

LAW
OF THE REPUBLIC OF UZBEKISTAN

On Bankruptcy
(new version)

New version of the Law is approved by the Law of the Republic of Uzbekistan No. 668-I dated 28.08.98
(Old version)

Law was amended in accordance with Point X of Law of the Republic of Uzbekistan No.832-I dtd 20.08.99
Point XIV of the Law of the Republic of Uzbekistan No. 82-II dated 26.05.2000
Point 8 of the Law of the Republic of Uzbekistan No. 175-II dtd 15.12.2000

Chapter I. General provisions

Article 1. Legislation on bankruptcy

Relations arisen in the process of bankruptcy of legal and natural entities are adjusted by the present Law and other legislative acts.

The present Law is not applied to enterprises, organizations and establishments carrying out their activity at the expense of the state budgetary funds.

If rules other than those provided by the legislation of the Republic of Uzbekistan on bankruptcy established by an international agreement concluded by the Republic of Uzbekistan, than rules of international agreement are applied.

Article 2. Basic terms

The present Law deals with the following basic terms:

Bankruptcy (economic insolvency) - is inability of the debtor to satisfy the creditors' demands under pecuniary obligations completely that was recognized by the Economic Court or declared by the debtor under his voluntary liquidation, including inability to ensure payment of taxes, charges and other compulsory payments to the budget and off-budget funds;

the debtor is a legal or natural entity carrying out entrepreneurial activity without formation of a legal entity which is incapable to meet creditors' demands under pecuniary obligations and (or) perform duty on payment of compulsory payments within a term stipulated by the present Law;

the creditors under pecuniary obligations (hereinafter referred to as the creditors) - are legal or natural entities to whom the debtor is responsible except for citizens to whom the debtor is responsible for causing of harm to life or health as well as founders (participants) of the debtor-legal entity under obligations following from such participation;

pecuniary obligation - is the debtor's duty to pay a definite amount of money under civil-law contract and under other grounds provided by the legislation;

compulsory payments - are taxes, charges and other compulsory payments to the budget and off-budget funds;

financial assistance before a court (sanation) - are measures on recovery of the debtor's ability to pay taken by the owner of the debtor's property, founders (participants) of the debtor-legal entity, debtor's creditors and other persons to prevent bankruptcy;

external management - is a procedure of bankruptcy determined by the Economic Court when considering case of bankruptcy and applied to the debtor for the purpose to recover his paying capacity with transfer of power on management of the debtor's property to the external manager;

moratorium - is suspension of fulfillment of pecuniary obligations by the debtor and settlement of compulsory payments;

the external manager - is a person appointed by the Economic Court who carries out external management and executes other power established by the present Law;

liquidation procedure is a procedure of bankruptcy applied to the debtor recognized to be a bankrupt for a purpose of proportional satisfaction of the creditors' demands and the declaration of the debtor to be free from debts, protection of parties against unlawful actions with respect to each other;

the authorized agent - is a person approved by the Economic Court to carry out liquidation procedure and execute other power established by the present Law;

amicable agreement - is the agreement of parties with termination of judicial dispute on the ground of reciprocal concessions;

the representative of the debtor's workers - is a person authorized by the debtor's workers to represent their interests when carrying out procedures of bankruptcy;

** townforming enterprise is a legal entity which workers constitute not less than a half of population of corresponding inhabited locality including members of their family;

agricultural enterprises - are cooperatives (shirkats) and farms.

Article 3. Attributes of bankruptcy

An attribute of bankruptcy of a legal entity is recognized to be inability to satisfy the creditors' demands under pecuniary obligations and (or) perform duties on settlement of compulsory payment if relevant obligations and (or) duties have not been performed by him within six months from the date of their coming.

An attribute of bankruptcy of a natural entity (person who carries out entrepreneurial activity without forming of a legal entity) is recognized to be inability to satisfy the creditors' demands under pecuniary obligations and (or) perform duties on settlement of compulsory payments if relevant obligations and (or) duties have not been performed by him within three months from the moment of coming of the date of their performance, if an amount of his obligations exceeds

the value of property belonged to him.

Article 4. Consideration of cases of bankruptcy

Cases of bankruptcy are considered by the Economic Court. The case of bankruptcy is initiated by the Economic Court in the presence of circumstances stipulated in an article 3 of the present Law.

When considering the case of bankruptcy, the value of property belonging to the debtor-legal entity is established without taking into account of irreparable diversion of circulating assets into debt receivable hopeless to be recovered.

Article 5. Right to production in the Economic Court

The debtor, creditor and public prosecutor have the right to production in the Economic Court with the application on recognition of the debtor to be a bankrupt in connection with failure to fulfil pecuniary obligations.

The debtor, public prosecutor, taxation bodies and other authorities have the right to production in the Economic Court with the application on recognition of the debtor to be a bankrupt in connection with failure to performe duty on settlement of compulsory payments.

The application on recognition of the debtor as a bankrupt can be submitted to the Economic Court by the public body for bankruptcy affairs as well as by other persons in cases provided by the legislation.

Article 6. The grounds for production of the debtor in the Economic Court

The debtor has the right to bring before the Economic Court with the application on recognition of the debtor to be a bankrupt in the presence of circumstances certifying that he will not be able to meet pecuniary obligation an (or) perform duties on settlement of compulsory payments within the established term.

Unless otherwise provided by the present Law, the debtor-legal entity brings before the Economic Court with the application on recognition of the debtor to be a bankrupt on the ground of the owner's (owners') decision of liquidation of a legal entity or the decision of the body authorized by the owner of the debtor's property.

Unless otherwise stipulated by the present Law, the application on recognition of the debtor to be a bankrupt can be submitted to the Economic Court by the debtor with availability of property sufficient to defray law costs.

Article 7. The creditors' meeting

When applying procedures of bankruptcy, the creditors' meeting (committee) formed in accordance with the present Law, represents interests of all creditors. The creditors have no right to apply to the debtor for the purpose to satisfy their demands in individual order from the moment the application regarding recognition of the debtor as a bankrupt has been received by the Economic Court for proceeding.

All actions with regard to the debtor are executed by the creditors' meeting (committee) on behalf of all creditors.

Participants of the creditors' meeting with voting power are creditors, and in cases provided by the present Law, according to demands on compulsory payments - the participants are taxation bodies

and other authorized agencies. The representative of the debtor's workers participates in the creditors' meeting.

The creditors' meeting competence includes decision-making regarding the following:

the conclusion of amicable agreement;

the election of the members of the creditors' committee, the determination of a number of its members and the termination of their power ahead of schedule;

the introduction and extension of external management and production in the Economic Court with relevant petition.

the production in the Economic Court with a petition regarding recognition of the debtor as a bankrupt and opening of liquidation procedure;

other matters provided by the present Law.

Organization and holding of the creditors' meeting except for first creditors' meeting, is executed by the external manager or the authorized person.

The creditor, taxation bodies or other authorized agencies have a number of votes at the creditors' meeting that is proportional to an amount of the demands of the creditor, taxation body or other authorized agency with respect to the debtor under pecuniary obligations and (or) on compulsory payments established on the date the creditors' meeting is hold.

Unless otherwise provided by the present Law, the creditors' meeting is considered to be legally competent provided that the creditors with voting power making a claim in the amount not less than two third of total amount of the debtor's obligations, attend the meeting. The authorized agent can represent the creditors at the meeting. If there is no quorum of the creditors' meeting, the repeated creditors' meeting is called within ten days; such meeting is considered to be legally competent irrespective of the number of creditors attend it, provided that they have been duly notified of the place and time of holding of such meeting; (Changed in accordance with Law of the Republic of Uzbekistan No.832-I dtd 20.08.99) (Old version)

The creditor has voting power at the creditors' meeting if he is a holder of recognized demands to the debtor and if he has no other interests in this matter.

Article 8. The procedure for the calling of the creditors' meeting

Within three days from the date the Economic Court rendered ruling concerning submission of the application, information on the place and date of holding of the creditors' meeting is published in the press. First creditors' meeting is called by the Economic Court on the ground of the ruling concerning submission of the application; it should be hold within a week from the date the information on the place and date of holding of the creditors' meeting has been published in the press. Expenses associated with publishing of such information are born by the debtor. (Changed by Law of the Republic of Uzbekistan No.832-I dtd 20.08.99) (Old version)

First creditors' meeting is called by the Economic Court on the ground of the ruling regarding submission of the application with indication of the place and time of holding of the meeting by publishing in press within 10 (ten) days from the moment the ruling has been rendered. Expenses associated with publishing are born by the the debtor.

Subsequent creditors' meetings are called on initiative of the external manager, authorized agent, the creditors committee's demand, creditor (creditors) and (or) taxation bodies and other authorized

agencies which demands under pecuniary obligations and (or) on compulsory payments of the debtor constitute not less than one third of the total amount of demands included into register of the creditors' demands or on initiative of one third of the creditors number.

The creditors' meeting on initiative of the creditors' committee or creditor (creditors) is called by the external manager, authorized agent within two weeks from the moment of the presentation of relevant application to the external manager or authorized agent.

Unless otherwise provided by the creditors' meeting or creditors' committee, the creditors' meeting is hold on whereabouts of the debtor.

Article 9. The procedure for the decision-making by the creditors' meeting

Unless otherwise provided by the present Law, decisions of the creditors' meeting on a questions put to the vote, are made by majority of votes of the number of the creditors' votes attending the meeting.

Each creditor has a number of votes proportional to his share in a total account payable.

The creditors' meeting makes the following decisions by majority of votes of the total number of creditors' votes:

on the introduction and (or) extension of external management;

on the production in the Economic Court with a petition regarding recognition of the debtor as a bankrupt and opening of liquidation procedure;

on the production in the Economic Court with a petition regarding either change or termination of power of the external manager, authorized agent.

In case where a number of creditors' votes is not sufficient to take decision, provided by part three of the present Article, at the creditors' meeting, the repeated creditors meeting is called; such meeting is legally competent to take such decisions by majority of votes of the number of creditors' votes attending the meeting provided that the creditors were duly notified of the place and date of holding of the meeting. (Introduced by the Law of the Republic of Uzbekistan No. 832-I dtd 20.08.99)

Article 10. Register of the creditors' demands

The external manager, authorized person keep the register of the creditors' demands.

Information regarding every creditor, an amount of his demands under pecuniary obligations and (or) on compulsory payments, priority of satisfaction of every his demand should be specified in the register of the creditors' demands.

The possibility to make acquainted with the register of demands should be provided to the creditors.

Article 11. The creditors' committee

The creditors' committee represents creditors' interests and execute control over actions of the external manager and authorized person in accordance with a procedure provided by the present Law.

The number the of creditors' representatives included into the creditors' committee, is defined by the creditors' meeting.

If the number of the debtor's creditors is less than 20 persons, the decision of the creditors' meeting can provide imposition of

functions of the creditors' committee on the creditors' meeting.

To execute functions imposed, the creditor's committee has the right:

to demand from the external manager the presentation of information regarding financial circumstances of the debtor and progress of external management;

to demand from the authorized agent the presentation of information regarding progress of liquidation procedure;

to appeal actions (idleness) of the external manager and authorized person in the Economic Court in cases specified by the present Law.

The creditors' committee has the right to make decisions:

on calling of the creditors' meeting;

on recommendations to the creditors' meeting regarding dismissal of the external manager;

on approval or refusal to confirm large transactions of the debtor as well as ones in which making an interest exists.

Decisions of the creditors' committee are making by majority of votes from the total number of members of the creditors' committee.

Article 12. Election of the creditor's committee

Members of the creditors' committee are elected by the creditors' meeting for the term of carrying out of external management and liquidation procedure. The power of all members of the creditors' meeting can be terminated ahead of schedule according to the decision of the creditors' meeting. Such decision can be made only with regard to all members of the creditors' committee simultaneously. The election of the creditors' committee is executed by voting at the creditors' meeting.

Candidates who collected majority of votes at the meeting are considered to be elected in the creditors' committee.

The members of the creditors' committee can elect a chairman of the creditors' committee from their personnel.

If the creditors' committee consists of more than five members, a chairman of the creditors' committee is elected without fail.

Article 13. Interested persons

Interested persons with regard to the debtor are recognized to be:

a legal entity being a leading or dependent with regard to the debtor in accordance with the legislation;

the head of the debtor as well as persons who are members of supervisory council, collegial executive office, chief accountant (accountant) including persons who are free from their duties within one year up to the moment of initiation of bankruptcy proceeding;

the founders (the participants) of a legal entity.

Interested persons with regard to natural entities specified in the present Law are understood to be his wife (her husband), relatives (on rising an descending line), brothers, sisters and their relatives (on descending line), husband's and wife's sisters and brothers.

In cases stipulated by the present Law, interested persons with regard to the external manager, authorized agent and creditors are defined in accordance with the procedure provided by the present article.

Article 14. Responsibility of the external manager, authorized agent

Failure to performe or improper performance of duties placed on the external manager, authorized agent in accordance with a present Law, which entailed losses inflicted to the debtor or creditors, can be a ground for relief of the external manager, authorized agent of their duties.

The debtor and his creditors are entitled to demand from the external manager, authorized agent compensation for losses inflicted by actions (idleness) of the external manager, authorized agent.

Persons with regard to whom there is a limitation to execute activity associated with the management of matters and (or) property of other persons (disqualified persons) as well as interested persons indicated in article 13 of the present Law, can not be the external manager, authorized agent.

Article 15. Remuneration of the external manager, authorized agent

An amount of monthly remuneration of the external manager, authorized person for the implementation of their functions is established by the creditors' meeting and approved by the Economic Court.

Unless otherwise provided by the agreement concluded with the creditors, remuneration to the external manager, authorized agent as well as to persons attracted by them for provision of their activity is paid out at the expense of the debtor's property.

Article 16. The public body for bankruptcy affairs

The authorized body for economic insolvency of enterprises (hereinafter referred to as the public body for bankruptcy affairs) represents the state interests when solving questions associated with economic insolvency of the debtor whose assets include a share of the state property.

The public body for bankruptcy affairs:
provides implementation of procedures of bankruptcy in accordance with the present Law;
keeps record of insolvent and unprofitable enterprises;

imposes fine on the heads of managing subjects (with the exception of small and medium-sized enterprises and/or on other microfirms) official either for non provision or not timely provision with materials regarding financial and economic activity of the enterprise; (Changed in accordance with Item XIV of the Law of the Republic of Uzbekistan No. 82-II of 26.05.2000)

executes other power specified by the Cabinet of Ministers of the Republic of Uzbekistan.

defines natural entities' qualification and professional requirements carrying out activity as external managers and agents; (Introduced by Law of the Republic of Uzbekistan No.832-I dtd 20.08.99)

executes other power specified by the Cabinet of Ministers of the Republic of Uzbekistan; (Introduced by the Law of the Republic of Uzbekistan No.832-I dtd 20.08.99)

Article 17. Obligation on presentation of information regarding economic solvency of enterprises

When revealing bankruptcy attributes, the taxation bodies, bodies for economic and statistics should present information regarding enterprises which have a share of state property in their assets to the public body for bankruptcy affairs as well as other information

regarding economic solvency of enterprises at the request of the public body for bankruptcy affairs.

Article 18. Procedures of bankruptcy

When considering cases of bankruptcy of the debtor-legal entity, the following procedures are applied:

- amicable agreement;
- external management;
- liquidation procedure;
- other procedures of bankruptcy provided by the legislation.

When considering cases of bankruptcy of the debtor-natural entity, the following procedures are applied:

- amicable agreement;
- liquidation procedure;
- other procedures of bankruptcy provided by the legislation;

Article 19. Extrajudicial proceedings

Extrajudicial proceedings can be financial assistance before court and voluntary liquidation.

Chapter II. Financial assistance before court

Article 20. The ground for financial assistance before court

Financial assistance before court is carried out prior to the initiation of bankruptcy proceeding of the debtor and aimed to recover paying capacity, economic solvency of the debtor and create conditions required for further execution of his effective activity.

For the purpose of preventing bankruptcy, the founders (the participants) of the debtor, the owner of property, prior to submission of the application regarding declaration of the debtor as a bankrupt to the Economic court, takes measures directed for financial reorganization of the debtor. Measures associated with financial reorganization of the debtor can be taken on the ground of the agreement concluded with the debtor.

Article 21. Object and subjects of financial assistance before court

A debtor is an object of financial assistance before court.

The founders (the participants) of the debtor-legal entity, the owner of the debtor's property, public bodies and other persons are subjects of financial assistance before court.

Article 22. Basic measures of financial assistance before court

Basic measures of financial assistance before court are the following:

- the organization of mutual offset of indebtedness;
- complete or partial redemption of outstanding debts;
- the reorientation of production for manufacturing of competitive output;
- the attraction of highly skilled specialists outside;
- the training and retraining of personnel;

the rendering of financial assistance by legal and natural entities interested in recovery of paying capacity of the debtor and extension of his activity;

the agreement between the debtor and the creditor (creditors) directed to achieve an accord concerning delay and (or) extension of time of payments due to the creditors, or discount on debts for continuation of the debtor's activity;

the postponement of settlement of compulsory payments and repayment of government credits for the period of financial assistance;

the reorganization of a legal entity - the debtor.

The body authorized by the Cabinet of Ministers of the Republic of Uzbekistan carries out financial assistance before court with the attraction of the public funds.

State support is adjusted by the legislation when implementing financial assistance before court.

Article 23. The term of implementation of financial assistance before court

Financial assistance of the debtor before court is introduced for the term from twelve to twenty four months.

Article 24. Termination of financial assistance before court

Financial assistance before court can be terminated in connection with the expiration of the established term of its implementation or determination of its inefficiency.

Chapter III. Voluntary declaration about the debtor's bankruptcy

Article 25. Grounds and terms of voluntary declaration about the debtor's bankruptcy

In the presence of attributes of bankruptcy of the debtor, the head of the debtor-legal entity, debtor-natural entity can declare about bankruptcy of the debtor and his liquidation with consent of the creditors and the owner of the debtor's property as well as with permission of the public body for bankruptcy affairs if the debtor's property includes a share of the state property.

Disagreement of the public body for bankruptcy affairs or somebody from the creditors of the given debtor with the decision concerning his voluntary liquidation entails the initiation of bankruptcy proceedings in the Economic Court.

The debtor is considered to be in a process of liquidation from the moment of approval of the decision regarding his voluntary liquidation by the owner of the given debtor, and in cases when his property includes a share of state property, - and also by the public body for bankruptcy affairs.

Article 26. Advertisement about bankruptcy and the procedure for the voluntary liquidation of the debtor

Observing terms established in first part of article 25 of the present Law, the head of the debtor-legal entity, the debtor-natural entity publish the advertisement about bankruptcy and voluntary liquidation of the debtor in the press. (Changed in accordance with Law of the Republic of Uzbekistan No.832-I dtd 20.08.99)

The term for the presentation of demands by the creditors and

the creditors' objections against voluntary liquidation of the debtor should be indicated in the advertisement; such term can not be less than two months from the date of advertising.

The head of the debtor-legal entity, the debtor-natural entity must consider the creditors' demands, include them into the register of the creditors' demands and start settlements with the creditors in accordance with the procedure specified in chapter VI of the present Law with the exception of provisions of indicated chapter, adjusting activity of the Economic Court in liquidation procedure.

When voluntary liquidation of the debtor is implemented, the chairman of liquidation commission (liquidator) appointed by the owner (owners) of the debtor's property performs duties of the authorized agent.

Article 27. The creditors' objections against liquidation of the debtor

If only one creditor has written objection against voluntary liquidation of the debtor, the head of the debtor-legal entity, the debtor-natural entity are obliged to bring before the Economic Court with the application regarding recognition of the debtor to be a bankrupt within two weeks from the moment of expiration of the term of the presentation of the creditors' demands and the creditors' objections against voluntary liquidation of the debtor.

Anyone of the creditors can, up to the termination of voluntary liquidation of the debtor, bring before the Economic Court with the application regarding recognition of the debtor as a bankrupt.

If the Economic Court renders ruling concerning initiation of bankruptcy proceeding, liquidation procedure should be stopped.

Article 28. Responsibility for violation of rules of voluntary liquidation

In case of violation of demands specified in articles 25-27 of the present Law, concealment of property by the debtor, his unlawful transfer of property to third persons, the head of the debtor-legal entity, the debtor-natural entity, the founders (the participants) of the debtor, the owner of the debtor's property are responsible to the creditors in an amount of demands which have not been met. Such demands can be made within three years from the moment the debtor has been liquidated.

Chapter IV. Consideration of cases of bankruptcy in the Economic Court

Article 29. The grounds for initiation of bankruptcy proceeding

Bankruptcy proceeding is initiated by the Economic Court on the ground of the application of a person who has the right for production in the Economic Court in accordance with article 5 of the present Law.

Article 30. The debtor's application

The debtor's application is presented to the Economic Court in written form and signed by the head of the debtor-legal entity or by his deputy or by the debtor-natural entity respectively.

The debtor's application should contain the following:

the name of the Economic Court where the application is submitted;

the sum of the creditor's demands under pecuniary obligations

in the amount that is not contested by the debtor;

the amount of indebtedness on compensation for harm caused to life or health, payment of salaries and dismissal wages liable to payout to the debtor's workers.

the amount of remuneration liable to payout under author's agreements;

the amount of compulsory payments debt;

the substantiation of inability to meet the creditors' demands completely;

the information regarding petitions to sue with regard to the debtor that have been received for proceeding by law courts and the Economic Court as well as the information of administrative cases and other documents presented for incontrovertible writing off;

the information regarding property available at the debtor including information of monetary funds of debt receivable;

numbers of the debtor's accounts, postal address of the bank;

the information of availability of property sufficient to cover legal costs with regard to case of bankruptcy;

a list of documents enclosed;

Other information required for proper adjudication of a case of bankruptcy as well as debtor's petitions should be specified in the application;

The information regarding the debtor's obligations not connected with entrepreneurial activity, should be specified in the application of the debtor-natural entity.

The debtor must send copies of the debtor's application to the creditors and other persons participating in the case.

Article 31. Documents enclosed to the debtor's application

Besides documents provided by The Economic Procedural Code of the Republic of Uzbekistan, the other documents are enclosed to the debtor's application on recognition of him to be a bankrupt; such documents confirm the following:

availability of indebtedness as well as inability of the debtor to meet the creditors' demands completely;

other conditions on which the debtor's application is based.

The following documents are also enclosed:

a list of creditors and debtors of the applicant with interpretation of accounts payable and debt receivable and indication of postal addresses of creditors and debtors of the applicant;

accounting balance sheet on latest accounting date or substitutional documents;

the documents regarding the structure and value of the debtor-natural entity's property;

a decision of the owner of the debtor's property or founders (participants) of the debtor about production of the debtor in the Economic Court with the application of recognition of him as a bankrupt.

minutes of the meeting of the debtor's workers where the representative of the debtor's workers has been elected for participation in consideration of a case of bankruptcy, if such meeting was hold prior to the presentation of the application regarding recognition of the debtor as a bankrupt.

Article 32. The creditor's application

The creditor's application is submitted to the Economic Court in written form. The application of the creditor-legal entity is signed by his head or representative, and the application of the creditor-natural entity is signed by this natural entity or his representative.

The following should be specified in the creditor's application:
the name of the Economic Court where the application is submitted;

the name (surname) of the applicant and his postal address;

the name (surname) of the debtor and his postal address;

an amount of the applicant's demands to the debtor with indication of the amount of interests and fine, (penalty fee) liable to payment;

pecuniary obligation of the debtor to the creditor from which the demand has been arisen as well as term of its fulfillment;

proof of soundness of creditor's demands including court decision come into legal force; proof confirming recognition of indicated demands by the debtor, executive endorsement of the notary; a list of documents enclosed.

Other information required for proper adjudication of a case of bankruptcy as well as the creditor's petitions should be specified in the creditor's application. The creditor must send a copy of the application to the debtor.

Article 33. Joining of the creditors' demands

The creditor's application on recognition of the debtor to be a bankrupt can be based on joint indebtedness of different payments.

The creditors have the right to joint their demands to the debtor and bring before court with one application. Such application is signed by the creditors jointed their demands.

Article 34. Documents enclosed to the creditor's application

Besides documents provided by The Economic Procedural Code of the Republic of Uzbekistan, the other documents are enclosed to the creditor's application on recognition of the debtor to be a bankrupt; such documents confirm the following:

pecuniary obligations of the debtor to the creditor as well as availability and an amount of indebtedness under such obligations;

other conditions on which the debtor's application is based.

the power of attorney confirming authority of a person signed the application for submission of such application, is enclosed the creditor's application signed by the creditor's representative.

The following is also enclosed:

the decision of the Law Court or the Economic Court considered the creditor's demands to the debtor;

administrative case (writ of execution, payment orders accepted by the debtor, executive endorsement of a notary and others) or proofs confirming recognition of the creditor's demands by the debtor.

Article 35. Application of public body for bankruptcy affairs

The application of public body for bankruptcy affairs regarding initiation of bankruptcy proceeding of the debtor whose assets include a share of state property, is submitted in written form with necessary documents confirming economic insolvency of the given subject-debtor, enclosed.

Article 36. Application of taxation body and other authorized bodies

The application of taxation body and other authorized bodies regarding recognition of the debtor to be a bankrupt, presented to the

Economic Court should meet demands provided for the the creditors' application.

Proofs regarding taking measures to get indebtedness under compulsory payments in accordance with the legislation, should be enclosed to the application of taxation body and other authorized bodies on recognition of the debtor-legal entity to be a bankrupt presented to the Economic Court.

Article 37. The public prosecutor's application

The public prosecutor has the right to present the application on recognition of the debtor to be a bankrupt to the Economic Court: when he reveals concealment of bankruptcy; when the debtor has indebtedness on compulsory payments or irreparable diversion of circulating assets; in the interests of the creditor under pecuniary obligations to the Republic of Uzbekistan; in other cases provided by the legislation.

Unless otherwise provided by the legislation, the public prosecutor's application is presented to the Economic Court with observation of demands stipulated in the present Law with regard to the creditor's application.

Article 38. Measures designed to secure the creditors' demands

According to the application of a person participated in a case of bankruptcy, the Economic Court has the right to take measures designed to secure the creditors' demands in keeping with the Economic Procedural Code of the Republic of Uzbekistan.

Besides measures provided by the Economic Procedural Code of the Republic of Uzbekistan, the Economic Court can ban to make transactions without consent of the external manager, authorized agent, as well as oblige the debtor to transfer securities, currency values and other assets to third persons for keeping and take other measures directed to secure safety of the debtor's property.

Measures designed to secure the creditors' demands are in force up to the moment of:

- the introduction of external management and appointment of the external manager;
- the adoption of a decision regarding recognition of the debtor to be a bankrupt by the Economic Court, opening of liquidation procedure and appointment of the authorized agent;
- the approval of amicable agreement by the Economic Court;
- making of decision on refusal to recognize the debtor as a bankrupt by the Economic Court.

The Economic Court has the right to cancel measures for security of the creditor's demands up to coming of circumstances provided by part three of the present article.

Article 39. The debtor's response to the application on recognition of him to be a bankrupt

The debtor, within five days from the date of receipt of ruling on receipt of the application of the creditor, public prosecutor, taxation body or other authorized body, should send his response to the application to the Economic Court, applicant and other persons participated in case as well as notify all creditors not specified in the application, of initiation of proceeding with regard to case of recognition of him as a bankrupt. Copies of response to the

application, proof of sending of specified documents to the applicant and other persons participated in case, should be enclosed to the debtor's response sending to the Economic Court.

Besides information provided by the Economic Procedural Code of the Republic of Uzbekistan, the following should be indicated in the debtor's response:

the debtor's objections against the applicant's demands;
total amount of indebtedness under pecuniary obligations to the creditors, payment of salaries to the debtor's workers, compulsory payments;

information regarding the debtor's assets including financial resources being on accounts in banks, accounts numbers and postal address of the bank;

proof of satisfaction of the applicant's demands recognized by the debtor.

Absence of the debtor's response is not prevention for consideration of case of bankruptcy.

Article 40. Preparation of case of bankruptcy for judicial examination

The preparation of case of bankruptcy for judicial examination is executed by a judge in accordance with the procedure established by the Economic Procedural Code of the Republic of Uzbekistan.

To define financial circumstances of the debtor, when preparing case of bankruptcy for judicial examination, as well as when considering case of bankruptcy, the Economic Court has the right to institute examination. (Changed in accordance with Law of the Republic of Uzbekistan No. 832-I dtd 20.08.99) (Old version)

Article 40-1 was introduced by the Law of the Republic of Uzbekistan No.832-I dtd 20.08.99

Article 40-1. The period of consideration of case of bankruptcy

Case of bankruptcy is to be considered at the seeting of the Economic Court within a period not exceeding a month from the date the ruling regarding consideration of application has been rendered.

Article 41. Decision on recognition of the debtor to be a bankrupt and opening of liquidation procedure and on declination of the creditors' demands

The decision of the Economic Court on recognition of the debtor to be a bankrupt and opening of liquidation procedure is taken in cases when attributes of bankruptcy, stipulated in article 3 of the present Law, are defined. Instructions on recognition of the debtor as a bankrupt and opening of liquidation procedure should be included into decision on recognition of the debtor-legal entity to be a bankrupt and opening of liquidation procedure taken by the Economic Court.

The decision of the Economic Court regarding recognition of the debtor-natural entity as a bankrupt should include recognition of the registration of the debtor as individual entrepreneur as null and void.

Unless otherwise established by the Economic Court, the decision taken by the Economic Court on recognition of the debtor as a bankrupt and opening of liquidation procedure is liable to instant execution.

In case of declination of the creditors' demands to the debtor, the Economic Court has the right to define the amount of compensation

for moral harm and pecuniary loss and collect it in the debtor's favour.

Article 42. Publication by the Economic Court of information regarding recognition of the debtor as a bankrupt

The information regarding recognition of the debtor to be a bankrupt is published in the press within ten (10) days by the Economic Court which has taken the decision on recognition of the debtor as a bankrupt and opening of liquidation procedure. (Changed in accordance with Law of the Republic of Uzbekistan No.832-I dtd 20.08.99)

The publication should contain the following:

the name and other requisites of the debtor recognized to be a bankrupt;

the name of the Economic Court which consider case of bankruptcy of the debtor;

the date of taking decision regarding recognition of the debtor to be a bankrupt and opening liquidation procedure by the Economic Court;

the term established for making of the creditors' demands which can not be less than two months from the date of publication;

Information regarding the authorized person;

Information of cancellation of the Economic Court's decision on recognition of the debtor as a bankrupt is liable to be published in accordance with the procedure provided by part two of the present article.

Article 43. Decision of the Economic Court of refusal to recognize the debtor as a bankrupt

The decision of the Economic Court of refusal to recognize the debtor as a bankrupt is taken in the following cases:

failure to determine attributes of bankruptcy;

satisfaction of applied creditors' demands prior to decision-making by the Economic Court regarding case of bankruptcy;

the determination of false bankruptcy;

in other cases provided by the present Law.

If it is proved that the debtor has sufficient liquidation property, the Economic Court, according to the debtor's petition, has the right to postpone the consideration of case of bankruptcy offered to the debtor to meet the creditors' requirements within the term established by court which can not be more than thirty (30) days.

Article 44. Consequences of decision-making regarding refusal to recognize the debtor as a bankrupt

The decision of the Economic Court regarding refusal to recognize the debtor as a bankrupt is the ground for termination of actions being consequences of receipt of the application on recognition of the debtor as a bankrupt.

Article 45. The grounds for termination of bankruptcy proceeding

The Economic Court terminates bankruptcy proceeding in cases of recovering of financial solvency of the debtor or conclusion of amicable agreement.

Article 46. Peculiarities of bankruptcy proceeding of the debtor whose assets include a share of state property

If the debtor's assets include a share of state property, the Economic Court, within the established term, notifies the public body for bankruptcy affairs about initiation of proceeding.

The public body for bankruptcy affairs, within two weeks from the date of receipt of notification, informs the Economic Court of his decision regarding expediency or unexpediency of financial assistance.

In case of the creditors' consent to implement financial assistance, the case of bankruptcy is terminated.

In case of the creditors' refusal to implement financial assistance, the examination of case is executed in accordance with the procedure established by the legislation. (Changed in accordance with Law of the Republic of Uzbekistan No.832-I dtd 20.08.99)

Chapter V. External management

Article 47. The procedure for the introduction of external management

External management is introduced by the Economic Court on the ground of the decision of the creditors' meeting, the application of the owner of the debtor's property or the public body for bankruptcy affairs with the exception of cases provided by the present Law.

The ruling of the Economic Court on introduction of external management is liable to instant execution and can be appealed (protested) within the term established by the legislation.

Unless otherwise provided by the present Law, external management is introduced for the period from twelve to twenty four months.

According to the petition of the creditors' meeting, the decision of the public body for bankruptcy affairs or the application of the external manager, the established term of external management can be shortened or extended by the Economic Court within the limit of terms set up by part three of the present article.

Article 48. Consequences of the introduction of external management

From the moment of the introduction of external management: the head of the debtor is relieved of performance of his duties; the external manager will manage the debtors' affairs.

a power of the bodies of administration of the debtor is terminated. A power of the head of the debtor and other bodies of administration of the debtor is transferred to the external manager with the exception of power transferred to the other persons (bodies) under the present Law. The bodies of administration of the debtor, within three (3) days from the date of appointment of the external manager, are to provide the transfer of accounting and other documentation of a legal entity, seals and stamps, material and other valuables to the other external manager;

the measures for the security of the creditors' demands introduced earlier, are cancelled;

arrests on the debtor's property and other limitations of the debtor on disposal of property belonged to him, can be imposed exclusively within the framework of process of bankruptcy.

moratorium for the satisfaction of the creditors' demands under pecuniary obligations and on compulsory payments of the debtor with the exception of cases provided by the present Law, is introduced.

On termination of external management, fine (penalty fee), as well as the amount of inflicted losses which the debtor should pay to

the creditors under pecuniary obligations and on compulsory payments, can be presented for payment in the amount existed on the date of the introduction of external management.

Article 49. Moratorium for the satisfaction of the creditors' demands

Moratorium for the satisfaction of the creditors' demands is applied to pecuniary obligations and compulsory payments which date of performance came prior to the introduction of external management.

Within the term of validity of moratorium under pecuniary obligations and on compulsory payments, provided by part one of the present article:

the collection on administrative cases and other documents, collection on which is executed without acceptance, is not admitted;

fine (penalty fee) and other financial (economic) sanctions for failure to fulfil or improper fulfillment of pecuniary obligations and compulsory payments as well as interest liable to payment, are not charged.

Interest in the amount and order stipulated by the legislation are charged for the amount of the creditors' demands under pecuniary obligations and on compulsory payments on the moment of the introduction of external management.

Moratorium is also applied to the creditors' demands on compensation for losses caused by refusal of the external manager to execute the agreement in accordance with article 56 of the present Law.

Regulations stipulated in parts two and three of the present article are not applied to pecuniary obligations and compulsory payments, which term of fulfillment came after the introduction of external management.

Operation of moratorium is not applied to the citizens' demands following from labour legal relationships, on recovering of alimony and payment of remuneration for authors agreements; as well as it is not applied to demands of citizens to whom the debtor is responsible for causing of harm to life and health in accordance with the procedure stipulated in the legislation.

Article 50. The procedure for the presentation of the candidacy of the external manager

The creditors' meeting decided to introduce external management, approves the candidacy of the external manager.

The candidacy of the external manager can be suggested to the creditors' meeting by any creditor, taxation body and other authorized body, the debtor or the owner of the debtor's property.

The candidacy which got majority of the creditors' votes in accordance with the procedure for the decision-making by the creditors' meeting provided by article 9 of the present Law, is suggested to the Economic Court.

If external management is introduced by the Economic Court with absence of the decision taken by the creditors' meeting, the creditors' meeting has the right to consider, approve and represent the candidacy of the external manager to the Economic Court within a week from the moment the Economic Court has rendered the ruling regarding the introduction of external management.

If the candidacy of the external manager is not introduced, the Economic Court appoints the external manager from the number of candidacies suggested by the public body for bankruptcy affairs.

Article 51. Appointment of the external manager

The external manager is appointed by the Economic Court simultaneously with the introduction of external management.

If it is not possible to appoint the external manager simultaneously with the introduction of external management, the Economic Court appoints the external manager within ten (10) days from the moment external management has been introduced.

The Economic Court renders ruling of appointment of the external manager.

The ruling regarding appointment of the external manager is liable to instant execution and can be appealed (protested).

Article 52. Relief of the external manager

The external manager can be relieved of his power by the Economic Court:

on the ground of the decision of the creditors' meeting in case of failure to perform or improper performance of duties placed on the external manager. In this case the decision of the creditors' meeting should contain information of the candidacy of new external manager;

on the ground of the decision of the public body for bankruptcy affairs;

according to his application;

in case of revelation of circumstances preventing the appointment of a person as the external manager;

in other cases provided by the present Law.

The ruling of relief of the external manager of his power is liable to instant fulfillment and can be appealed (protested).

Article 53. Rights and duties of the external manager

The external manager executes power of the head.

The external manager has the right:

to call the creditors' meeting and the creditors' committee;

to dispose of the debtor's property with restrictions stipulated by the present Law;

to conclude amicable agreement on behalf of the debtor;

to receive remuneration in the amount and order provided by the present Law;

unless otherwise stipulated in the present Law or the agreement with the creditors, on contract basis to attract other persons with payment for their activity from the debtor's funds for the purpose to secure the fulfillment of his functions;

to present the application to the Economic Court regarding termination of performance of their duties ahead of schedule.

to declare repudiation of the debtor's agreements in accordance with the procedure established by article 56 of the present Law.

When executing his power, the external manager has the right to make a claim on third persons who, in accordance with the legislation, bear subsidiary responsibility under pecuniary obligations of the debtor in connection with actions led him to bankruptcy.

The external manager must:

take the debtor's assets into jurisdiction and fulfil its inventory;

take measures directed to search, disclose and return the debtor's property being at the third persons;

open special account to fulfil external management and settlements with the creditors;

work out and present for approval the plan of external

management to the creditors' meeting (committee);
keep accounting, statistical records and accounting;
declare objections on the creditors' demands made on the
debtor in accordance with the established procedure;
take measures on recovery of debt to the debtor;
keep the register of the creditors' demands;
present the report on results of implementation of the plan of
external management to the creditors' meeting;
execute other power provided by the present Law;
When implementing his rights and obligations, the external
manager is obliged to act with taking into account interests of the
debtor and his creditors.

Article 54. The creditors' demands

The creditors are entitled to make their demands on the debtor at any moment within the period of validity of external management. The indicated demands are transferred to the external manager to the debtor's postal address. The creditors' demands recognized to be established in accordance with part four of the present article, are transferred to the external manager with documents allowing to define indicated demands as established, enclosed.

The external manager considers the made creditors' demands and according to the results of their consideration, makes entry into the register of the creditors' demands not later than in two weeks after receipt of the corresponding demand. The external manager notifies the relevant creditor of the results of consideration within the period of time not exceeding one months from the date the creditors' demand has been received.

The creditor can apply objections on the results of consideration by the external manager of the creditors' demands to the Economic Court considering case of bankruptcy, within a month from the date such objections have been received.

The creditors' demands, objections on which have not been applied in time stipulated by part one of the present article, are considered to be established in the amount, structure and priority of satisfaction defined by the external manager.

Article 55. Disposal of the creditor's property

The owner of the debtor's property or bodies authorized by the foundation documents, has no right to take decisions or in other way to restrict the external manager's power on disposal of the debtor's property except for cases stipulated in the present Law.

Unless otherwise provided by the present Law or the plan of external management, large transactions and ones in which interest is available, are carried out by the external manager with consent of the creditors' meeting (committee).

Large transactions include ones which entail the disposal of the real estate and other debtor's property which book cost does not exceed 10 per cent of the book cost of the debtor's assets on the moment the transaction is being made.

Transactions in which making interest is available, are recognized to be ones which party is interested persons with regard to the external manager or the creditor.

Article 56. Repudiation of the debtor's agreements

The external manager has the right to repudiate to execute the creditor's agreement concluded prior to the introduction of external

management within three months from the introduction of external management.

Repudiation of the creditor's agreement can be declared only with regard to agreements failed to execute by all parties partly or in full, with availability of one of the following factors:

the execution of the debtor's agreement will entail losses for the debtor in comparison with the same agreements concluded under the comparable circumstances.

the agreement is long term (concluded for the period more than one year) or designed for receipt of positive results for the debtor only in long term prospective;

other conditions preventing recovery of the debtor's paying capacity;

The debtor's contractor has the right to demand from the debtor the compensation for actual loss entailed by the repudiation of the agreements.

Article 57. Nullity of the debtor's transactions

The debtor's transaction including one made by the debtor prior to the moment of the introduction of external management, can be recognized by the Economic Court as null and void according to the external manager's application on grounds provided by the legislation.

The transaction made by the debtor with interested person, can be recognized by the Economic Court as null and void according to the external manager's application in case if as a result of making such transaction, losses were inflicted or can be inflicted to the creditors.

The transaction made by the debtor with separate creditor or other person after receipt of the application on recognition of the debtor as a bankrupt, can be recognized as null and void according to the application of the external manager or the creditor if indicated transaction entails preferred satisfaction of demands under the debtor's pecuniary obligations of one creditors to the others.

The transaction, made by the debtor-legal entity after the initiation of bankruptcy proceeding or within six months prior to the presentation of the application regarding recognition of the debtor to be a bankrupt, associated with the payment (appropriation) of a share in property to the debtor's participant in connection with his withdrawal from the structure of the debtor's participants, according to the application of the external manager or the creditor, can be recognized as null and void, and all received on such transaction should be returned to the debtor. In this case the participant is recognized as a creditor of sixth priority in accordance with article 83 of the present Law.

Article 58. Pecuniary obligations of the debtor arisen under external management

If the amount of pecuniary obligations of the debtor arisen after the introduction of external management, exceeds 20 per cent of the amount of the creditor's demands in accordance with the register of the creditor's demands, the transactions entailed new pecuniary obligations of the debtor, except for ones provided by the plan of external management, can be made by the external manager only with consent of the owner of the debtor's property and the creditors' meeting (committee).

Article 59. The debtor's expenses adjustment

Decisions entailed increase of the debtor's expenses for the consumption including ones designed to pay salaries to workers, can be taken by the external manager only with consent of the creditors' meeting (committee) with the exception of cases stipulated in the legislation.

Article 60. The plan of external management

The external manager should, within one month from the moment of his appointment, work out a plan of external management which he submits to the owner of the debtor's property and the creditors' meeting (committee).

The plan of external management should provide measures designed to recover the creditor's paying capacity.

The debtor's paying capacity is recognized as recovered if there is no bankruptcy attributes established by article 3 of the present Law. The plan of external management should provide the term of recovery of the debtor's paying capacity.

At the request of the creditors' meeting (committee), the external manager should report to the creditors about the course of external management.

Article 61. The consideration of the plan of external management

The plan of external management is considered by the creditors' meeting (committee) that is called by the external manager not later than in two months from the moment of the introduction of external management. The external manager notifies in written form all creditors about the date and place of holding of the creditors' meeting and provides the familiarization with the plan of external management not less than one week prior to the date the indicated meeting will be hold.

The participants of the creditors' meeting with the right to vote are the creditors having the right for debt recovery.

The external manager and the representative of the debtor's workers have the right to participate in the creditors' meeting without the right to vote.

The plan of external management is considered to be approved if more than a half of the creditors attending the meeting gave their votes for the plan of external management.

The creditors' meeting has the right to take one of the following decisions:

of approval of the plan of external management;

of rejection of the plan of external management and removal of the external manager simultaneously with the approval of the candidacy of a new external manager and production with relevant petition to the Economic Court. The indicated decision should provide the date for calling of the next creditors' meeting for the consideration of a new plan of external management; such term should not exceed one month from the date of the foregoing decision-making by the creditors' meeting.

The plan of external management and minute of the creditors' meeting (committee) approved by the creditors' meeting (committee) should be submitted to the Economic Court by the external manager not later than five days from the date of holding of the creditors' meeting (committee).

Article 62. Extension of term of external management

If the creditors' meeting has taken the decision regarding approval of the plan of external management which provides a term of external management exceeding originally established one, the Economic Court extends a term of external management, if there are sufficient grounds to think that extension of a term of external management or the implementation of approved plan of external management will lead to recovery of the debtor's paying capacity. With that a total term should not exceed twenty four (24) months.

Article 63. Measures designed to recover the debtor's paying capacity

The following measures can be applied to recover the debtor's paying capacity:

- the change of production activity;
- the closing of unprofitable productions;
- the recovering of debt receivable;
- the selling of part of the debtor's property;
- the assignment of the debtor's demand;
- the fulfillment of the debtor's obligations by the third persons;

other ways of recovering of the debtor's paying capacity.

Besides measures provided by part one of the present article, according to the petition of the public body for bankruptcy affairs, the Economic Court can render the ruling regarding temporary closing down of inoperative objects of the debtor having a share of state property in his assets.

Article 64. The sale of enterprise (business) of the debtor as the property complex

For the purpose to meet the creditors' demands the plan of external management can provide the sale of enterprise (business) of the debtor.

When selling enterprise (business) of the debtor, all types of property designed to execute entrepreneurial activity of the debtor including land, buildings, constructions, equipment, stock, raw materials, production, the right to demand as well as means individualized the debtor, his goods, work and services (trade name, trademarks and service marks), other exclusive rights belonging to the debtor with the exception of right and duties which can not be transferred to other persons, are alienated.

The external manager, with the consent of the creditors' meeting, is entitled to sell enterprise by installments within a period not more than a year provided that the buyer furnishes an appropriate guarantee of the serving bank; (Introduced in accordance with Law of the Republic of Uzbekistan No.832-I dtd 20.08.99)

When selling enterprise (business) implemented in accordance with the present article, pecuniary obligations of the debtor and compulsory payments on the date of receipt of the application by the Economic Court regarding recognition of him as a bankrupt, are not included in the structure of enterprise (business).

When selling enterprise (business), all labour contracts effective on the date of the sale of enterprise (business) remain valid; the rights and duties of the employer are transferred to the buyer of enterprise (business).

The sum of proceeds of the sale of enterprise (business) is included into the debtor's property.

Unless otherwise provided by the plan of external management, the sale of enterprise (business) is executed by holding of open

tenders. The external manager acts as organizer of tenders or attracts the specialized organization for such purpose with payment for its services at the expense of the debtor's property.

The external manager is to publish in Official Journal the advertisement regarding the sale of enterprise (business) at open tenders not less than thirty (30) days prior to the date of holding of tenders. The information associated with the object of sale and the procedure for familiarization with the object of sale, deadline for the presentation of applications to acquire enterprise (business) that can not be valid less than two weeks and more than one month from the date of the publishing of the advertisement as well as other information set up by the legislation, should be included into the advertisement.

If the application of one participant is received within term specified in the advertisement, the tenders on the sale of enterprise (business) are not hold. Enterprise (business) can be sold with consent of the creditors' meeting (committee) without holding of tenders.

The tenders are hold in the form of auction with the exception of cases established by the present Law.

If the tenders are hold in the form of auctions, the terms of competition are liable to be approved by the creditors' meeting (committee).

A person being a winner of an auction and the organizer of tenders should sign a minute having a force of the agreement, at the day of auction holding.

If tenders were hold in form of competition, the agreement should be concluded on the basis of protocol signed by the winner of the competition and organizer of tenders on day of holding of competition but not later than twenty days from the indicated date.

The person won tenders and the organizer of tenders should, on the day of holding of auction or competition, sign the protocol on results of tenders that has a force of the agreement. If the person who won tenders deviates from signing of the protocol, he losses an amount left him as deposit.

The amount of deposit lost by the person who won tenders in connection with his refusal to sign the protocol or agreement, is included into the debtor's property with the deduction of the organizer's costs designed to hold tenders.

If the debtor has possibility to satisfy the creditors' demands completely at the expense of proceeds of sale of enterprise (business), bankruptcy proceeding is liable to termination by the Economic Court according to the application of the external manager.

If proceeds of sale of enterprise (business) is not sufficient to meet the creditors' demands completely, the external manager suggests to the creditors to conclude amicable agreement.

Proceeds of sale of enterprise (business) as property complex constitutes liquidation mass* and is liable to distribution in priority order provided by the legislation.

* all liquidation property

Article 65. The sale of a part of the debtor's property

Unless otherwise provided by the plan of external management, after carrying out of inventory and assessment of the debtor's property, the external manager has the right to start the sale of the property at open tenders.

Tenders are hold in the form of auction with the exception of cases specified in parts three and ten of the present article. (Changed in accordance with Law of the Republic of Uzbekistan No.832-I

dtd 20.08.99)

Property having limited circulating ability, can be sold only at closed tenders. Persons, who according to the legislation, can have specified property on the right of property or other proprietary right, take part in closed tenders.

The external manager can act as organizer of tenders or entrust specialized organization to hold tenders on the basis of the agreement. Specialized organization that hold tenders, can not be interested party with regard to the debtor and external manager.

Initial price of the property put out to tenders is determined by the external manager; it can not be lower than book cost (residual cost).

The winner of tenders is to pay selling value in term provided by the protocol or the contract of purchase concluded according to the results of competition but not later than in one month from the date the tenders have been hold.

The debtor's property which has not been sold at the first tenders, is put out to repeated tenders.

The debtor's property that has not been sold at repeated tenders, can be sold by the external manager on the basis of the purchase contract concluded without holding of tenders.

The external manager, with the consent of the creditors' meeting, is entitled to sell a part of property by installments within a period not more than a year provided that the buyer furnishes an appropriate guarantee of the serving bank; (Introduced by the Law of the Republic of Uzbekistan No.832-I dtd 20.08.99)

In the course of external management, the external manager, with the consent of the creditor's meeting is entitled to sell not valuable and fast wearing property, as well as residue raw materials and final product on the basis of sale (purchase) contract, without holding of auctions;(Introduced by the Law of the Republic of Uzbekistan No.832-I dtd 20.08.99)

Article 66. Assignment of the debtor's demand

Assignment of the debtor's demand can be implemented by the external manager by selling of claim at open tenders with the creditors' meeting (committee) consent.

Article 67. Performance of pecuniary obligations of the debtor by the owner of the debtor's property or third person

The owner of the debtor's property has the right, at any time prior to the termination of external management, to satisfy sumultaneously all creditors' demands in keeping with the register of the creditors' demands.

Performance of the debtor's pecuniary obligations by the third person (third persons) is admitted provided that such performance satisfies simultaneously all creditor's demands in keeping with the register of the creditors' demands.

Article 68. Report of the external manager according to the results of external management

The external manager should present the report to the creditors' meeting not later than fifteen days prior to the termination of established term of external management as well as in the presence of grounds for its termination ahead of schedule.

The report should contain the following:

the debtor's balance on the last accounting date;
the account of profits and losses of the debtor;
the information of availability of free financial resources that can be directed to satisfy the creditors' demands under pecuniary obligations and on compulsory payments of the debtor;
the interpretation of debt receivable of the debtor and information regarding claims of the debtors that remained not implemented.

other information of possibility to repay remaining accounts payable of the debtor.

The register of the creditors' demands should be enclosed to the report of the external manager.

Simultaneously with the presentation of the report, the external manager introduces at the creditors' meeting one of the following proposals of:

the termination of external management in connection with recovery of the debtor's paying capacity;
the conclusion of amicable agreement;
the extension of the term of external management;
the termination of external management and production in the Economic Court with petition regarding recognition of the debtor as a bankrupt and opening of the liquidation procedure.

Article 69. The consideration of the external manager's report

The external manager's report is considered by the creditors' meeting that is called not later than in ten days after expiration of established term of external management or not later than in fifteen days after rise of grounds for the termination of external management ahead of schedule.

The external manager is to notify all creditors about holding of the creditors' meeting not later than fifteen days prior to expiration of the established term of external management.

The notification about holding of the creditors' meeting should contain information of time and place of holding of the meeting as well the procedure for the familiarization with external manager's report.

According to the results of consideration of the external manager's report, the creditors' meeting has the right to make one of the following decisions:

of termination of external management in connection with recovery of the debtor's paying capacity and starting settlements with creditors.

of production in the Economic Court with petition regarding extension of the established term of external management;

of production in the Economic Court with petition regarding recognition of the debtor as a bankrupt and opening of liquidation procedure;

of conclusion of amicable agreement.

Article 70. The approval of the external manager's report by the Economic Court

The external manager's report considered by the creditors' meeting and minutes of the creditors meeting should be sent to the Economic Court not later than in five days after the date the creditors' meeting has been hold.

The register of the creditors' demands and complaints of the creditors who voted against the decision approved by the creditors' meeting or complaints of the creditors who did not participate in

voting, should be enclosed to the external manager's report.

The external manager's report and the creditors complaints are considered at the Economic Court's session.

The external manager and creditors who made complaint should be notified of time and place of the session.

If the creditors' meeting has taken decision regarding termination of external management in connection with the recovery of the debtor's paying capacity and start settlements with the creditors, the external manager's report is liable to approval by the Economic Court with the exception of cases provided by the present Law.

If the Economic Court defines reasonableness of the creditors' complaints or absence of signs of recovery of the debtor's paying capacity, the Economic Court refuses to approve the external manager's report.

The ruling regarding approval or refusal to approve the external manager's report or extension of external management or approval of amicable agreement is rendered.

The Economic Court takes the decision regarding recognition of the debtor as a bankrupt and opening of liquidation procedure in the presence of the petition of the creditors' meeting of recognition of the debtor as a bankrupt and opening of liquidation procedure as well as in case of the Economic Court's refusal to approve the report, or failure to present the external manager's report within a month from the moment the established term of external management has been terminated.

Article 71. Consequences of approval of the external manager's report by the Economic Court

The approval of the external manager's report by the Economic Court is the ground for termination of bankruptcy proceeding.

The Economic Court has the right to establish term of termination of settlements with the creditors with the presence of petition approved by the creditors' meeting.

The Economic Court renders ruling regarding approval of the external manager's report and establishes term of termination of settlements with the creditors that can not exceed six months from the date of rendering of ruling. In this case the bankruptcy proceeding is terminated after termination of the settlements with the creditors.

If, within the term established by the Economic Court, the settlements with creditors have not be executed, the Economic Court takes decision regarding recognition of the debtor to be a bankrupt and opening of liquidation procedure.

Article 72. Settlements with the creditors

In cases provided by part five of article 70 of the present Law, the settlements with the creditors are executed by the external manager in accordance with the register of the creditor's demands starting from the date of approval of the external manager's report by the Economic Court.

Settlements with creditors are executed in accordance with the procedure provided by article 83 of the present Law.

The external manager introduces relevant entry into the register of the creditor's demands from the moment the debtor's pecuniary obligations have been performed.

Article 73. Settlement of the creditors' demands

The settled demands are considered to be satisfied creditors'

demands as well as demands on which the agreement on release-money or novation of obligation or termination of pecuniary obligations in other way have been achieved, as well as other demands which recognized to be settled in accordance with the present Law.

Article 74. The procedure for termination of the external manager's power

The termination of external management entails the termination of the external manager's power with reestablishment of power of other bodies of administration of the debtor and the owner of the debtor's property.

If external management is terminated by the adoption of amicable agreement or settlement of the creditors' demands, the external manager continues to perform his duties within the power of the debtor's head up to the moment a new head will be appointed (elected).

If the Economic Court has adopted decision regarding recognition of the debtor as a bankrupt and opening of liquidation procedure and other person has been appointed as authorized agent, the external manager continues to perform his duties up to the moment the affairs have been transferred to the authorized agent.

Chapter VI. Liquidation procedure

Article 75. Opening of liquidation procedure

Taking of decision by the Economic Court regarding recognition of the debtor as a bankrupt entails opening of liquidation procedure.

The alienation, transfer of property and settlement of pecuniary obligations are banned to the debtor from the moment of recognition of the debtor as a bankrupt; operations on clearing account, payment of dividends and compulsory payments are stopped. The terms of all promissory notes of the debtor are considered as expired; it is not admitted to make new claims on him.

The calculation of penalty fee and interests is terminated on all types of the debtor's indebtedness. All restrictions for making of claim on the debtor's property are lifted. The disputes of property character with participation of the debtor considered in the Economic Court, if the decisions adopted on them did not come into legal force, are terminated. From this moment all claims of property or financial character can be made on the debtor only within the framework of liquidation procedure.

Article 76. Participants of liquidation procedure

Participants of liquidation procedure are: authorized agent, the creditors' meeting (committee), the debtor and other interested parties.

Article 77. Liquidation commission

When the Economic Court takes decision on bankruptcy, it forms liquidation commission under the authorized agent's leadership. When recognizing the debtor, whose assets include a share of state property, as a bankrupt, the public body for bankruptcy affairs forms liquidation commission under the authorized agent's leadership. The authorized agent is appointed by the Economic Court in keeping with the procedure provided for appointment of the external manager; (Changed in accordance with Law of Republic of Uzbekistan No. 832-I dtd 20.08.99) (Old version)

Liquidation commission must:

place in official press on the place of location of the debtor-bankrupt a publication regarding his liquidation and the procedure for making of claims by the creditors;

inform creditors and interested parties about liquidation of the debtor-bankrupt;

concentrate financial resources of the debtor-bankrupt on a single soum and foreign currency accounts in one bank;

prepare report of the debtor-bankrupt's property including property being in pledge.

make-up liquidation balance and present it to the Economic Court;

prepare plan of liquidation of the debtor-bankrupt;

complete current affairs;

implement stage liquidation of the debtor-bankrupt in interest of interested parties;

present necessary information regarding property and process of liquidation of the debtor to the creditors, the Economic Court, taxation bodies and other authorized bodies as well as to other interested organizations and persons.

prepare final report on implementation of liquidation of the debtor-bankrupt and submit it to the Economic Court.

Actions of liquidation commission can be appealed in the Economic Court.

Maximum period of work of liquidation commission of the debtor-bankrupt, whose assets include a share of state property, as a rule, can not exceed one year. In exceptional cases, the period of work of liquidation commission can be extended not more than for six months according to the procedure established by the legislation. (Introduced by the Law of the Republic of Uzbekistan No.832-I dtd 20.08.99)

In case where liquidation commission did not complete work associated with the liquidation of the debtor-bankrupt within the established period, and if creditors refused to obtain a part of property to settle debts, non-sold part of property is passed into state ownership in accordance with the procedure established by the legislation. (Introduced by the Law of the Republic of Uzbekistan No.832-I dtd 20.08.99)

Actions of liquidation commission may be appealed in the Economic Court. (Introduced by the Law of the Republic of Uzbekistan No. 832-I dtd 20.08.99)

Article 78. Authorized agent's power

All power on management of the debtor's affairs including power on disposal of the debtor's property are transferred to the authorized agent from the moment of his approval.

Bodies of administration of the debtor (the external manager) should, within three days from the moment the authorized agent has been approved, provide transfer of accounting and other documentation of the debtor, seals and stamps, material and other values to the authorized agent. In case of deviation from indicated duty, the bodies of administration of the debtor (the external manager) including the head of the debtor-legal entity, the debtor-natural entity are responsible in accordance with the legislation.

The authorized agent:

takes the debtor's assets into jurisdiction, fulfills its inventory and assessment and takes measures for its storage;

calls the creditors' meeting and the creditors' committee;

keeps the register and considers the creditors' demands;

takes measures on recovery of indebtedness to the debtor;

protects rights and interests of the debtor's workers under his

liquidation;

declares in accordance with the established procedure objections on the creditors' demand made on the debtor'

declares repudiation of the debtor's agreements in accordance with the procedure stipulated in article 56 of the present Law;

takes measures directed to search, reveal and return the debtor's property being at third persons;

transfers the debtor's documents, liable to obligatory keeping in accordance with the legislation, for keeping;

executes other power stipulated by the present Law;

When executing his power, the authorized agent has the right to make a claim on third persons who, in accordance with the legislation, bear subsidiary responsibility under obligations of the debtor in connection with actions led him to bankruptcy.

Recovered sums are included into liquidation mass and can be used only to meet the creditors' demands in order of priority established by the present Law.

When executing his power, the authorized agent is to act with taking into account interests of the debtor and his creditors.

Article 79. The plan of liquidation of the bankrupt

The plan of liquidation of the bankrupt should contain the following:

the information regarding financial circumstances of the debtor-bankrupt;

terms, procedure, reporting and proportionality of satisfaction of the creditors' claims;

record keeping of interests of the owner the debtor-bankrupt's property, work collective;

the list of property liable to sale out;

the way, place and time of sale out of property;

terms of payment of court costs, activity of experts, members of liquidation commission, authorized agents and others.

The plan of liquidation of the debtor-bankrupt is to be agreed with the creditors; it is considered to be approved if it is accepted by the creditors presenting not less than two third of sum of demands. If the plan of liquidation is not approved and the creditors did not presented their own plan of liquidation of the debtor-bankrupt within the established term, the authorized agent approves the plan suggested by the liquidation commission.

If the initiator of initiation of case was the debtor himself, he has the right to present his own plan of liquidation.

The sale out of property and satisfaction of claims on the debtor is carried out on the basis of approved plan of liquidation in accordance with the established procedure.

Article 80. Liquidation mass. Assessment of the debtor's property

All assets of the debtor-bankrupt, irrespective of they are shown in the balances or not, form the ground for formation of liquidation mass.

Book cost (residual cost) is initially established one for property sold at the auction.

The following is not included into liquidation mass:

property to be in private ownership of the debtor's workers;

the property used by the debtor on the right of lease, being on trust management;

a subject of pledge with the exception of cases provided by

part one, article 82 of the present Law;

goods to be kept by the debtor;

other property not to be the debtor's property in accordance with the legislation.

If case of availability of objects of social and municipal infrastructure on the debtor's account, that cannot be used for commercial or other purposes, they, within a month from the date the debtor has been declared as a bankrupt, are passed to disposal of the local agencies of State power at residual cost, according to the decision taken by the liquidation commission. Funds of the sale of above objects are included into liquidation mass; (Introduced by the Law of the Republic of Uzbekistan No.832-I dtd 20.08.99)

Article 81. The debtor's account in the course of liquidation procedure

The authorized agent should use only single soum and foreign currency accounts in one bank in the course of liquidation procedure.

The other debtor's accounts in the bank known on the moment of opening of liquidation procedure as well as accounts revealed in the process of liquidation procedure, are liable to be closed by the authorized agent as soon as they will be revealed. Demand balance of the debtor should be transferred from indicated accounts to the principal account of the debtor.

Financial resources arriving in the course of liquidation procedure are also placed to the debtor's principal account.

Payout to the creditors in accordance with the procedure provided by article 83 of the present Law, as well as payment of costs specified in part five of the present article, are executed from the principal account.

The following is paid from the debtor's principal account:
expenses associated with payment of remuneration to the authorized agent;

current public and operating payments of the debtor;

expenses associated with publication of the message on recognition of the debtor as a bankrupt and opening of liquidation procedure as well as expenses for notification of the debtor's creditors.

other costs associated with the implementation of liquidation procedure.

The authorized agent presents the report on use of the debtor's financial resources to the creditors' meeting and the creditors' committee on their request.

Article 82. The satisfaction of the creditors' demands secured by pledge

The satisfaction of the creditors' demands secured by pledge is executed at the expense of funds arrived after the sale of mortgaged property (the subject of pledge) of the debtor. Remainder of these funds is earmarked to satisfy the creditors' demands in priority established by article 83 of the present Law.

If proceeds of sale of mortgaged property (the subject of pledge) is not sufficient to satisfy completely the creditors' demands secured by pledge, then remaining part of demands should be paid out in priority established by article 83 of the present Law.

Article 83. Sequence of the satisfaction of the creditors demands secured by pledge

Court costs, expenses associated with payout of remuneration to the external manager and authorized agent, current public and operating payments are covered out of priority; demands under the debtors' obligations arisen in the process of external management and opening of liquidation procedure are also satisfied out of priority.

Demands satisfied in the first instance:

- on payment documents (administrative cases) providing payments to the budget, off-budget fund and giving out of financial resource required to pay wages;

- on administrative cases providing transfer or giving out of financial resources from the account to satisfy claims on recovery of alimony, payment of remuneration on author's agreements as well as compensation for harm caused to life or health, providing equal degree of fulfillment of obligations of managing subjects on payments to the budget and demands following from labour relations and legal relationships equal to them. After complete satisfaction of indicated demands, the demands on social insurance as well as citizens' demands on compensation for loss inflicted to their property by crime or administrative violation of law are satisfied.

In the second instance, demands on compulsory insurance as well as on the banks' credits and insurance of the banks' credits are satisfied.

In the third instance, the creditors' demands secured by pledge are satisfied.

In the fourth instance, the creditors' demands not secured by pledge are satisfied.

In fifth instance, the shareholders' demands are satisfied.

In sixth instance, the rest of the demands are satisfied.

The demands of every subsequent priority are satisfied after complete settlement of demands of preceding priority.

If recovered sum is not sufficient to satisfy all demands of one priority completely, such demands are satisfied proportionate to sum due to every recoverer.

The special message regarding last payout is published in official press.

The owner (owners) of the property of liquidated debtor receives the balance of the property's value after satisfaction of the creditors' demands and payment of expenses associated with conducting of case.

The debtor's property that has not been sold in the course of liquidation, is used by order of the owner (owners).

Promissory notes that have not been satisfied for want of property, are considered to be settled.

Article 84. The sale of the debtor's property

Unless the creditors meeting (committee) established other procedure for the sale of the debtor's property, the authorized agent, after implementation of inventory and assessment of the debtor's property, start selling such property at open tenders.

The procedure and terms of the sale of the debtor's property should be approved by the creditors' meeting (committee).

The debtor's property having limited circulating ability can be sold only at closed tenders. Persons, who according to the legislation, can have specified property on the right of property or other proprietary right, take part in closed tenders.

The authorized agent can act as the organizer of tenders or entrust specialized organization to hold tenders on the basis of the agreement. Specialized organization that hold tenders can not be interested party of the debtor or the authorized agent.

The property that has not been sold at the first tenders is put out to repeated tenders or it is sold by the authorized agent on the ground of the contract of purchase concluded without holding of tenders.

The sale of the debtor's enterprise is implemented in accordance with the procedure established by article 64 of the present Law.

Article 85. Assignment of rights of the debtor's demand
in the process of liquidation

Unless other procedure for the sale (assignment) of rights of the debtor's demand established by the creditors meeting (committee), the authorized agent has the right to put out to open tenders the rights of the debtor's demand.

The sale (assignment) of rights of the debtor's demand at open tenders is implemented with observation of norms provided by article 66 of the present Law.

Article 86. Control over the activity of the authorized agent

The authorized agent presents report of his activity, information of financial circumstances of the debtor and his property on the moment of opening of liquidation procedure and in the process of liquidation procedure as well as other information to the creditors' meeting (committee) one time in a month.

At the request of the Economic Court, the authorized agent should present all information regarding implementation of the liquidation procedure.

Article 87. Relief of the authorized agent

If the authorized agent fails to perform or performs the duties placed on him according to the petition of the creditors' meeting (committee) or recommendation of the public body for bankruptcy affairs not well, the Economic Court relieves the authorized agent of his duties and appoints new authorized agent.

Article 88. The authorized agent's report

After completion of settlements with the creditors, the authorized agent is to present the report of the results of implementation of liquidation procedure to the Economic Court.

The following should be enclosed:

the documents confirming the sale of the debtor's property;
the register of the creditors' demands with indication of the amount of the creditors' demands that have been settled;
documents confirming settlement of the creditors' demands.

Article 89. The debtor's property remained after settlement
of the creditors' demands

If the property's owner, within two weeks after the presentation by the authorized agent of the report on the results of implementation of liquidation procedure to the Economic Court, did not file an application regarding rights to property remained after settlement of the creditors' demands, the authorized agent notifies the local agencies of State power of such fact; (Changed in accordance with Law of the Republic of Uzbekistan No.832-I dtd 20.08.99) (Old version)

The local agencies of State power place the property on balance

and bear all expenses for its maintenance within a month of the notification receipt.

Article 90. The termination of liquidation procedure

After consideration of the report of the results of liquidation procedure, presented by the authorized agent, the Economic Court renders ruling about termination of liquidation procedure and sends it within ten days to the authority implementing the state registration of legal entities.

The Economic Court's ruling is a ground for making of entry regarding liquidation of the debtor into single state register of legal entities.

Power of the authorized agent is terminated, liquidation procedure is considered to be completed and the debtor - liquidated - from the moment of making of entry regarding liquidation of the debtor into single state register of legal entities.

Chapter VII. Amicable agreement

Article 91. The procedure for the conclusion of amicable agreement

The debtor and creditors have the right to conclude amicable agreement at any stage of consideration of the case of bankruptcy by the Economic Court.

The decision concerning conclusion of amicable agreement on behalf of the creditors is taken by the creditors' meeting. The decision of the creditors' meeting regarding conclusion of amicable agreement is made by majority of votes from the total number of the creditors; it is considered to be taken provided that all creditors gave their votes for it on obligations of first, second and third priority, established by article 83 of the present Law.

The decision concerning conclusion of amicable agreement on behalf of the debtor is taken respectively by the natural entity-debtor or the head of the debtor-legal entity, external manager or authorized agent.

Participation of third persons who take over rights and duties, provided by amicable agreement, is admitted in amicable agreement.

Amicable agreement is liable to be approved by the Economic Court; the ruling of termination of liquidation procedure with regard to case of bankruptcy contains information of such fact. If amicable agreement is concluded in the course of liquidation procedure, the Economic Court renders ruling regarding approval of amicable agreement.

Amicable agreement comes into force for the debtor and creditors from the day of its approval by the Economic Court and is obligatory for them. One-sided refusal to execute amicable agreement that came into effect, is not admitted.

Article 92. The form of amicable agreement

Amicable agreement is concluded in written form.

Amicable agreement is signed respectively by the natural entity-debtor or the head of the debtor-legal entity, external manager or authorized agent on behalf of the debtor. The person authorized by the creditors' meeting signs amicable agreement on behalf of the creditors.

If third persons participate in amicable agreement, amicable agreement is signed respectively by natural entity, the head of the legal entity or their representatives on behalf of third persons.

Article 93. Contents of amicable agreement

Amicable agreement should contain provisions on amount, procedure and terms of performance of the debtor's pecuniary obligations and (or) of termination the debtor pecuniary obligations by granting in exchange of release-money, novation of obligation, debt forgiveness of by other ways stipulated in the legislation.

Amicable agreement can contain terms of:

postponement or instalment plan of execution of pecuniary obligations;

assignment of the creditor's demand;

execution of the debtor's pecuniary obligations by third persons;

debt discount;

satisfaction of the creditors' demands by other ways not contradicting the law.

Terms of amicable agreements for the creditors who did not participate in voting regarding conclusion of amicable agreement as well as for the creditors voted against its conclusion, can not be worse than those for the creditors of the same priority voting for its conclusion.

Article 94. The term of approval of amicable agreement by the Economic Court

Amicable agreement can be concluded after settlement of debts to citizens, to whom the debtor is responsible for causing of harm to life or health.

The debtor, external manager or authorized agent should present the application of approval of amicable agreement to the Economic Court within five days from the date amicable agreement has been signed.

The following should be enclosed:

the text of amicable agreement;

the minutes of the creditors' meeting taken decision regarding conclusion of amicable agreement;

the list of all creditors with indication of their addresses and the amount of debt;

the documents confirming settlement of debt to citizens specified in part one of the present article;

written objections of the creditors who have not participated in voting regarding conclusion of amicable agreement or voted against conclusion of amicable agreement.

The Economic Court notifies interested parties of the date of consideration of amicable agreement. Nonappearance of notified persons is not prevention for consideration of case.

Article 95. Consequences of approval of amicable agreement by the Economic Court

Approval of amicable agreement by the Economic Court in the process of external management is a ground for the termination of moratorium for the satisfaction of the creditors' demand and bankruptcy proceeding. If amicable agreement is approved by the Economic Court in the period of liquidation procedure, the decision of the Economic Court regarding recognition of the debtor as a bankrupt and opening of liquidation procedure is not liable to execution.

The power of the external manager and authorized agent is terminated from the moment the Economic Court has approved amicable agreement. The external manager and authorized agent of the debtor-legal

entity continue execute their power up to the moment the head of the debtor has been appointed (elected).

The physical entity - debtor or head of the debtor-legal entity, external manager or authorized agent start to settle indebtedness to the creditors from the moment of approval of amicable agreement.

Article 96. Refusal to approve amicable agreement
by the Economic Court

If duty on settlement of indebtedness to citizens specified in part one, article 94 of the present Law is not performed, the Economic Court refuses to approve amicable agreement.

The Economic Court has the right to refuse approval of amicable agreement in the following cases:

violation of the procedure for the conclusion of amicable agreement established by the present Law;
failure to observe the form of amicable agreement;
violation of rights of third persons;
contradiction of terms of amicable agreement to the legislation;
The Economic Court renders ruling regarding refusal to approve amicable agreement that can be appealed (protested).

Article 97. Consequences of refusal to approve amicable
agreement

If the Economic Court renders ruling regarding refusal to approve amicable agreement, it considered to be not concluded.

Rendering of ruling regarding refusal to approve amicable agreement by the Economic Court, is not prevention to conclude a new amicable agreement.

Article 98. Nullity of amicable agreement

Upon application of the debtor, creditor or public prosecutor, amicable agreement can be recognized to be invalid by the Economic Court:

if amicable agreement contents terms providing advantages for some creditors or limitation of rights and law interests of some creditors;

in the presence of other grounds for nullity of transactions provided by the legislation;

Article 99. Consequences of recognition of amicable
agreement to be invalid

The recognition of amicable agreement to be invalid is a ground for initiation of bankruptcy proceeding. The Economic Court renders ruling of reinitiation of bankruptcy proceeding that can be appealed.

If amicable agreement is recognized to be invalid, the creditors' demands on which delay and (or) extension of time of payments due to the creditors or discount on debts have been effected, should be recovered in their non satisfied part.

Recognition of amicable agreement to be invalid does not entail the citizens' duties specified in part one, article 94 of the present Law, to return to the debtor all property received by them to settle a debt.

Consequences of invalidity of transactions provided by the legislation, are coming in part not adjusted by the present article.

If amicable agreement is considered to be invalid, the message

concerning reinitiation of bankruptcy proceeding is published by the Economic Court at the expense of the debtor in Official Journal.

The demands of the creditors with whom settlements have been implemented on the terms of amicable agreement, not contradicting the law, are considered to be settled. The creditors whose demands have been satisfied in accordance with terms of amicable agreement providing their advantageous or limitation of rights and law interests of other creditors, should return all received property in accordance with the procedure of the implementation of amicable agreement.

Article 100. Consequences of failure to execute amicable agreement

In case the debtor fails to execute amicable agreement, the creditors has the right to make claims in volume provided by amicable agreement.

In case of initiation of bankruptcy proceeding, the volume of the creditors' demands with regard to which amicable agreement has been concluded, is defined by terms specified in amicable agreement.

Chapter VIII. Peculiarities of bankruptcy of some categories of debtors-legal entities

Paragraph 1. Bankruptcy of townforming enterprises

Article 101. The consideration of case of bankruptcy of townforming enterprise**

When consider case of bankruptcy of townforming enterprise, the relevant local agency of State power is recognized as entity (person) participated in case.

The Economic Court can also attract agencies of State administration as entities (persons) participated in case.

Proofs confirming status of townforming enterprise should be given to the Economic Court by the debtor.

Article 102. The extension of external management

External management can be extended by the Economic Court for the period up to one year in the presence of petition of local agency of State power.

The plan of financial rehabilitation of townforming enterprise by investment into its activity, arrangement of labour of workers, creation of new working places as well as by other ways of recovering of the debtor's paying capacity can be the ground to extend external management for the period provided by part one of the present article.

The term of external management of townforming enterprise can be extended up to five years according to the petition of local agency of State power or agencies of State administration provided the presentation of suretyship under the debtor's obligations.

In this case the debtor and his guarantor should start settlements with the creditors not later than terms specified in part one of the present article.

Failure to observe demands provided by part three of the present article is a ground for the recognition of the debtor as a bankrupt and opening of liquidation procedure.

Article 103. The sale of townforming enterprise

For the purpose of satisfaction of the creditors' demands, the

sale of townforming enterprise can be implemented in the course of external management. The sale of townforming enterprise-debtor is implemented by carrying out of competition.

The obligatory conditions of competition are:

preservation of jobs for not less than 70 per cent of workers engaged in townforming enterprise on the moment of its sale;

if type of activity of townforming enterprise is changed, the buyer's duty is to retrain or find work for indicated workers.

Other terms of competition can be established exclusively with the creditors' meeting consent in keeping with the procedure established by article 9 of the present Law.

If townforming enterprise has not been sold on terms of competition, it is liable to be sold at auction.

Article 104. The sale of property of townforming enterprise - debtor recognized as a bankrupt

When selling property of townforming enterprise-debtor recognized as a bankrupt, the authorized agent should offer for the sale at first tenders the enterprise as a uniform property complex.

If property of townforming enterprise-debtor has not been sold as a uniform property complex, the sale of the debtor's property is implemented in accordance with article 65 of the present Law.

Paragraph 2. Bankruptcy of agricultural enterprises

Article 105. Peculiarities of bankruptcy of agricultural enterprises

Prior to initiation of bankruptcy proceeding of agricultural enterprises, financial assistance before a court can be applied to them in accordance with the procedure established by the Law of the Republic of Uzbekistan "On financial assistance of agricultural enterprises".

When selling objects of immovable estate used in agricultural production and belong to agricultural enterprise recognized to be a bankrupt, priority right, among others equal terms, to buy indicated objects belongs to agricultural enterprises located at the given place.

If agricultural enterprise is liquidated because of bankruptcy, land granted to it can be alienated or transferred to other person (entity) in keeping with the procedure specified in land legislation.

Article 106. External management

External management is introduced by agricultural enterprise for the period up to termination of agricultural work with taking into account time required to sell grown (produced, processed) agricultural production. The indicated period can not exceed terms, specified by part 3 of article 47 of the present Law, more then for three months.

If within the period of external management, drop in production or worsening of financial conditions took place in connection with acts of God and other force majeure, the term of external management can be extended up to one year.

Paragraph 3. Bankruptcy of banks

Article 107. The ground for recognition of the bank as a bankrupt

The application of recognition of the bank as a bankrupt is received for consideration by the Economic Court only after withdrawal

of the license by the Central Bank for the implementation of banking activity.

Voluntary announcement of the bank-debtor about its bankruptcy is not admitted.

Article 108. Peculiarities of consideration of case of
bankruptcy

Relations arisen under the bank-debtor's inability to meet the creditors' demands, and peculiarities of consideration of cases of bankruptcy of banks, are adjusted in accordance with the procedure established by legislative acts.

External management is not introduced by the bank.

Apart from entities provided by the present Law, the Central Bank of the Republic of Uzbekistan as well as organization on insurance of the citizens' deposits participate in case.

Paragraph 4. Bankruptcy of insurance organizations

Article 109. The consideration of case of bankruptcy
of insurance organization

When considering case of bankruptcy of the debtor-insurance organization, the state agency for supervision of insurance activity is the entity participating in economic court proceeding.

Article 110. The sale of property complex of insurance
organization

The sale of property complex of insurance organization can be effected in the process of external management in accordance with article 64 of the present Law.

Only insurance organization can be the buyer of the property complex of insurance organization.

In the event of sale of property complex of insurance organization in the process of external management, all right and duties under contracts of insurance on which insured accident did not come on the date of the sale of property of insurance organization, are transferred to its acquirer.

When implementing liquidation procedure, the property complex of insurance organization can be sold only with the buyer's consent for assumption of the contracts under which insured accident has not come prior to the date of recognition of the debtor-insurance organization as a bankrupt.

Article 111. Right of demand of insurers in the event
of bankruptcy of insurance organizations

If the Economic Court takes decision regarding recognition of insurance organization to be a bankrupt and opening of liquidation procedure, all contracts concluded by such organization as an insurer, under which insured accident has not come prior to the date of making of indicated decision, are terminated with the exception of cases provided by parts three and four of article 110 of the present Law.

Unless otherwise provided by the Law, the insurers (beneficiaries) have the right to claim return of a part of insurance premium paid to the insurer, proportionate to the difference between term of validity of the contract and term within which the contract of insurance was in force, under the contracts of insurance that have been terminated on grounds provided by part one of the present article.

The insurers (beneficiaries) have the right to claim payout of insured amount from liquidation commission under the contracts of insurance on which insured accident came prior to the moment of decision-making by the Economic Court regarding recognition of insurance organization as a bankrupt and opening of liquidation procedure.

Article 112. The satisfaction the creditors' demands

If the Economic Court makes decision regarding recognition of insurance organization to be a bankrupt and opening of liquidation procedure, the creditors' demands of first and second priority are liable to be satisfied in the following order of priority:

in the first instance - the creditors' demands under the contracts of personal compulsory insurance;

in the second instance - the creditors' demands under other contracts of compulsory insurance;

in the third instance demands of other creditors - insurers (beneficiaries) including demands of persons provided by part 2, article 111 of the present Law;

in the fourth instance - the other creditors' demands;

Paragraph 5. Bankruptcy of professional participants of securities market

Article 113. Peculiarities of bankruptcy of professional participants of the securities market

When considering case of bankruptcy of legal or natural entity being a professional participant of securities market, the entity (person) participating in economic court proceeding is authorized state agency for coordination and control over the functioning of securities market.

Peculiarities of bankruptcy procedures of the securities markets' professional participants not adjusted by the present Law, as well as measures for protection of rights and interests of the clients of professional participants of the securities market, can be established by the legislative acts.

The procedure for the prevention of bankruptcy and implementation of procedures before the court associated with recovery of paying capacity of professional participants of the securities market is established by the legislation.

Article 114. Demands to the external manager and authorized agent

The external manager or authorized agent on case of bankruptcy of the professional participant of securities market should have the license issued by the authorized state agency for coordination and control over the functioning of securities market.

Article 115. Peculiarities of external management and liquidation procedure

Securities and other clients' assets being at disposal of the market's professional participant, are not included into liquidation mass.

Unless otherwise provided by the agreement concluded by the external manager or authorized agent with clients, remaining clients' securities are liable to be returned to the clients from the

moment external management or liquidation procedure have been introduced.

In the course of external management of organization being the securities market's professional participant, the external manager has the right to transfer securities that have been transferred to such organization to manage clients, to the other organization having an appropriate license of the securities market's professional participant with consent and on behalf of the clients.

Chapter IX. Bankruptcy of natural entity

Article 116. Adjustment of bankruptcy of natural entity

Unless otherwise provided by the present chapter, the rules specified in chapters I-IV of the present Law, are applied to relations associated with bankruptcy of natural entity (entity (person) executing entrepreneurial activity without obtaining of legal entity).

Article 117. The application of recognition of the natural entity-debtor as a bankrupt

The application of recognition of the natural entity-debtor as a bankrupt can be submitted to the Economic Court by the natural entity-debtor, creditor, public prosecutor as well as by taxation bodies and other authorized bodies.

The creditors have the right to submit the application regarding recognition of the natural entity to be a bankrupt, with the exception of creditors on demands concerning compensation for harm caused to life and health, collection of alimony as well as on other personal demands.

When implementing recognition of the natural entity as a bankrupt, the creditors have the right to make their claims regarding compensation for harm caused to life and health, collection of alimony as well as on other personal demands. The indicated creditors' demands not declared by them when applying bankruptcy procedures, remain valid after completion of bankruptcy procedure of the natural entity.

Article 118. The plan of repayment of debts

The plan of repayment of debts, which copies are sent to the creditors and other persons (entities) participated in case, can be enclosed to the application of the natural entity.

If there are no creditors' objections, the Economic Court can approve the plan of repayment of debts; it is a ground to stop bankruptcy proceeding for period up to two months.

The plan of repayment of debts should include:

the term of its implementation;

sums, left monthly to the debtor or his family for consumption;

sums, intended to send for settlement of the creditors' demands monthly;

The Economic Court has, according to motivated petition of persons participated in case of bankruptcy, the right to change the plan of repayment of debts: to extend or reduce the period of its implementation, to increase or cut sums left monthly to the debtor or his family for consumption.

If, as a result of implementation by the debtor of the plan of repayment of debts, the creditors' demands have been settled completely, the bankruptcy proceeding is liable to termination.

Article 119. The property of natural entity not included

into liquidation mass

The property to which a claim can not be made in accordance with the legislation, is not included into liquidation mass.

The Economic Court has, according to motivated petition of the debtor or other persons participated in case of bankruptcy, the right to exclude from liquidation mass the natural entity's property to that, according to the legislation, a claim can be made, that is unmarketable, or proceeds of sale of which will not have substantial influence on satisfaction of the creditors' demands.

The total value of the natural entity's property being excluded from liquidation mass according to provisions of part two of the present article, can not exceed fifty minimum wages. The list of such property is approved by the Economic Court; the ruling regarding that is rendered.

Article 120. Nullity of the natural entity's transactions

Natural entity's transactions associated with alienation of the natural entity's property or its transfer by other way to interested persons (entities) after submission of the application regarding recognition of the debtor as a bankrupt to the Economic Court, are null.

At the request of the creditor, the Economic Court applies the consequences of invalidity of null transaction in the form of return of the natural entity's property, being the subject of the transaction to the natural entity, or in the form of making a claim on relevant property being at interested persons.

Article 121. The consideration by the Economic Court of case of bankruptcy of the natural entity

Simultaneously with receipt of the application regarding recognition of the natural entity as a bankrupt, the Economic Court imposes arrest on the natural entity's property with the exception of property to which a claim can not be made in accordance with the legislation. According to the natural entity's petition, the Economic Court can release the natural entity's property (a part of the natural entity's property) from arrest in case of the presentation of well-founded suretyship or other security to perform pecuniary obligations of the debtor by third persons.

According to the natural entity's application, the Economic Court can postpone the consideration of case of bankruptcy up to one month for the implementation of settlements with creditors by natural entity or achievement of amicable agreement.

If there is the information concerning disclosure of inheritance with regard to the natural entity, the Economic Court has the right to stop proceeding of recognition of the debtor as a bankrupt up to solving of question regarding inheritance in accordance with the procedure established by the Law.

If, within the term established by part two of the present article, the natural entity has not presented proofs regarding satisfaction of the creditors' demands, and amicable agreement did not concluded within indicated term, the Economic Court takes decision of recognition of the natural entity as a bankrupt and opening of liquidation procedure.

Article 122. Consequences of recognition of the debtor as a bankrupt

From the moment of taking of the decision by the Economic Court regarding recognition of the natural entity as a bankrupt and opening of liquidation procedure:

the term to fulfill the debtor's pecuniary obligation is considered has come (maturity);

Charging of fine (penalty fee), interests and other financial (economic) sanctions under all debtors' obligations is terminated;

Recovery from the debtor on all administrative cases, except for administrative cases on demands of collection of alimony as well as on demands of compensation for harm caused to life or health, is terminated.

The Economic Court sends the decision of recognition of the natural entity as a bankrupt and opening of liquidation procedure to all known creditors with indication of term within that the creditors should make claims, that can not be over two months. Dissemination of such decision of the Economic Court is carried out at the expense of the natural entity.

The state registration of the natural entity as an independent entrepreneur becomes invalid, as well as licenses for execution of some types of activity issued to him are terminated from the moment the Economic Court has taken decision of recognition of the natural entity as a bankrupt. (Changed by Point 8 of the Law of the Republic of Uzbekistan No. 175-II dtd 15.12.2000)

The natural entity recognized to be a bankrupt, can not be registered as independent entrepreneur within one year from the date he has been recognized as a bankrupt.

The Economic Court sends a copy of the decision of recognition of the natural entity as a bankrupt to the authority registered him as an independent entrepreneur.

Article 123. The execution of the Economic Court's decision

The Economic Court's decision regarding recognition of the debtor as a bankrupt and opening of liquidation procedure and writ of execution of making a claim to the debtor's property should be sent to sheriff to execute the sale of the debtor's property. All property of the debtor-natural entity with the exception of property non included into liquidation mass, is liable to sale in accordance with the present Law.

In case of recognition of the debtor as absent person, if it is necessary to manage immovable property or valuable movable property of the natural entity continually, for such purposes the Economic Court appoints the authorized agent and defines the amount of his remuneration. In this case the property of the debtor-natural entity is sold at open tenders.

Proceeds of the sale of the debtor's property as well as cash financial resources, are placed on deposit of the Economic Court that has taken decision regarding recognition of the natural entity as a bankrupt.

Article 124. The consideration of the creditors' demands

The Economic Court considers the demands applied by the creditors in the time stipulated in part two, article 122, of the present Law. According to the results of consideration, the Economic Court renders ruling on the procedure and amount of satisfaction of the creditors' demands.

Article 125. The procedure for the satisfaction of the

creditors' demands

The expenses associated with consideration of case of bankruptcy and execution of the Economic Court's decisions regarding recognition of the debtor as a bankrupt, are covered prior to the satisfaction of the creditors' demands from financial resources placed on deposit of the Economic Court.

The creditors' demands are satisfied in the following priority:

in the first instance - the demands on compulsory payments to the budget and off-budget funds, the demands of citizens to whom the debtor is responsible for causing of harm to life or health, by capitalization of relevant time payments, demands on collection of alimony as well as demands providing calculations associated with payment of salaries and payout of dismissal wages to persons working under labour agreements and payout of remunerations under author agreements.

in the second instance - the creditors' demands under pecuniary obligations secured by pledge of the debtor's property.

in the third instance the settlements with other creditors are implemented.

The demands of every priority are satisfied after complete satisfaction of the demands of previous priority.

If financial resources are not sufficient on deposit of the Economic Court, they are distributed among the creditors of corresponding priority proportionate to amounts of their demands.

Article 126. Release of the debtor from obligations

The natural entity recognized as a bankrupt, after termination of settlements with the creditors, is released from further performance of the creditors' demands declared under the implementation of recognition of the natural entity as a bankrupt, with the exception of demands stipulated in part two of the present article.

The creditors' demands regarding compensation for harm caused to life or health, demands on collection of alimony as well as other personal demands that have not been settled in the course of execution of the decision taken by the Economic Court regarding recognition of the natural entity as a bankrupt, either settled partly or did not declared under the implementation of the procedure of recognition of the natural entity as a bankrupt, are remained in effect and respectively can be made either in full or in non settled part after termination of bankruptcy procedure of the natural entity.

In case of revelation of facts associated with concealment or unlawful transfer of property by the debtor to third persons, the creditor, whose demands have not been met in the process of bankruptcy, has the right to make a demand regarding making a claim to such property.

Chapter X. Simplification of bankruptcy procedure

Paragraph 1. Peculiarities of bankruptcy of the debtor being liquidated

Article 127. Bankruptcy of the debtor being liquidated

If value of property of the debtor-legal entity, with regard to whom the decision concerning liquidation in connection with his non execution of financial and economic activity and (or) non formation of his authorized fund within terms established by the legislation has been taken, is not sufficient to meet the creditors' demands, such

legal entity is liquidated in accordance with the procedure provided by the present Law. At the same time, if the state is considered to be the legal entity's creditor, the liquidation of such legal entity is executed under procedure established for such category of legal entities. (Changed in accordance with the Law of the Republic of Uzbekistan No.832-I dtd 20.08.99) (Old version)

When revealing circumstances provided by Part one of the present Article, the liquidation commission is to file an application on recognition of the debtor as a bankrupt to the Economic Court or apply to the State Tax Service to take appropriate measures specified by the legislation. (Changed in accordance with the Law of the Republic of Uzbekistan No.832-I dtd 20.08.99) (Old version)

Article 128. Peculiarities of consideration of case
of bankruptcy of the debtor being liquidated

The Economic Court takes decision regarding recognition of the liquidated debtor as a bankrupt and opening of liquidation procedure and approves the authorized agent.

The creditors have the right to make their claims on the liquidated debtor within a month from the moment of publication concerning recognition of the liquidated debtor as a bankrupt.

Article 129. Consequences of repudiation the liquidation of the
debtor in the course of bankruptcy

Violation of demands provided by part two, article 127 of the present Law, is a ground to refuse the making of entry regarding liquidation of legal entity to the state register of legal entities.

Paragraph 2. Bankruptcy of absent debtor

Article 130. Peculiarities of application regarding recognition
of absent debtor as a bankrupt

If the debtor-natural entity or the head of the debtor-legal entity terminated his activity in fact, is absent, and it is not possible to define his location, the application regarding recognition of the debtor as a bankrupt can be presented by the creditor, the public body for bankruptcy affairs, taxation body or other authorized body as well as by public prosecutor irrespective of the amount of accounts payable.

Article 131. The consideration of case of bankruptcy
of absent debtor

The Economic Court, within two weeks from receipt of the application for proceeding regarding recognition of the debtor as a bankrupt, takes decision of recognition of absent debtor as a bankrupt and opening of liquidation procedure.

The Economic Court's decision is sent to the public body for bankruptcy affairs that should, within one week of the date of receipt of the given decision, introduce the candidacy of authorized agent to the Economic Court. The Economic Court can appoint the authorized agent from the members of the public body for bankruptcy affairs.

The authorized agent notifies in written form all creditors he knows, about bankruptcy of the debtor; the creditors can, within a month of the date they received notification, make their claims to the authorized agent.

If the authorized agent reveals the debtor's property, the

Economic Court can, according to the authorized agent's petition, render ruling of termination of simplified bankruptcy procedure and transition to common procedures of bankruptcy provided by the present Law.

Chapter XI. Conclusive provisions

Article 132. Unlawful actions led to bankruptcy

Unlawful actions led to bankruptcy are understood to be violations connected with intentional actions of officials, owners of the debtor's property, creditor (creditors) or other persons caused harm to the debtor or creditor (creditors).

The following is also considered to be unlawful actions: the concealment of all property of the debtor or its part as well as concealment of his obligations;

the concealment, annulment, falsification of any record connected with the implementation of economic activity of the debtor;

the transfer of property (including financial resources) to other legal and natural entities for the purposes of concealment;

the failure to make necessary entry into financial documents;

the sale, annulment, pledge of all debtor's property or its part that was received on credit and has not been paid;

increase of the debtor's insolvency in personal interests of officials, owners of the debtor's property or in interests of third persons;

irreparable diversion of circulating assets;

fictitious declaration about his insolvency for the purpose to deceive creditors and get discounts or extension of time of due payments from them;

leading to bankruptcy by other way intentionally for the purpose to cause damage to the creditor (creditors);

preferential satisfaction of the creditor's demands to the detriment of other creditors, consent to such satisfaction;

intentional self-liquidation of the debtor for the purpose to avoid payment of taxes and debts.

Persons commissioned unlawful actions led to bankruptcy, can be brought to responsibility in accordance with the legislation.

Article 133. The consideration of the applications of the external manager, authorized agent and the creditors' complaints

The application of the external manager, authorized agent including applications regarding disagreements arisen between them and the creditors, as well as the creditors' complaints of violation of their rights and interests applied in the course of external management or liquidation procedure, are considered by the Economic Court within two weeks from the day the relevant applications and complaints have been received. The ruling is rendered according to the results of their consideration.

Disagreement between the external manager, authorized agent and representative of the debtor's workers are considered in the time established by part one of the present Law.

Disagreements arisen between the creditors, taxation bodies, other authorized bodies and external manager or authorized agent regarding structure, amount and priority of satisfaction of the demands under pecuniary obligations and (or) on compulsory payments, are considered by the Economic Court in accordance with the order established by the present Law.

Disagreements arisen between the representative of the debtor's workers and the external manager or authorized agent regarding structure and the amount of demands on payment of salaries and dismissal compensation to persons working under labour agreements, are considered by the court in accordance with the procedure provided by the present Law.

The rulings rendered by the Economic Court can be appealed in cases provided by the present Law.

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