquidator (liquidation commission) may be lodged with the economic court by the owner of the bankrupt's property/agency authorized to manage the bankrupt's property, or by a person liable for obligations of the bankrupt entity, or by individual creditors severally or by the creditors committee, or by a person who, citing his/her ownership title or other right under the law or contract, disputes the legitimacy of treating his/her real assets or cash as part of the liquidation stock.

5. The liquidator may, in the discharge of his/her duties, file claims against third parties which have, under the laws of Ukraine, subsidiary liability for obligations of the debtor gone bankrupt as a result of malicious bankruptcy. The amount of the said claims shall be determined by assessing the difference between the creditors' claims and the liquidation stock.

The sums collected shall be included in the liquidation stock and may be used solely for the purpose of satisfying creditors' claims in the order of priority provided by this Law.

Article 26. Liquidation stock (bankruptcy estate)

1. The liquidation stock shall comprise all kinds of the bankrupt's property assets (property and property rights) owned by the bankrupt as of the date of the commencement of liquidation proceedings, and/or those identified as belonging to the bankrupt in the course thereof, with the exception of housing stock objects, including hostels, pre-school institutions for children, and municipal infrastructure facilities, which in the event of bankruptcy of an enterprise shall be transferred to the communal property of relevant communities in accordance with the applicable law and without any additional conditions, and be funded according to the established procedure.

(part one of Article 26 as amended by
the Law of Ukraine dtd. March 37, 2005, N 2453-IV)

2. Generically determined items in rightful possession or use of the bankrupt entity shall be included into the liquidation stock.

Mortgaged property of the bankrupt entity shall be included into the liquidation stock but be used exclusively for the first priority satisfaction of claims lodged by the mortgagee.

3. Individually determined items possessed by the bankrupt entity based on proprietary rights other than the right to ownership or unlimited economic administration, shall not be included into the liquidation stock.
4. Should the bankrupt's property contain assets excluded from circulation, the liquidator shall transfer them to other parties according to the established procedure.
5. Should the liquidator identify the bankrupt's equity in the joint property co-owned by the bankrupt, he/she, pursuing the goal of satisfying creditors' claims, shall raise an issue of having the equity shared out [back to the bankrupt].
6. Assets included into the mortgage coverage of mortgage bonds shall not be part of the liquidation stock of the mortgage bond issuer and mortgage coverage administrator. Alienation of these assets, including forced one, shall be performed per the procedure stipulated by the Law of Ukraine "On Mortgage Bonds".

(Article 26 is supplemented with part six pursuant to the
Law of Ukraine dtd. December 22, 2005, N 3273-IV)

Article 27 is withdrawn

(pursuant to the Law of Ukraine
dtd. March 7, 2002, N 3088-III)

Article 28 is withdrawn

(pursuant to the Law of Ukraine
dtd. March 7, 2002, N 3088-III)

Article 29. Valuation of the bankrupt's property

1. Property to be seized in liquidation shall be valued by the arbitration manager in accordance with the procedure provided by the law of Ukraine on valuation of property, property rights and professional appraisal activity.

For the property to be sold at an auction its appraised value shall serve as the starting bidding price.

(part one of Article 29 as edited by
the Law of Ukraine dtd. September 6, 2005, N 2801-IV)

2. To value the debtor's property, the liquidator shall have the right to hire on a contractual basis the subjects of valuation activity – the subjects of economy, and pay for their services out of the money generated as a result production activities of the debtor declared bankrupt, or proceeds from the realization of its property, unless otherwise provided by the creditors committee.

(part two of Article 29 as amended by
the Law of Ukraine dtd. September 6, 2005, N 2801-IV)

Article 30. Sale of the bankrupt's property

1. Having carried out an inventory and valuation of the bankrupt's property, the liquidator shall commence selling the bankrupt's property at an open sale, unless otherwise provided by the creditors committee.
2. The liquidator shall give notice through the mass media of the procedure for the sale of the bankrupt's property, describing the composition thereof, terms and conditions under which the property may be purchased. The procedure for the sale of the bankrupt's property, itemized list of the property, terms and conditions for purchasing the property shall be agreed to by the creditors committee. Sale of the property of state-owned bankrupt enterprises shall be conducted with due regard for the requirements of the Law of Ukraine “On Privatization of State-Owned Property” and other legislative acts on privatization.
3. Should there be two or more offers to buy the bankrupt's property, the liquidator shall conduct a tender (auction sale). The procedure for conducting such tender (auction sale) shall be established in accordance with the Law of Ukraine “On Privatization of Small State-Owned Enterprises (On Small Privatization).

4. The bankrupt's property subject to restrictions as to its circulation shall be sold at closed sales to the persons who under the law have the right to own such property or have it in possession based on other than ownership right.
5. Securities possessed by the bankrupt by right of ownership shall be sold in accordance with the law.
6. The bankrupt's claim rights may be assigned pursuant to the procedure provided by the Civil Code of Ukraine subject to the consent of the creditors committee.

The liquidator shall have the right to put the bankrupt's claims up for an open sale, unless a different procedure for the sale (assignment) of the bankrupt's claims was established by the creditors committee.

7. The liquidator shall use only one bank account of the debtor in the course of liquidation. All the other accounts identified in the course of liquidation shall be closed by the liquidator. The funds remaining in these accounts shall be transferred to the debtor's principal account.
8. Funds generated in the course of liquidation proceedings shall be put in the debtor's principal bank account. This account shall be used to make payments to creditors according to the procedure provided by Article 31 of this Law.
9. The principal account shall be used to make the following payments:

current utilities bills and payments to cover operational costs;

other liquidation proceedings-related costs.
10. The sale of assets owned by the bankrupt entity shall be documented by way of signing a sale and purchase agreement entered into by the liquidator and the buyer according to the Ukrainian legislation.
11. The liquidator shall at least once a month report to the creditors committee on his/her activities, provide information on the debtor's financial state and property as of the date when liquidation proceedings were commenced and in the course of liquidation, and on the utilization of the debtor's funds, as well as any other information as the creditors committee may from time to time require.
12. The liquidator shall provide the economic court or the state agency for bankruptcy affairs on their request with all the necessary information pertaining to the liquidation proceedings.
13. Should the liquidator fail to perform or unduly perform his/her duties, the economic court shall, on the motion of the creditors committee, dismiss the liquidator from performing his/her duties and appoint a new liquidator proposed by the creditors committee.

Article 31. Order of priority in satisfying creditors' claims

1. Proceeds from the sale of the bankrupt's property shall be used to satisfy creditors' claims in the order of priority provided for by this Article:
 - 1) first shall be satisfied:

(a) claims secured by collateral;

(b) claims to pay the arrears for three months work prior to instituting bankruptcy proceeding or termination of labor relations in case an employee is dismissed before the said case instituting, monetary compensation for all non-used days of annual leave and additional leave to employees having children, the right thereto has arisen within two years of work prior to instituting the bankruptcy proceedings or termination of labor relations, other funds due to employees in connection with the paid absence at work (payment for time-out through no employee's fault, guarantees for the time of performing governmental and public duties, guarantees and reimbursement for business trips, guaranties for employees deputed to upgrade skills/qualification, guarantees for blood-donors, guarantees for employees deputed for examination to medical institutions, social payments in case of temporary disability at the expense of the enterprise funds, etc.) the right thereto has arisen within the last three months before instituting bankruptcy proceedings or termination of labor relations, as well as severance payments to the employees in connection with termination of labor relations, including repayment of the loan obtained for this purpose;

(subparagraph 'b', paragraph 1, part one of Article 31 as edited by the Law of Ukraine dtd. May 31, 2005 N 2597-IV)

(c) costs of the Fund to secure individuals' deposits in connection with its acquiring the bank creditors' rights – in the amount of the total reimbursement sum under deposits of individuals;

(paragraph 1, part one of Article 31 is supplemented with subparagraph 'c' pursuant to the Law of Ukraine dtd. September 20, 2001 N 2740-III, in this connection subparagraph 'c' is considered subparagraph 'd')

(d) judicial costs related to the bankruptcy proceedings at the economic court and costs related to the work of the liquidation commission, including:

cost of the state duty;

expenses of the petitioner for publishing an announcement on commencement of bankruptcy proceedings;

expenses for publishing a notice in the official publications on the procedure of realizing the bankrupt's assets;

expenses related to publishing a notice on the resumption of bankruptcy proceedings after the amicable settlement is declared null and void;

expenses of the arbitration manager (trustee, sanation manager, liquidator) related to the safekeeping of the assets of the bankrupt entity;

expenses of creditors related to the audit, if such audit was conducted at the creditors' expense pursuant to the economic court ruling;

compensation of the arbitration managers (trustee, sanation manager, liquidator) provided by Article 27 of this Law.

The aforementioned expenses shall be reimbursed by the liquidation commission after its realization of a part of the liquidation stock, unless otherwise provided by this Law;

- 2) second shall be satisfied obligations to the employees of the bankrupt entity (except for the repayment of their contributions to the enterprise's charter fund); except for the claims satisfied in the first order priority, obligations to the individuals the debtor is liable to for the damage to their life and health, by way of capitalizing the corresponding payments according to the procedure established by the Cabinet of Ministers of Ukraine; obligations to pay insurance fees for the compulsory state pension insurance and claims of individuals – settlors (shareholders) of trusts or other business entities that attracted property (funds) of the settlors (shareholders);

(paragraph 2, part one of Article 31 as amended
by the Laws of Ukraine dtd. May 31, 2005, N 2597-IV
dtd. November 17, 2005, N 3108-IV)

- 3) third shall be satisfied claims in respect of tax and duty payments (obligatory payments). Claims of the central executive body administering the state reserve);

(paragraph 3, part one of Article 31 as amended
by the Law of Ukraine dtd. May 12, 2004, N 1713-IV)

- 4) fourth shall be satisfied claims of unsecured creditors, including claims which arose during the course the debtor's property administration or the debtor's sanation;

- 5) fifth shall be satisfied claims for the repayment of the employees' contributions to the enterprise's charter fund;

- 6) sixth shall be satisfied all other claims.

2. Claims of any subsequent level of priority shall be satisfied as proceeds from the realization of the bankrupt's property get credited to the bank account, but only after all claims of the preceding level of priority have been completely satisfied.
3. Should the proceeds from the sale of the bankrupt's property be insufficient to completely satisfy all the claims of a given level of priority, such claims shall be satisfied pro rata to the total amount of the claims of each creditor of that level.
4. Should a creditor waive the satisfaction of its claim allowed according to the established procedure, the liquidation commission shall disregard the amount of the creditor's pecuniary claims.
5. Claims filed after the deadline set for filing claims shall not be accepted and be deemed settled.
6. Claims not satisfied due to insufficient property shall be deemed settled.

7. Should the economic court rule to liquidate the bankrupt legal entity, the property remaining after all claims of creditors and employees have been satisfied shall be transferred to the owner or its authorized agent, and in the case of a state-owned enterprise it shall be transferred to the relevant privatization agency to be subsequently realized. The proceeds obtained from this property realization shall be transferred to the State Budget of Ukraine.

Article 32. The liquidator's report

1. Upon the completion of all settlements with creditors, the liquidator shall submit to the economic court his/her report and the liquidation balance sheet, supplementing it with:

parameters of the identified liquidation stock (inventory data);

information on the realization of the liquidation stock, with references to the signed sale and purchase contracts;

copies of the sale and purchase contracts and property transfer certificates;

creditors' claims register specifying the amounts of repaid creditors' claims;

documents proving the satisfaction of creditors' claims.

After hearing the reports of the liquidator and the creditors committee members or individual creditors, the economic court shall render a ruling to approve the liquidator's report and the liquidation balance sheet.

The liquidator shall notify the state agency for bankruptcy affairs of the bankruptcy proceedings completion.

2. Should the liquidation balance sheet show absence of assets after creditors' claims have been satisfied, the economic court shall render a ruling to liquidate the bankrupt legal entity. A copy of this ruling shall be sent to the agency which performed the state registration of the bankrupt legal entity, and to the state statistics agency so that the entity could be excluded from the Unified State Register of Enterprises and Organizations of Ukraine, as well as to the owner of the entity (agency authorized to manage the entity's property), and state tax authority at the bankrupt's domicile.
3. Should the bankrupt's assets be sufficient to satisfy all claims of the creditors, the bankrupt shall be deemed free of debts and may carry on its business activity. The economic court may only rule to liquidate the legal entity which became free of all debts if the entity's remaining estate assets are not sufficient to meet the legal requirements for conducting business activities.
4. Should the economic court conclude that the liquidator failed to identify or realize all the available assets of the liquidation stock necessary to completely satisfy the creditors, it shall rule to appoint a new liquidator. The new liquidator shall form a liquidation commission and act in compliance with this Law.

5. Should the liquidator did not find any assets qualifying to be included into the liquidation stock, he/she shall submit the liquidation balance sheet to the economic court as proof of the bankrupt entity's not having such assets.

Article 33. Dismissal of the debtor's employees. Privileges and compensations for dismissed employees

1. Dismissal of the debtor's employees may be carried out upon the commencement of bankruptcy proceedings and appointment by the economic court of a trustee in accordance with the provisions of the Labor Code of Ukraine with due regard for specific provisions provided by this Law.
2. Severance pay to the debtor's dismissed employees shall be paid by the arbitration manager pursuant to the procedure established herein.
3. The issues of new employment for dismissed employees shall be regulated by provisions of the Law of Ukraine "On Employment of the Population". Dismissed employees of the bankrupt entity shall enjoy guarantees provided for by Article 26 of the said Law.

Article 34. Safekeeping of financial and business records

1. The liquidator shall provide for proper keeping and safekeeping of all financial and business records of the bankrupt entity for the duration of liquidation proceedings.
2. After the court's ruling on liquidation of a legal entity – a bankrupt, the liquidator shall ensure safekeeping of the bankrupt's archival documents and determine the place of their further storage and safekeeping after approval the above with the special authorized central executive body or its authorized archival institution.

(Article 34 as edited by the
Law of Ukraine dtd. March 6, 2003, N 594-IV)

SECTION IV. AMICABLE SETTLEMENT

Article 35. Amicable settlement and the time of its conclusion

1. The amicable settlement in a bankruptcy case shall be defined as an understanding reached between the debtor and creditors regarding deferment and/or repayment in installments, and forgiveness (writing off) by the creditors of the debtor's debts, which understanding shall be formalized by way of the parties to it signing a corresponding written agreement. Overdue insurance fees for the compulsory state pension insurance shall not subject to forgiveness (writing off) under provisions of the amicable settlement agreement.

(part one of Article 35 as amended by the Law
of Ukraine dtd. November 17, 2005, N 3108-IV)

2. An amicable settlement may be concluded at any stage of bankruptcy proceedings.
3. The decision to conclude an amicable settlement on behalf of the creditors shall be made by a simple majority of the creditors committee members, and shall become effective if secured creditors give their written consent to it.

4. The decision to conclude an amicable settlement on behalf of the debtor shall be made by the debtor's manager or arbitration manager (sanation manager, liquidator), who have the authority of the managing body and the manager of the debtor who sign the agreement.
5. On behalf of the creditors, the amicable settlement shall be signed by the chairman of the creditors committee.

Article 36. Requirements for concluding an amicable settlement

1. An amicable settlement may only be concluded regarding secured claims, claims of the second and lower priority levels provided for in article 31 of this Law.
2. Should an amicable settlement agreement concluded under Article 35 of this Law provide for deferral, payment in installments of forgiveness (writing-off) of the debt or a part thereof, enforcement authority shall agree to satisfying a part of tax and duty (obligatory payments) claims on conditions of such amicable settlement agreement for the purpose of enterprise solvency restoration. In this event, the tax debt that arose three years before filing of bankruptcy petition to the economic court shall be deemed a bad debt and be written-off, and tax debt or tax obligations that arose within three years that preceded the day of filing bankruptcy petition shall be paid in installments (deferred) or written off on conditions of the amicable settlement agreement. This amicable settlement agreement shall be signed by the head of respective tax authority unit at the debtor's domicile.

(part two of Article 36 as edited by the
Law of Ukraine dtd. December 21, 2000, N 2181-III)

3. Creditors who did not participate in the vote or voted against having the amicable settlement concluded, shall not be treated worse than the consenting creditors of the same level of priority.

(part three of Article 36 as edited by the
Law of Ukraine dtd. April 3, 2003, N 672-IV)

Article 37. Conclusion of an amicable settlement, and its coming into effect

1. An amicable settlement shall be executed in writing and be subject to approval by the economic court. The fact of such approval shall be reflected in the economic court ruling terminating bankruptcy proceedings.
2. An amicable settlement shall come into effect as of the date it is approved by the economic court, and shall be binding for the debtor (bankrupt), secured creditors, and creditors of the second and lower levels of priority.
3. An amicable settlement shall not be denounced unilaterally.
4. An amicable settlement shall contain provisions regarding:

the amount of the debtor's obligations, manner and time of fulfillment thereof;

debt deferment, or its payment in installments, or debt forgiveness (writing off the debt).

The amicable settlement may also contain the following provisions:

on fulfillment of the debtor's obligations by third parties;

on exchanging creditors' claims for the debtor's assets or corporate rights;

(paragraph six , part four of Article 37 as edited by the
Law of Ukraine dtd. April 3, 2003 N 672-IV)

on other ways to satisfy creditors' claims, which are not inconsistent with the law.

Article 38. Amicable settlement hearing in the economic court

1. Within five days of the conclusion of the amicable settlement the arbitration manager shall apply to the economic court for approval of the amicable settlement.

The following documents shall be attached to the application to approve the amicable settlement:

text of the amicable settlement;

minutes of the creditors committee meeting at which the decision to conclude the amicable settlement was made;

list of the creditors containing their addresses, their tax payer identification numbers, and amounts of debt owed to them;

the debtor's pledge to repay all costs and expenses which must be repaid in the first order of priority under Article 31 hereof, excluding secured claims;

written objections, if any, of the creditors who did not take part in vote on the conclusion of the amicable settlement, or voted against it.

2. The economic court shall notify the parties to the amicable settlement of the date of the amicable settlement hearing.

The economic court shall hear every creditor present at the hearing who has objections to the amicable settlement, even if he/she voted for concluding the amicable settlement at the creditors meeting.

3. The economic court shall have the right to refuse to approve an amicable settlement if:

the procedure of concluding an amicable settlement provided by this Law was violated;

terms and conditions of the amicable settlement are inconsistent with the law.

4. The economic court shall render a ruling on its refusal to approve an amicable settlement, which ruling may be appealed against per the established procedure.

Should the economic court rule to refuse to approve an amicable settlement, such agreement shall be deemed null and void.

5. As of the date of approval of the amicable settlement, the debtor's manager, sanation manager, or liquidator shall start repaying the debtor's debts to creditors in accordance with the terms of the amicable settlement.
6. Approval of the amicable settlement by the economic court shall constitute grounds for terminating bankruptcy proceedings.
7. As of the date of approval of the amicable settlement by the economic court, the powers of the arbitration manager (trustee, sanation manager, liquidator) shall be terminated.

The sanation manager or liquidator shall perform the duties of the debtor's manager (or the debtor's managing body) until another debtor's manager is appointed.

8. The economic court ruling refusing to approve an amicable settlement shall not prevent the conclusion of a new amicable settlement with different terms and conditions.

Article 39. Invalidity of an amicable settlement or cancellation thereof. Implications of the failure to carry out an amicable settlement

1. An amicable settlement may be declared invalid by the economic court on the motion of any creditor should there are grounds stipulated by the Civil Law of Ukraine to declare the agreement invalid.

(part one of Article 39 as edited by the
Law of Ukraine dtd. April 3, 2003 N 672-IV)

2. Declaring an amicable settlement invalid shall constitute grounds for reopening bankruptcy proceedings, to which effect the economic court shall render a ruling which may be appealed against per the established procedure.
3. The creditors' claims which were paid pursuant to the terms of the amicable settlement shall be deemed settled.

(part three of Article 39 as edited by the
Law of Ukraine dtd. April 3, 2003 N 672-IV)

4. The notice on the reopening of bankruptcy proceedings against the debtor shall be published in the official publications.
5. An amicable settlement may be canceled by the decision of the economic court, if any of the following occurs:

the debtor fails to satisfy at least one third of the creditors' claims;
paragraph three, part five of Article 39 is withdrawn

(pursuant to the Law of Ukraine
dtd. April 3, 2003 N 672-IV)

6. Should the economic court cancel the amicable settlement with respect to one of the creditors, it shall not cause cancellation thereof with respect to the other creditors.

7. Should the amicable settlement be declared invalid or canceled, creditors' claims in respect of which payments were deferred, or provided in installments, or debts forgiven shall be fully reinstated; with the unsatisfied portion thereof to be paid in full.
8. Should the amicable settlement fail to be carried out, creditors may present their claims against the debtor in the amount provided by the amicable settlement. Should a bankruptcy case be commenced against the same debtor, the amount of creditors' claims which were the object of the amicable settlement shall be fixed within the limits provided by the said agreement.

SECTION V. TERMINATION OF BANKRUPTCY PROCEEDINGS

Article 40. Termination of bankruptcy proceedings

1. The economic court shall terminate bankruptcy proceedings if:
 - 1) the debtor is not listed in the Unified State Register of Enterprises and Organizations of Ukraine, or the Register of Subjects of Business Activities;
 - 2) the bankruptcy petition was filed against a legal entity that had been liquidated or reorganized (except for reorganization in the form of transformation);
 - 3) the economic court has already commenced and been trying a bankruptcy case against the same debtor;
 - 4) the sanation manager report of the debtor legal entity has been approved in accordance with the procedure provided for by this Law;
 - 5) an amicable settlement has been approved;
 - 6) the liquidator's report has been approved in accordance with the procedure established in Article 32 of this Law;
 - 7) the debtor has fulfilled all its obligations to the creditors;
 - 8) creditors did not file any claims against the debtor after the latter had filed for bankruptcy.
2. The economic court shall render a ruling on the termination of bankruptcy proceedings, which ruling may be appealed against per the established procedure.

Bankruptcy proceedings may be terminated at any stage, viz. both before and after the debtor was declared bankrupt, in situations described in clauses 1), 2), and 5) of part 1 of this Article; only before the debtor was declared bankrupt in situations described in clauses 3), 4), 7) and 8); and only after the debtor was declared bankrupt in the situation described in clause 6).

SECTION VI. SPECIFIC FEATURES OF BANKRUPTCY OF CERTAIN CATEGORIES OF BUSINESS ENTITIES

Article 41. General provisions

Relations arising from bankruptcy of town-creating, highly hazardous, agricultural enterprises, insurance organizations, and other subjects of business activities shall be subject to this Law; with due regard to be given to the specific features provided by this Section.

Article 42. Specific features of the bankruptcy of town-creating enterprises

1. For the purposes of this Law, a town-creating enterprise shall be defined as a legal entity whose number of employees, including family members, exceeds half of the population of the administrative and territorial unit where the said legal entity is located.

The provisions of this Article shall also apply to enterprises with over five thousand employees.

2. For the purposes of bankruptcy proceedings against a town-creating enterprise, the local self-government body of the community of the relevant administrative and territorial unit shall have the status of a participant in the bankruptcy case.

The economic court may grant the status of participants in bankruptcy proceedings against a town-creating enterprise to the central bodies of the executive branch of government.

Proof of the entity's status as a town-creating enterprise shall be provided for the economic court by the debtor.

3. Should the creditors meeting not decide to commence sanation proceedings, the economic court may initiate sanation on the motion of the local self-government body or relevant central executive body being the parties to bankruptcy proceedings, subject to them concluding a surety agreement with the creditors regarding the debtor's obligations.

The surety agreement regarding the debtor's obligations shall be concluded and signed by the authorized officers of local government or central executive bodies.

4. The local self-government body, or the central executive body which stood surety for the debtor's obligations, shall have the right to propose a candidature of the sanation manager or investor to the court of arbitration.

Should the debtor fail to meet its obligations, the providers of surety shall bear joint responsibility under the debtor's obligations to its creditors.

5. The economic court may extend the term of sanation of a town-creating enterprise on the motion of the local self-government body by up to one year.

The plan of financial rehabilitation of the town-creating enterprise shall be the grounds for extending the term of sanation thereof by the period specified in the opening sentence of this part. The plan of financial rehabilitation of the town-creating enterprise may provide

for investment measures, employment of its workers, job creation and other ways of restoring solvency of the debtor town-creating enterprise.

6. On the motion of the local self-government body or central executive body which participate in the case subject to standing surety for the debtor's obligations, the term of the town-creating enterprise sanation may be extended by the economic court for up to ten years. In this case, the debtor and the provider of surety shall pay off all the debts owed to the creditors within three years unless otherwise provided by this Law.

Failure to meet the requirements set out in this paragraph shall constitute grounds for declaring the debtor bankrupt and commencing liquidation.

7. The Cabinet of Ministers of Ukraine or local governments represented by their authorized bodies shall have the right at any time before the end of sanation proceedings of a town-creating enterprise to repay all the debts owed to the creditors in accordance with the procedure established by this Law.

Creditors' claims shall be satisfied in the order of priority provided by Article 31 of this Law.

Should the creditor's claims in respect of pecuniary obligations and obligations to pay insurance fees for the compulsory state pension insurance, taxes and duties (obligatory payments) be satisfied in accordance with this Law, the bankruptcy proceedings shall be terminated.

(paragraph three, part seven of Article 42 as amended by the
Law of Ukraine dtd. November 17, 2005 N 3108-IV)

8. In order to secure satisfaction of creditors' claims, the property of the enterprise may be sold in the course of sanation as a going concern or partially in accordance with the relevant legislation.

Should the local self-government body or central executive body participating in the bankruptcy case file a relevant request, the sale of the property of the enterprise as a going concern shall be made through a tender (contest sale).

9. The following tender requirements are compulsory:

at least 70 per cent of employees working at the enterprise as of the date of its sale will keep their jobs;

the buyer shall undertake to provide for retraining or finding employment for the said employees according to the law, in case the enterprise changes its line of business.

Any other tender requirements shall be set exclusively with the consent of the creditors committee and according to the procedure provided in Article 19 of this Law.

10. Should the request mentioned in paragraph two, part eight of this Article not be filed, or the property of the enterprise not be sold as a going concern through a tender, the enterprise shall be sold at an auction.

11. While selling the property of the debtor that has been declared bankrupt, the liquidator, at the first tender, shall put the enterprise up for sale as a going concern. In case of the failure to sell the property of the debtor that has been declared bankrupt as a going concern, the property shall be sold in accordance with the procedure provided by Article 20 of this Law.

Article 43. Specific features of the bankruptcy of highly hazardous enterprises

1. For the purposes of this Law, highly hazardous enterprises shall be defined as enterprises of the coal-mining, extractive, nuclear power, chemical, chemical-metallurgical, petroleum refining, and other industries specified in the relevant resolutions of the Cabinet of Ministers of Ukraine, whose discontinuance of operations requires special measures to prevent harm to human life and health, property, facilities, and the environment.
2. For the purposes of bankruptcy proceedings against a highly hazardous enterprise, the status of a participant in the bankruptcy case shall be given to the local self-government body, the body of the executive branch of the central government to whose area of responsibility the enterprise's business belongs, and, if necessary, the state agency for emergencies and protection of the population against the consequences of the Chernobyl nuclear disaster, state agency for environmental protection and nuclear safety, state agency for geology and use of mineral resources.

The economic court may also grant the status of participants in bankruptcy proceedings against a highly hazardous enterprise to other central bodies of the executive branch of government.

Proof of the entity's status as a highly hazardous enterprise shall be provided for the economic court by the debtor.

3. Should the creditors committee not decide to commence sanation proceedings, the economic court may initiate sanation on the motion of the local self-government body or relevant central executive body participating in the case, subject to them standing surety for the debtor's obligations.

The surety agreement regarding the debtor's obligations shall be concluded and signed by the authorized officers of the local self-government body or central executive bodies.

4. The local self-government body, or the central executive body which stood surety for the debtor's obligations, shall have the right to propose a candidature of the sanation manager, investor to the economic court. Should the debtor fail to meet its obligations, the providers of surety shall bear joint responsibility under the debtor's obligations to its creditors.
5. The economic court may extend the term of sanation of a highly hazardous enterprise on the motion of the local self-government body by up to one year.

The plan of financial rehabilitation of the highly hazardous enterprise shall be the grounds for extending the term of sanation thereof by the period specified in the opening sentence of this paragraph. The plan of financial rehabilitation of the highly hazardous enterprise may provide for investment measures, employment of its workers, job creation and other ways of restoring solvency of the debtor highly hazardous enterprise. The financial rehabilitation plan shall also provide for measures to ensure safety of the enterprise's

operation, labor protection, and prevention of possible harm to human life and health, property, facilities, and the environment.

6. On the motion of the local self-government body or central executive body participating in the case subject to concluding a surety agreement regarding the debtor's obligations, the term of the highly hazardous enterprise's sanation may be extended by the economic court for up to ten years. In this case, the debtor and the provider of surety shall pay off all the debts owed to the creditors within three years unless otherwise provided by this Law.

Failure to meet the requirements set out in this paragraph shall constitute grounds for declaring the debtor bankrupt and commencing liquidation.

7. The Cabinet of Ministers of Ukraine or local governments represented by their authorized bodies shall have the right at any time before the end of sanation proceedings of a highly hazardous enterprise to repay all the debts owed to the creditors in accordance with the procedure established by this Law.

Creditors' claims shall be satisfied in the order of priority provided by Article 31 of this Law.

Should the creditor's claims in respect of pecuniary obligations and obligations regarding payment of insurance fees for the compulsory state pension insurance, taxes and duties (obligatory payments) be satisfied in accordance with the procedure provided by this Law, the bankruptcy proceedings shall be terminated.

(paragraph three, part seven of Article 43 as amended by the
Law of Ukraine dtd. November 17, 2005 N 3108-IV)

8. In order to secure satisfaction of creditors' claims, the property of the enterprise may be sold in the course of the sanation, but only as a going concern and through a tender according to the procedure provided by Article 19 of this Law and applicable legislation on privatization.
9. The following tender requirements are compulsory:

conditions ensuring safety of the enterprise's operation, labor protection, and preventing possible harm to human life and health, property, buildings, and the environment shall be preserved;

at least 70 per cent of employees working at the enterprise as of the date of its sale will keep their jobs;

the buyer shall undertake to provide for retraining or finding employment for the said employees in case the enterprise changes its line of business, and preventing possible harm to human life and health, property, buildings and the environment.

Any other tender requirements shall be set exclusively with the consent of the creditors committee and according to the procedure provided by Article 19 of this Law.

In the event of the failure to meet the tender requirements stated in the purchase and sale agreement, the agreement shall be cancelled in accordance with the established procedure

10. Highly hazardous enterprises shall not be subject to sale through an auction.
11. Creditors' claims shall be satisfied in the order of priority provided by Article 31 of this Law, with due regard to the special provisions of this paragraph, viz. treated as the third priority payments shall also be claims for compensation for expenses related to measures to prevent harm to human life and health, property, facilities, and the environment, which claims shall be satisfied in accordance with the procedure provided by the Cabinet of Ministers of Ukraine.

Article 44. Specific features of the bankruptcy of agricultural enterprises

1. For the purposes of this Law, agricultural enterprises shall be defined as legal entities whose principal type of business is growing (producing, and/or producing and processing) agricultural produce, and providing the proceeds from the sale of the produce grown (produced, and/or produced and processed) by them make at least fifty (50) percent of their total proceeds.
2. Specific features of the bankruptcy of agricultural enterprises set forth in this Law shall also apply to fisheries, and fishing collective farms, whose proceeds from the sale of agricultural produce grown (produced, and/or produced and processed) by them, and water biological resources harvested by them make at least fifty (50) percent of their total proceeds.
3. When real estate items used for the purposes of agricultural production and owned by the agricultural enterprise declared bankrupt are put up for sale, with everything else being equal, agricultural enterprises and farms located in the area shall have a preferential right to buying such items.

(part three of Article 44 as amended by the
Law of Ukraine dtd. March 3, 2005, N2454-IV)

4. Should an agricultural enterprise be liquidated as a result of its bankruptcy, the decision as to the land of such enterprise provided for it on condition of perpetual or temporary use, including leasing arrangements, shall be made in accordance with the Land Code of Ukraine.
5. Should supervision and control over the debtor's property administration be introduced, the analysis of the financial position of the agricultural enterprise shall be made with due regard to the seasonal prevalence of agricultural production and its dependence upon the climate, as well as the possibility to satisfy creditors' claims out of the proceeds the agricultural enterprise can receive at the end of the relevant agricultural work period.
6. The decision to file a request with the economic court about conducting sanation of an agricultural enterprise shall be made by the creditors committee with the participation of a representative of the local self-government body of the relevant territorial community.

Sanation of an agricultural enterprise shall be introduced for the term ending with the completion of the relevant agricultural work period, allowing for the time needed to sell the produce grown (produced, and/or produced and processed) by the enterprise. The said term shall not exceed fifteen months.

7. In the event of the downturn and deterioration of the agricultural enterprise's financial position suffered during the sanation term as a result of a natural calamity, epizootic and other extremely adverse conditions, the sanation term specified in paragraph 6 of this Article may be extended by one year.

Article 45. Specific features of the bankruptcy of insurers

1. Should bankruptcy proceedings be commenced against an insurer, the state insurance oversight agency shall be a participant to bankruptcy proceedings.
2. The bankruptcy petition against an insurer may be filed with an economic court by the debtor, creditor or any other state agency duly authorized to do so.
3. The sale of the property of a debtor insurer as a going concern shall be carried out in the course of sanation in accordance with the rules provided in Article 19 of this Law.

In the course of liquidation the property of an insurer may be sold as a going concern only provided that the buyer agrees to assume the bankrupt insurer's obligations under insurance agreements where the occurrence insured has not taken place as of the date when the insurer was declared bankrupt.

4. Only another insurer may buy the property of an insurer as a going concern.
5. Should the property of an insurer be sold as a going concern to another insurance company in the course of sanation, all the rights and obligations under insurance agreements where the occurrence insured had not taken place as of the date when the debtor insurer was declared bankrupt shall be transferred to the buyer.
6. Should an economic court render a ruling on declaring an insurer bankrupt and on the commencement of the liquidation procedure, all insurance agreements concluded by such insurer and under which the occurrence insured had not happened by the date when the said ruling was rendered, shall lapse except in cases specified in paragraph three of this Article.
7. The policy holders that are parties to the insurance agreements that have lapsed on the grounds set forth in paragraph six of this Article, shall have the right to claim a refund on the portion of the insurance premium paid to the insurer, pro rata to the gap between the contractual term of the insurance agreement and the actual period it was in force, unless otherwise provided by the legislation.
8. The policy holders that are parties to the insurance agreements under which the occurrence insured has taken place by the date when an economic court ruled to declare the insurer bankrupt and to commence liquidation shall have the right to claim payment of the sum insured.
9. Should an economic court rule to declare an insurer bankrupt and to commence liquidation, the claims of the creditors of the forth level of priority shall be satisfied in the following order:

first, claims of the creditors insured under the mandatory personal insurance agreements;

second, claims of the creditors insured under other mandatory insurance agreements;

third, claims of other insured creditors, including the claims specified in paragraph seven of this Article;

four, other creditors' claims.

Article 46. Specific features of the bankruptcy of professional participants of the securities market

1. Should bankruptcy proceedings be commenced against a legal entity or an individual subject of business activity that/who is a professional participant of the securities market, the state agency for issues of the regulation of the securities market shall be a participant in the bankruptcy proceedings.

For the purposes of this Article the term 'client' shall be defined as an investor operating at the securities market, who entered into an agreement with a professional participant of the securities market, which participant has been found debtor or declared bankrupt under this Law.

2. The specific features of the bankruptcy of professional participants of the securities market not covered by this Article, as well as measures to protect the rights and interests of clients, may be specified in other laws and regulations.
3. The procedure of preventing bankruptcy and carrying out pre-trial proceedings to restore solvency of the professional participants of the securities market shall be established by Ukrainian laws and regulations
4. The trustee who participates in bankruptcy proceedings against a professional participant of the securities market shall have obtained a license of an arbitration manager, and a license issued by the state agency for issues of the regulation of the securities market.
5. Restrictions imposed on a professional participant of the securities market against which bankruptcy proceedings have been commenced shall not apply to the securities agreements concluded by its clients that are implemented on the clients' request and confirmed by them after the bankruptcy proceedings were commenced.
6. The trustee shall, within ten days of his/her appointment, forward to the clients who have their securities administered by the debtor professional participant of the securities market a notice of the commencement of the bankruptcy proceedings and the appointment of the trustee. The notice shall include the particulars of the trustee's license, type and particulars of the license issued by the state agency for issues of the regulation of the securities market, as well as a proposal that instructions be given with respect to the actions which need to be taken regarding the securities belonging to the investor operating at the securities market, and being managed by the debtor participant of the securities market.
7. Clients' securities and other property placed under the management of a professional participant of the securities market and are not in possession thereof, shall not be included into the liquidation stock.
8. As of the date of the economic court ruling to commence sanation or declare the professional participant of the securities market bankrupt and commence liquidation,

clients' securities shall be returned to respective clients, unless otherwise provided by the agreement between the sanation manager or the liquidator and a client.

9. Should the clients claim the return of the securities of a particular kind (particular issuer, category, type, or series) belonging to them, and such claims exceed the number of that particular kind of securities which are placed under the management of the professional participant of the securities market, these securities shall be returned to the clients pro rata to the clients' claims.

The unsatisfied portion of the clients' claims shall be deemed to constitute pecuniary obligations and shall be satisfied in accordance with the procedure set forth in Article 31 of this Law.

10. In the course of the sanation of a professional participant of the securities market, the sanation manager shall have the right to transfer the securities clients had transferred to such professional participant of the securities market, to another subject of business activities having a relevant license of the professional participant of the securities market.

Article 46¹. Bankruptcy specifics of the issuer or manager of mortgage certificates, manager of the fund to finance construction, or manager of the fund for real estate transactions

1. In case of bankruptcy proceedings commenced against the issuer or manager of mortgage certificates, the mortgage certificates shall not be included into the liquidation stock of such issuer or manager. These assets shall be disposed in line with the Law of Ukraine "On mortgage lending, operations with consolidated mortgage debt and mortgage certificates".
2. In case of bankruptcy proceedings commenced against the manager of the fund to finance construction or the manager of the fund for real estate transactions, the money and property managed by the manager shall not be included into the liquidation stock of such manager. These assets shall be disposed in line with the Law of Ukraine "On financial and credit mechanisms to manage property during housing construction and real estate transactions".

(The law is supplemented with Article 46¹ pursuant to the Law of Ukraine dtd. December 15, 2005, N 3201-IV)

Article 47. General provisions on the bankruptcy of individual entrepreneurs

1. The provisions of this Article shall apply to the relations arising from the bankruptcy of a debtor who is a registered individual entrepreneur (hereinafter referred to as 'a national entrepreneur').
2. A bankruptcy petition against a national entrepreneur may be filed with an economic court by the debtor national entrepreneur himself/herself, or by his/her creditors.

Creditors shall have the right to file a bankruptcy petition against a national entrepreneur, with the exception of those claiming compensation for human life and health damages, alimony payment, or having other claims of a personal nature.

Creditors claiming compensation for human life and health damages, alimony payment, or having other claims of a personal nature shall have the right to lodge their claims in the course of bankruptcy proceedings.

3. The bankruptcy petition filed by a national entrepreneur may be supplemented with a debt repayment plan whose copies shall be forwarded to the creditors and other participants in the bankruptcy proceedings.

Should creditors have no objections to the debt repayment plan, the economic court may approve the plan, which shall be the grounds for the suspension of bankruptcy proceedings for a maximum period of three months.

4. The debt repayment plan shall include:

the deadline for the completion of its implementation;

the amount of subsistence money to be allocated on a monthly basis to the national entrepreneur and members of his/her family;

the amount to be allocated on a monthly basis for the repayment of debts owed to the creditors.

5. Should there be a well substantiated request of participants in the bankruptcy case, the economic court shall have the right to alter the debt repayment plan, including extension or reduction of the term of its implementation, and the amount of subsistence money to be allocated on a monthly basis to the debtor and members of his/her family.
6. Should the creditors' claims be satisfied in full as a result of the debtor's implementation of the debt repayment plan, the bankruptcy proceedings shall be terminated.
7. Should the national entrepreneur is declared bankrupt, the liquidation stock shall not include that of the national entrepreneur's property which may not be seized in accordance with the Ukrainian legislation governing civil procedures.
8. Should there be a well substantiated request of the national entrepreneur and other participants in bankruptcy proceedings, the economic court shall have the right to exclude from the liquidation stock that of the national entrepreneur's property which may be seized in accordance with the Ukrainian legislation governing civil procedures, providing the property is not easily salable or the proceeds from its realization will not have a significant impact on the satisfaction of creditors' claims. The total value of the national entrepreneur's property that may be excluded from the liquidation stock under this Article shall not exceed two thousand (2,000) hryvnias.

The list of the items of the national entrepreneur's property to be excluded from the liquidation stock under this Article shall be approved by an economic court by way of it rendering a relevant ruling which may be Appealed against per the established procedure.

9. In response to creditors' petition the economic court may render invalid agreements concluded by the national entrepreneur on the alienation or other types of transfer of the national entrepreneur's property to interested persons, if the said alienation or transfer took place one year prior to the commencement of the bankruptcy proceedings.

Article 48. Hearing of a bankruptcy case against a national entrepreneur by an economic court

1. Concurrently with the acceptance of a bankruptcy petition against a national entrepreneur, an economic court shall seize the national entrepreneur's property, excluding the property which may not be seized under the Ukrainian legislation governing civil procedures.

On the motion of a national entrepreneur, an economic court may release the property/a part thereof subject to the conclusion of a surety agreement or provision of other security for performing national entrepreneur's obligations by third parties.

2. Should a national entrepreneur file a relevant petition, an economic court may postpone bankruptcy proceedings for a maximum of two months, so that the national entrepreneur could repay his/her debts to creditors or conclude an amicable settlement.
3. Should it come to the knowledge of the economic court that an inheritance has been opened in favor of the national entrepreneur, it shall have the right to suspend the bankruptcy proceedings pending the settling of the inheritance issue in accordance with the procedure provided by the law.
4. Should the national entrepreneur fail to provide proof of the creditors' claims satisfaction until the expiration of the term specified in paragraph 2 of this Article, or should an amicable settlement be not concluded until the expiration of the said term, the economic court shall render a ruling to declare the national entrepreneur bankrupt and commence liquidation.
5. As of the date when the economic court renders a ruling to declare the national entrepreneur bankrupt and commence liquidation:

the national entrepreneur's obligations shall be deemed to have come due;

interest, fines and penalties shall not be charged, and other financial (economic) sanctions in respect of all national entrepreneur's obligations shall not be imposed;

collection of funds under all writs shall be ceased, excluding that under the writs ordering the collection of alimony, and satisfaction of claims for compensation for human life and health damages.

6. The economic court shall forward a copy of the ruling to declare the national entrepreneur bankrupt and commence liquidation to all the identified creditors, specifying the deadline for lodging creditors' claims; with the term limited by the deadline not to exceed two months.

Copies of the said ruling of the economic court shall be mailed to the creditors at the expense of the national entrepreneur declared bankrupt.

7. A copy of the ruling by an economic court to declare the national entrepreneur bankrupt, as well as the writ of execution on the collection of the entrepreneur's property shall be forwarded to the executor for having the realization of the bankrupt's property to be carried out. All the national entrepreneur's property shall be realized, excluding the property which is not included into the liquidation stock under this Law.

Should there be a need to permanently manage real or valuable movable property belonging to the national entrepreneur, the economic court shall appoint a liquidator for that purpose and fix his/her remuneration. In this case, the realization of the national entrepreneur's property shall be carried out by the liquidator.

The proceeds from the realization of the national entrepreneur's property, as well as cash in his/her possession shall be deposited in a notary office's deposit account and used as directed by the economic court which declared the national entrepreneur bankrupt.

Article 49. Specific features of the satisfaction of claims of the creditors of the national entrepreneur declared bankrupt

1. Prior to satisfying creditors' claims out of the funds deposited in the notary office's deposit account, compensation shall be paid for expenses related to bankruptcy proceedings and execution of the economic court ruling to declare the national entrepreneur bankrupt and commence liquidation.

Creditors' claims shall be satisfied in the following order of priority:

first, the claims of the citizens to whom the national entrepreneur is liable for human life and health damages, by way of capitalization of corresponding periodical payments; and alimony claims;

second, claims for severance pay, claims for wages to persons hired under labor agreements (contracts), and claims for author's royalties, as well as claims arisen from the obligations to pay insurance fees for the compulsory state pension insurance;

(paragraph four, part one of Article 49 as amended by the Law of Ukraine dtd. November 17, 2005, N 3108-IV)

third, creditors' claims secured by the national entrepreneur's property;

forth, claims in respect of taxes and obligatory payments;

fifth, other creditors' claims.

Claims of each priority shall be satisfied after the preceding priority claims have been satisfied.

Should the funds deposited in the notary office's deposit account be insufficient, they shall be distributed among the creditors of the corresponding level of priority pro rata to the amounts of their claims.

2. After finalizing settlements with the creditors, the national entrepreneur declared bankrupt shall be exempted from further satisfaction of the creditor's claims lodged in the course of the bankruptcy proceedings, excluding the claims specified immediately below.

Creditors' claims for compensation for human life and health damages, alimony payments, as well as other claims of a personal nature which were not satisfied in the course of the execution of the economic court ruling to declare a national entrepreneur bankrupt, or were paid in part, or were not lodged in the course of the bankruptcy proceedings against the

national entrepreneur, may be lodged after the termination of the bankruptcy proceedings against the national entrepreneur, correspondingly, in full or in the amount equal to the part of the claim unsatisfied during the course of bankruptcy proceedings, in accordance with procedure stipulated by the Ukrainian civil legislation.

3. No bankruptcy case shall be commenced against a national entrepreneur within five years of the national entrepreneur's being declared bankrupt as a result of bankruptcy proceedings initiated by the national entrepreneur's filing the bankruptcy petition.

Should within five years of the completion of his/her settlements with creditors, the national entrepreneur be declared bankrupt, as a result of bankruptcy proceedings initiated by a creditor's filing the bankruptcy petition, such national entrepreneur shall not be exempted from further payments to satisfy creditors' claims.

Unsatisfied creditors' claims may be lodged in accordance with the procedures established by the Ukrainian civil legislation.

Article 50. Specific features of the bankruptcy of a private family farm (a farm)

(Title of the Article as amended by the
Law of Ukraine dtd. March 3, 2005, N 2454-IV)

1. The grounds for declaring a private family farm (farm) bankrupt shall be the farm's incapability to satisfy within six months of the completion of the corresponding agricultural work period creditors' claims in respect of pecuniary obligations, and/or meet its obligations regarding payment of insurance fees for the compulsory state pension insurance, taxes and duties (obligatory payments).

(part one of Article 50 as amended by the
Law of Ukraine dtd. November 17, 2005, N 3108-IV)

2. A petition of the head of a farm to declare the farm bankrupt (hereinafter referred to as 'petition') shall be filed with an economic court subject to a written consent to such filing of all the members of the farm.

The petition shall be signed by the head of the farm.

3. In addition to the documents specified in paragraph one of Article 7 of this Law, the following documents shall be attached to the petition:

documents providing information as to the composition and value of the farm's property;

documents providing information as to the composition and value of the property belonging to the members of the farm as their own personal property;

documents providing information as to the amount of proceeds that may be received by the farm after the completion of the corresponding agricultural work period.

The head of the farm shall also attach these documents to the response to the creditor's bankruptcy petition.

4. Within two months of the date of the acceptance by the economic court of a bankruptcy petition filed against a farm, the head of the farm may submit to the economic court the farm's solvency restoration plan.
5. Should the measures provided by the farm's solvency restoration plan enable the farm to pay the claims in respect of pecuniary obligations and payment of insurance fees for the compulsory state pension insurance, taxes and duties (obligatory payments), in particular, out of the proceeds which may be received by the farm after the completion of the corresponding agricultural work period, the economic court shall introduce the farm's property administration.

(paragraph one, part five of Article 50 as amended by the
Law of Ukraine dtd. November 17, 2005, N 3108-IV)

The economic court shall render a ruling on the commencement of the farm's property administration, which ruling may be appealed against per the established procedure.

6. The farm's property administration shall be introduced for the term required to complete the corresponding agricultural work period, allowing for the time needed to sell the grown (produced, and/or produced and processed) agricultural products. The said term shall not exceed fifteen months.
7. In the event of the downturn and deterioration of the farm's financial position suffered after the introduction of the farm's property administration as a result of a natural calamity, epizootic and other extremely adverse conditions, the property management term may be extended by one year.
8. On the request of the trustee or any of the creditors, the economic court may order early termination of the supervision and control over the farm's property administration providing:

measures provided by the farm's solvency restoration plan failed to be carried out;

there are other circumstances indicating the impossibility of the restoration of the farm's solvency.

Early termination of the supervision and control over the farm's property administration shall cause it being declared bankrupt and commencement of liquidation.
9. For the purposes of conducting the farm's property administration the economic court shall appoint a trustee who shall not be required to have a trustee's license.

The trustee's powers may be exercised by the farm's head with the consent thereto by the trustee.

10. Should the economic court rule to declare the farm bankrupt and commence liquidation, the liquidation stock of the farm shall comprise the real property jointly owned by the members of the farm, including plantings, business related and other structures, meliorative and other facilities, productive livestock and workstock, poultry, agricultural machinery and other equipment, transportation vehicles, implements, and other property which the farm members have purchased jointly, as well as tenancy and other ownership rights of the farm which have a monetary equivalent.

11. Should the farm be declared bankrupt, the piece of land provided for the farm on a temporary use basis, including leasing, shall be used in accordance with the provisions of the Land Code of Ukraine.
12. The property privately and severally owned by the farm's head and members, and other property proved to have been paid for out of the income which is not owned by the farm members jointly, shall not be included in the liquidation stock.
13. Real property, as well as ownership rights to real property included in the farm's liquidation stock shall be sold exclusively through a tender, subject to the buyers pledging to continue to use the items put up for sale for agricultural purposes.
14. As of the date of the rendering of the ruling to declare the farm bankrupt and commence liquidation, the decision on the founding of the farm shall be deemed null and void.
15. The economic court shall forward a copy of the ruling to declare the farm bankrupt to the agency which registered the charter of the farm, and the local self-government body at the farm's domicile.

(Article 50 as amended by the Law of Ukraine
dtd. March 3, 2005, N 2454-IV)

Article 51. Specific features of the bankruptcy of the debtor liquidated by its owner

1. Should the debtor legal entity be going into liquidation pursuant to the economic court ruling, and the value of the debtor entity's property be insufficient to satisfy creditors' claims, such legal entity shall be liquidated according to the procedure provided by this Law. Should the aforementioned circumstance be revealed, the liquidator (liquidation commission) shall file with the economic court a bankruptcy petition against the debtor legal entity.

Should the circumstance specified immediately above be revealed after the rendering of the ruling to commence the debtor's liquidation, but prior to the formation of the liquidation commission (appointment of the liquidator), the bankruptcy petition shall be filed by the debtor's property owner/its authorized representative.

2. Based on the results of the consideration of the bankruptcy petition against the legal entity whose property is insufficient to satisfy creditors' claims, the economic court shall render a ruling to declare the debtor to be liquidated bankrupt and commence liquidation, and appoint a liquidator. The liquidator's duties may be vested in the head of the liquidation commission (liquidator) regardless of his/her being or not being licensed for the job.
3. Creditors shall have the right to lodge their claims against the debtor to be liquidated within a month of the date of the publication of the notice of it having been declared bankrupt.
4. Should the bankruptcy case be commenced based on a petition filed by the debtor's property owner/its authorized representative prior to the formation of the liquidation commission (appointment of the liquidator), the bankruptcy case shall be tried with no regard given to the specific features stipulated by this Article.

5. Failure to meet the requirements specified in paragraph one of this Article shall constitute grounds for the refusal to make an entry about the liquidation of the legal entity in the Unified State Register of Enterprises and Organizations of Ukraine.
6. The debtor's property owner/its authorized representative, the debtor's manager, the head of the liquidation commission (liquidator) who violated the provisions of paragraph one of this Article shall incur joint liability in respect of the debtor's unpaid pecuniary obligations and payment of insurance fees for the compulsory state pension insurance, taxes and duties (obligatory payments).

(part six of Article 50 as amended by the
Law of Ukraine dtd. November 17, 2005, N 3108-IV)

Article 52. Specific features of the bankruptcy of an absent debtor

1. Should the debtor - individual entrepreneur or the management of the debtor - legal entity be absent at their domicile, or should the debtor, within one year, fail to submit declarations to the state tax authorities or accounting reports according to the law, or if there are other indications that establish that the debtor has not been conducting business, a bankruptcy petition against the absent debtor may be filed by a creditor regardless of the amount of the creditor's claims against the debtor and the due dates of the debtor's relevant obligations.
2. Within two weeks of the date of the ruling to commence insolvency proceedings against an absent debtor, the economic court shall hand down a ruling to declare the absent debtor bankrupt, commence liquidation, and appoint the petitioning creditor, on his consent, to act as liquidator.
3. Should property of the absent debtor be discovered, the liquidator – representative of the petitioning creditor shall be replaced by an employee of the state bankruptcy agency or, on the motion of the creditor, by an arbitration manager, of which the economic court hands down a ruling.

Should the liquidator discover property of an absent debtor that was declared bankrupt, the proceeds from sale of such property shall be used to cover the expenses on bankruptcy proceedings.

4. Should the creditor fail to suggest to the economic court a nominee for the arbitration manager (liquidator), the economic court shall send its ruling to the state bankruptcy agency whereby it orders the state bankruptcy agency to appoint its employee to act as liquidator within seven days of the date of the ruling.
5. The liquidator shall give written notice that the absent debtor has been declared bankrupt to all creditors of the debtor known to him/her. These creditors may file their claims against the debtor with the liquidator within one month of receiving the notice.
6. Should the liquidator discover property of the absent debtor declared bankrupt, the economic court may, on the liquidator's motion, render a ruling to terminate the liquidation provided by this Article, and to commence the general judicial proceedings provided by this Law.

7. Creditors' claims shall be satisfied in the order of priority provided by Article 31 of this Law. Creditors may appeal the results of the liquidator's consideration of their claims to an economic court before the liquidation balance sheet is approved by the economic court.

(Article 52 as edited by the Law of Ukraine
dtd. March 7, 2002, N 3088-III)

Article 53. Specific features of the debtor's manager-led sanation

1. The debtor's manager shall have the right to file, in accordance with the procedure established by Article 7 of this Law, a petition to commence bankruptcy proceedings for the purpose of conducting a manager-led sanation procedure, before the creditors file a petition on initiation of an insolvency case, provided that:

there is a decision of the body, whose powers, in accordance with the legislation or the statutory documents of the debtor, include the right to make decisions on filing an insolvency petition with the economic court, and in the event that such powers are not defined – if there is a decision of the debtor's body that has the authority to make decisions on reorganization or liquidation of the debtor;

there is a sanation plan and written consent to implement such plan and to appoint the debtor's manager to act as the sanation manager by the creditors whose total claims exceed fifty (50) per cent of accounts payable of the debtor according to its accounting data.

2. In order for the debtor's sanation to be conducted by the debtor's manager, the debtor's manager shall file with an economic court an insolvency petition, in accordance with the procedure provided by this Law, for the purpose of conducting the debtor's sanation consistent with the specific features envisaged in this Article. The debtor's manager's petition shall append the sanation plan of the debtor with the consent of those creditors who consented to sanation;

such creditors' consent, in writing, to the appointment of the debtor's manager as sanation manager, and their proposals for a candidate for trustee.

3. After considering the debtor's petition, in a case when the petition and appended documents comply with the requirements of this law, the court shall rule to commence a bankruptcy case and open the sanation procedure, shall appoint the trustee, and the debtor's manager to act as a sanation manager, who act in accordance with the requirements of this Law and with due regard to the specific features of this Article.

The debtor's manager, who acts as sanation manager, shall exercise his duties in accordance with this Law and with due regard for the limitations specified in Article 13 of this Law.

4. The debtor's manager acting as the sanation manager, at his expense, within 30 days of the date of the applicable ruling of the economic court, shall place a notice in the official publication on the initiation of insolvency proceedings against the debtor and commencement of the debtor's sanation, and shall provide proof of such publication to the court of arbitration.
5. The notice shall contain the following information:

on initiation of insolvency proceedings and commencement of sanation procedure;

debtor's full name, its domicile, and numbers of all bank account of the debtor;

identification code of the debtor in the Unified State Register of enterprises and organizations of Ukraine; and

on the debtor's manager acting as the sanation manager, and the trustee of the debtor.

6. Within one month of the date the debtor's notice of commencement of the insolvency case is published, creditors shall file with the economic court their claims against the debtor, with documents supporting the claims, and/or creditors' objections to having sanation conducted by the debtor's manager.
7. The sanation manager (debtor's manager) together with the trustee shall consider, in accordance with provisions of this Law, consider the creditors' claims and prepare the claims' register, having notified in writing the creditors and the economic court of the results of the consideration of the creditors' claims.
8. In accordance with the procedure established by this Law, the economic court shall consider the claims register, the claims that the debtor has objections to, and those that were not included in the claims register. Based on the results of its consideration, the economic court shall hand down a ruling stating the amount of the allowed creditors' claims, approving the claims register, and setting the date of the creditors' meeting.
9. The creditors' meeting and the procedure for calling and holding meetings of the creditors' committee are governed by the procedure established by this Law. The creditors' committee, within one month from the date of its formation, shall submit to the economic court an approved sanation plan or file objections against carrying out the sanation.
10. The economic court shall approve the sanation plan, of which a ruling shall be handed down that can be reviewed by a supervising authority. The debtor shall begin implementing the sanation plan after its approval by the economic court.
11. Should a bankruptcy case be commenced based on a petition filed by a creditor/creditors, the creditors' committee shall have the right to file a motion with the economic court requesting to appoint the debtor's manager to act as the sanation manager and to appoint the trustee. The sanation manager and the trustee shall act in compliance with the requirements of this Law and with due regard to the specific features of this Article.
12. The sanation manager (debtor's manager) shall perform the duties of the sanation manager as a non-licensed practitioner, and receive the salary he/she had received prior to his/her appointment as a sanation manager.
13. On the proposal of the creditors' committee or the trustee, the sanation manager (debtor's manager) may be removed by the economic court from performing the sanation manager's duties.

The removal of the debtor's manager from his/her performing the duties of the sanation manager shall serve as the revocation of the debtor's manager's right to conduct the debtor's sanation.

14. The trustee shall continue to perform his/her duties for the duration of the conduct of the debtor's sanation by the debtor's manager (sanation manager).
15. Should the debtor's sanation plan not be carried out or should it become evident that fulfillment of the debtor's sanation plan will not result in restoration of the debtor's solvency, the bankruptcy procedure shall be performed in line with this Law, of which the economic court shall hand down a ruling.

Article 53 as edited by the Law of Ukraine
dtd. March 7, 2002, N 3088-III)

SECTION VII. FINAL PROVISIONS

1. This Law shall take effect as of January 1, 2000.

Paragraph 2 Clause 1 Section VII has lost its relevance

(pursuant to the Law of Ukraine
dtd. January 18, 2001, N 2238-III)

Provisions of this Law concerning arbitration managers licensing shall come into effect as of October 1, 1999.

Provisions of this Law shall be administered by economic courts in bankruptcy cases commenced after January 1, 2000.

The provisions of this Law concerning the moratorium, appointment of arbitration managers, introduction of the debtor's property administration, sanation of a debtor, liquidation proceedings, and conclusion of an amicable settlement, may be administered based on the request of the parties to a bankruptcy case, or on the initiative of a court, in bankruptcy cases tried by economic courts after January 1, 2000, regardless of the date of the commencement of a case; the date of any given provision coming into effect being the date of an economic court ruling on the issue governed by the provision. As of that moment any further phases of the bankruptcy proceedings shall be conducted in accordance with this Law.

Bankruptcy proceedings against mining enterprises (mines, open pits, quarries, drill cores, ore mills, coal mines, concentrating mills, coal mining enterprises) with the state-owned stake not less than twenty-five (25) per cent, shall not be commenced since the day of the Law of Ukraine "On Restoration of the Debtor's Solvency or Declaring It Bankrupt" entering into effect till January 1, 2007.

(a new paragraph is supplemented to
Section VII pursuant to the Law of Ukraine
dtd. March 6, 2003 N 597-IV,
paragraph six, item 1 of Section VII as edited
by the Laws of Ukraine

dtd. February 17, 2004 N 1499-IV,
January 18, 2005, N 2354-IV)

Bankruptcy proceedings against mining enterprises (mines, open pits, quarries, drill cores, ore mills, coal mines, concentrating mills, coal mining enterprises) with the state-owned stake not less than twenty-five (25) per cent, commenced after January 1, 2000, shall subject to termination.

(item 1 of Section VII is supplemented with a new paragraph pursuant to the Law of Ukraine dtd. March 6, 2003 N 597-IV, paragraph seven, item 1 of Section VII as edited by the Laws of Ukraine dtd. February 17, 2004 N 1499-IV)

This Law provisions in respect of bankruptcy proceedings of fuel and energy complex enterprises, participants to debt repayment under conditions stipulated by the Law of Ukraine “On Measures Aimed at Securing Stable Functioning of Fuel and Energy Complex Enterprises”, shall be applied with due regard of specifics established by the said Law.

(item 1 of Section VII is supplemented with a new paragraph pursuant to the Law of Ukraine dtd. June 23, 2005, N 2711-IV)

2. Regulatory acts adopted prior to this Law coming into effect shall be valid inasmuch as they are not inconsistent with this Law.

3. By the date this Law takes effect, the Cabinet of Ministers shall:

have prepared and submitted proposals to the Verkhovna Rada of Ukraine on introducing amendments to the legislation ensuing from this Law;

have developed and harmonized its rules and regulations with this Law;

have ensured the drawing up and adoption by ministries and other agencies of the executive branch of the central government of Ukraine of rules and regulations pertaining to this Law;

have ensured the review and cancellation by ministries and other agencies of the executive branch of the central government of Ukraine of the rules and regulations inconsistent with this Law.

4. President of Ukraine shall be recommended to bring his decrees in line with this Law.

5. Amendments shall be made to following legislative acts of Ukraine:

1) Paragraph one, Article 5 of Section VII is invalid

(due to invalidation of the Criminal Code of Ukraine dtd. December 28, 1960 pursuant to the Criminal Code of Ukraine dtd. April 5, 2001, N 2341-III)

2) Subparagraph 9 shall be added to part one of Article 40 of the Code of Labor Laws of Ukraine (Vidomosti Verkhovnoyi Rady URSR, # 50, 1971, p. 375; # 1, 1984, p. 3; # 27, 1986, p. 539; # 23, 1988, p. 556; # 23, 1991, p. 267; Vidomosti Verkhovnoyi Rady Ukrainy, # 33, 1994, p. 297; # 5, 1995, p. 30; # 28, p. 204); which reads read as follows:

‘9) bankruptcy of an enterprise’;

- 3) The following amendments shall be made to the Economic Procedural Code of Ukraine (Vidomosti Verkhovnoyi Rady Ukrainy # 6, 1992, p. 56; # 25, 1997, p. 171):

part 3 of Article 2 shall read as follows:

‘An economic court shall commence bankruptcy cases based on a petition filed by any creditor or the debtor’;

part 2 of Article 4-1 shall read as follows:

‘Economic courts shall consider bankruptcy cases in compliance with the procedure established by this Code, and with due regard to the specific features provided by the Law of Ukraine ‘On the Restoration of the Debtor’s Solvency or Declaring It Bankrupt’;

- 4) The following language shall be added to part 4 of Article 4 of The Law of Ukraine ‘On Entrepreneurship’ (Vidomosti Verkhovnoyi Rady URSR # 14, 1991, p. 168; Vidomosti Verkhovnoyi Rady Ukrainy # 17, 1998, p. 80, # 26, p. 158; # 7, 1999, p. 52, # 8, p. 60):

‘activity of arbitration managers (trustees, sanation managers, liquidators)’;

- 5) Part 3 of Article 9 of the Law of Ukraine ‘On the Taxation System’ (Vidomosti Verkhovnoyi Rady Ukrainy, # 16, 1997, p. 119) shall read as follows:

‘3. The obligation of a legal entity in respect of tax and duty payments (obligatory payments) shall be terminated upon the payment of the relevant tax and/or duty (obligatory payments), or cancellation thereof, or writing off the tax-related debts under the Law of Ukraine ‘On the Restoration of Solvency of the Debtor or Declaring it Bankrupt’. In the event of liquidation of a legal entity, tax and duty (obligatory payments) debts shall be repaid in accordance with the procedure provided by Ukrainian laws. In the event of the conclusion of an amicable settlement during the course of bankruptcy proceedings, tax and duty (obligatory payments) debts shall be repaid in the amount specified in the amicable settlement concluded according to the procedure provided by Ukrainian laws’;

- 6) The following language shall be added to paragraph 9 of Article 11 of The Law of Ukraine ‘On the State Tax Service in Ukraine’ (Vidomosti Verkhovnoyi Rady Ukrainy, # 29, 1998, p. 190):

‘as well as to make decisions during the course of sanation regarding forgiveness (writing off) and/or deferment/payment in installments of tax and duty payments (obligatory payments) in accordance with The Law Ukraine ‘On the Restoration of Solvency of the Debtor or Declaring it Bankrupt’.’

President of Ukraine

L. KRAVCHUK

City of Kyiv

May 14, 1992

No. 2343-XII