

**Law of the Republic of Kazakhstan dated January 21, 1997 № 67-I  
On Bankruptcy**

*(with alterations and amendments as of 17.07.2009)*

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*In the text of the Law of word “obligatory payments to the budget and non budget fund”», “obligatory payments in the budget and non budget fund”, “of obligatory payments in the budget and non budget funds” are replaced accordingly with words “taxes and other obligatory payments in the budget”, “to taxes and other obligatory payments in the budget”, “of taxes and other obligatory payments in the budget” according to the Law of RK dated 11.07.01 № 239-II (see old version)*

*Alterations were introduced into preamble according to the Law of dated 01.07.98 № 256-1 (see old version); the Law of RK dated 05.07.08 № 60-IV (see old version)*

This Law determines conditions and order of realization of special procedures, rehabilitations of poor debtor, recognition of legal entity as bankrupt and its liquidations as well as procedure of external supervision.

## **Chapter 1. General Provisions**

Article 1. Basic terms and definitions used in this Law

The following terms and definitions are used in this Law:

Insolvency - is the inability of a debtor to pay off creditors' claims for money pecuniary obligations, including claims for wages, or to provide for obligatory payments to the budget and non-budget funds, at the expense of his property;

Debtor- is a legal entity, whose insolvency or inability to pay is the reason for applying to him bankruptcy procedures pursuant to legislation;

Pecuniary obligation - is the debtor's obligation to pay for the goods (work and services) delivered (transferred) by the creditors, to settle the principal and the interest of the credit, and pay off other pecuniary claims;

Voluntary liquidation of the insolvent debtor - is liquidation of the insolvent debtor under the court's decision rendered on the ground of the debtor's petition or the debtor's official declaration of bankruptcy by an out-of-court liquidation agreement with creditors;

Official - a leader (deputy leader) of the legal person-debtor or any other person who is a member of the legal person's executive agency and who performs the functions of management of the legal person;

Bankruptcy - is the insolvency of the debtor officially ordered by the decision of the court or stemming from the official out-of-court agreement with creditors. Such insolvency is a ground for liquidation of the debtor;

Bankrupt - is a debtor, whose insolvency was decided by the court, or was declared as a result of the out-of-court agreement between the debtor and the creditors.

Out-of-court procedure - is an out-of-court settlement of debts of the debtor by a voluntary liquidation agreement between the debtor, in case the debtor is a state-owned company, it is a state agency that is authorized to reorganize and liquidate state-owned insolvent companies and the debtor's controlling the creditors, or a rehabilitation procedure is used, which is aimed at restoring the debtor to solvency and continuing his operation;

External management of the debtor - is a procedure for performing functions of management of the insolvent debtor's property and his business activities by an administrator;

Administrator - is a person appointed by the court to manage the insolvent debtor's property and business activities for the period of the case examination until the beginning of the liquidation proceedings, and in case of rehabilitation procedure it is used prior to its commencement.

Inability to pay - is the debtor's disability to meet pecuniary obligations or other requirements of pecuniary nature after their maturity date;

Creditor - is a person who holds property claims against the debtor arising from obligations specified in civil legislation and other obligations of the debtor, including those to pay wages and author's remuneration, and to ensure obligatory payments to the budget and non-budget funds;

Bankruptcy creditor - is a person who does not have priority because his property claims are not secured either by Law or by a security or pledge agreement. His claims must be paid from the general mass of the debtor's estate after the claims of the preferred and secured creditors have been paid;

Secured creditor - is a creditor whose claims are secured against a pledge on the debtor's property;

Bankruptcy estate - is debtor's property, which can be recovered during the bankruptcy proceedings;

Bankruptcy proceedings - is a procedure, aimed at distributing the estate of the liquidated debtor among the creditors, it may be both: in-court or out-of-court proceedings;

Preferred creditors - creditors holding claims for wages, injuries, overdue wages (contractual workers), and royalties as well as for obligatory payments to the budget and nonbudget

funds to whom this Law, guided by social and other requirements, grants preferential treatment to the creditors in satisfaction of their claims from the general mass of debtor's estate as compared to the bankruptcy;

Bankruptcy Manager - is a person appointed pursuant to applicable norms for purposes of implementing the bankruptcy procedure;

Amicable agreement - is an agreement between the debtor and bankruptcy and/or secured creditors to defer payment and/or to make a payment by installments to creditors, to secure a relief from the debts or creditors' claims, or to settle creditors' claims in any other way pursuant to civil legislation;

Enforced liquidation of the debtor - termination of the insolvent debtor's activities on the basis of the court's decision after its review of the creditor's and/or procurator's petition;

Rehabilitation procedure - is an in-court or out-of-court procedure utilizing any organizational, economic, management, investment, technical, financial, legal and other measures, which do not contradict the Law applied to the insolvent debtor in order to restore its solvency and to prevent its liquidation;

Rehabilitation manager- is a person to whom, under this Law, the functions of management of the debtor's property and operations are delegated for the period of the rehabilitation procedure.

Subsidiary responsibility - is the responsibility that the person bears alongside with the other person, who is the main debtor in accordance with legislation or terms of obligation;

Sanation - is an in-court or out-of-court rehabilitation measure under which the owner of the debtor's property (a body commissioned by him), creditors or other persons render financial assistance to the debtor, or perform any other complex set of measures aimed at mobilizing the debtor's resources, and improving its financial and economic conditions;

Intentional bankruptcy - is a deliberate reduction of the debtor's estate to the condition of insolvency through actions or inactivity of the owner of the debtor's property or of the bodies of the debtor, which is a legal entity, acting to secure their own interests or the interests of other persons.

Fictitious bankruptcy - is a debtor's deliberate filing of a bankruptcy petition to the court or debtor's official out-of-court declaration of bankruptcy under the creditors' control when the creditor is actually able to pay off all of the creditors' claims.

#### Article 2. Special application of the Law

1. This Law shall be applied to the cases of bankruptcy of legal entities but shall not apply to the treasury enterprises and institutions.

Characteristics of procedures as applied to agricultural enterprises, irrespective of their structural and legal attributes, shall be set forth in a specialized law.

Legislative acts may set forth characteristics of petiapplication of the bankruptcy procedures envisaged by this Law to banks, insurance companies, pension funds, and some other legal entities.

2. Bankruptcy of individual entrepreneurs, including farmers, shall be regulated by Article 21 of the Civil Code of the Republic of Kazakhstan (General Provisions) and special legislation.

3. Bankruptcy cases shall be examined by a court in accordance with the rules set forth by the civil procedural legislation with consideration for the characteristics set forth by this Law.

#### Article 3. Deeming the debtor a bankrupt

1. Bankruptcy shall be deemed to be voluntary upon the filing of the debtor's petition in the court, or upon the official declaration of debtor's bankruptcy by an out-of-court agreement with creditors.

2. Declaration of bankruptcy may be enforced by the filing of a petition by the creditors or other persons authorized to do so under this Law.

3. In the cases specified by this Law, the debtor is obligated to file a petition for bankruptcy with the court.

4. The court shall consider the bankruptcy case provided the total amount of claims against the debtor makes up at least 150 minimum monthly salaries.

5. If the value of the property of a legal entity, with respect to which its owner, founders (participants) or branches have reached a decision about its liquidation decision on liquidation was reached under Paragraph 1 of Article 49 of the Civil Code of RK (General Provisions), is insufficient to pay off the creditors' claims, such entity may be liquidated through court or out-of-court procedures in accordance with the rules set forth by Chapters 7 and 8 of this Law.

6. Failure of the debtor to file a petition in cases stipulated by Paragraph 2 of Article 17 of this Law shall result in enforcement of responsibility of the debtor's manager with respect to the debtor's subsidiary liabilities to the creditors.

7. The debtor shall be declared bankrupt based on a finding of insolvency through in-court or out-of-court proceedings.

#### Article 4. Grounds for Petiapplication of bankruptcy proceedings

1. The debtor's inability to pay is a ground for the creditor to file a bankruptcy petition with the court.

The debtor shall be deemed to be bankrupt if it failed to pay its liability during three months

from the date the payment became due.

2. The debtor's insolvency is a ground for the debtor to file a bankruptcy petition with the court.

3. Insolvency of the debtor is a sufficient ground for the debtor to declare its bankruptcy officially, or for implementation of the out-of-court rehabilitation procedures.

Article 5. Intentional or fictitious bankruptcies

1. The owner of the debtor's property (a body {??? branch} authorized by it), a founder (a participant) and/or officials of the legal entity-debtor shall bear subsidiary liability to the creditors of the insolvent debtor with their property for the intentional driving of the debtor to insolvency (intentional bankruptcy).

An official of a legal entity-bankrupt shall compensate the losses of the owner of the bankrupt's property for the intentional driving of the debtor to insolvency.

2. If the debtor files a bankruptcy petition with the court or officially declares itself bankrupt through out-of-court procedure with the creditors' consent when the debtor is able to pay off the creditors' claims in the full value (a fictitious bankruptcy), the creditors shall have the right to claim compensation for the incurred losses.

Article 6. Restoration of property and invalidation of a debtor's transactions concluded before the debtor was adjudicated in bankruptcy

1. Transactions concluded by a debtor before adjudicating it in bankruptcy, may be declared invalid and void on the basis of:

1) the grounds, provided for by Paragraph 3 of Article 158 of the Civil Code (General Provisions);

2) the petition of the creditors, the administrator, the rehabilitation and bankruptcy managers, if the transaction, concluded by the debtor with a specific creditor or another person after the initiation of a bankruptcy case, resulted in preferential satisfaction of claims of some specific creditors; and

3) other grounds, provided for by legislative acts.

2. The creditors, the administrator, the bankruptcy and rehabilitation managers, a sanation participant shall have the right to demand invalidation of the transactions, concluded over a one-year

period before initiation of a bankruptcy case, or taking a decision together by the debtor and its creditors on the debtor's liquidation or application of the out-of-court rehabilitation procedures, and restoration of the property assigned by the debtor, including the leased one, from the entities that received this property free of charge or at prices significantly lower than the market prices, or without sufficient grounds and impairing the creditors' interests.

3. The persons indicated in Paragraph 2 of the this Article shall have the right to demand the restoration of the debtor's property, assigned by it four months prior to the initiation of a bankruptcy case or rendering the decision on the debtor's liquidation or on implementation of the out-of-court rehabilitation procedure, from the creditors who were paid before the payment was due.

In this cases the creditors' rights shall be secured by the regulations of this Law.

4. The property, assigned by an employee (worker) or a participant of an economic partnership or a director of the insolvent debtor a year prior to the initiation of a bankruptcy case, may be demanded and obtained on the grounds provided for by Paragraphs 2 and 3 of the this Article.

Article 7. Refusal to fulfill an agreement

1. The administrator, as well as the rehabilitation manager, shall have the right to unilaterally refuse to fulfill contracts that were entered into by the debtor before the bankruptcy proceeding was instituted, and that were not executed, fully or partially, by both parties, provided there are one of the following circumstances:

1) the fulfillment of the contract would incur losses for the debtor;

2) the contract contains performance requirements onerous for the debtor if compared to

similar contracts concluded under comparable circumstances;

3) the contract is designed for a long term (more than one year) or is expected to bring the debtor results in the distant future;

4) other grounds which it is assumed that the fulfillment of the contract may result in detrimental consequences to creditors.

2. In the event of the refusal to perform the contract under Paragraph 1 of this Article, the counteragent may enforce payment of real and actual damages caused by cancellation of the contract or contest the grounds for such refusal.

#### Article 8. Jurisdiction of bankruptcy cases

Bankruptcy cases shall be examined by courts at the location of a debtor determined in accordance with legislation.

#### Article 9. Administrator, rehabilitation and bankruptcy managers

1. With a view to securing the interests of the parties concerned and achieving the goals of bankruptcy procedures, for the period of the external management, rehabilitation or bankruptcy (liquidation) proceedings, all the divisions of the insolvent debtor shall be kept away from management, while the functions of managing the debtor's property and operations shall be delegated to the administrator, the rehabilitation manager or the bankruptcy manager (liquidator).

2. The procedures for and terms of appointing the administrator, the rehabilitation and bankruptcy managers, requirements to the candidates, their jobs description, including the right to remuneration, and the scope of their authority in managing the business and property of the insolvent debtor shall be regulated by this Law and by the contract, concluded with the creditors' committee, and if it is not created -- with a person authorized by the creditors' meeting,

3. A person shall be appointed administrator, rehabilitation and bankruptcy manager, if he/she is licensed to perform such activity by the state agency, which is authorized to accomplish reorganization and liquidation of insolvent state enterprises.

4. A person shall not be appointed administrator, rehabilitation and bankruptcy manager, if he/she is:

1) an official of the debtor's or creditor's administration;

2) a person removed from management on the grounds provided for by Subparagraphs 1 and 2 of Paragraph 5 of this Article;

3) a director of the enterprise that was deemed to be bankrupt earlier;

4) the participants of an economic partnership, the members of a cooperative, if such partnership or cooperative is an insolvent debtor or a creditor thereof.

5. The administrator, the rehabilitation and bankruptcy managers shall be removed from managing the debtor's business and property in accordance with the procedure that is used for their appointment in the event of:

1) non-performance or ill-performance of the duties they are vested with, performance of activities impairing interests or giving preferential treatment to certain creditors, and other activity or inactivity that can be the grounds for the director's dismissal;

2) revocation or suspension of the license on the grounds provided for by legislation on licensing;

3) inability to perform the duties they are vested with.

#### Article 10. List of creditors' claims

1. With a view to satisfying the creditors' claims and securing their interests, the list of creditors' claims shall be compiled for purposes of bankruptcy procedures.

2. The list shall cover the creditors' uncontested claims (Paragraph 1 of Article 32 of this Law).

3. Deeming the creditors' claims to be well-grounded after the introduction of the bankruptcy procedure shall be done by the administrator, the rehabilitation or bankruptcy manager respectively.

4. The disputes between the creditors and the administrator, the rehabilitation or bankruptcy manager on the incorporation of the creditors' claims into the list or on the volume of their claims

shall be handled by the court upon the respective creditor's petition. In this case the court's decision is a ground for incorporation of the claims into the list.

## **Chapter 2. Creditors' Meeting and Creditors' Committee**

Article 11. Formation (organization) of the creditors' meeting and creditors' committee

1. With a view to securing creditors' interests and their participating in decision making in bankruptcy proceedings, the meeting of the creditors shall be convened.

2. If necessary, the creditors' meeting, may and shall (provided there are more than 50 creditors) establish the creditors' committee.

3. The decision about the creditors' meeting and committee shall be submitted to the court.

4. The creditors (their representatives), administrator, rehabilitation manager and bankruptcy manager, debtor, procurator, representative of the work collective, owner of the debtor's property (an agency authorized by it) shall have the right to participate in the creditors' meeting.

Article 12. The first meeting of creditors.

1. Within ten days from the day of his appointment, the administrator shall fix a date for the first meeting of the creditors and shall send a notice to all creditors of whom he is aware and to other persons who have a right to participate in the meeting.

The first meeting of the creditors shall take place not later than 45 days from the day of introduction of external management.

2. The administrator shall publish in the official press of the central body of justice an announcement about the date and place of the first creditors' meeting in case the debtor has more than ten creditors or it may be assumed that there are creditors of whom he is not aware.

3. In the case of an out-of-court procedure the creditors shall call their first meeting themselves in accordance with the requirements provided for by Paragraph 2 of this Article.

4. Subsequent sessions of the creditors' meeting are set in accordance with the procedure and terms stipulated by the creditors' meeting (the creditors' committee).

5. At the first meeting the creditors are obligated to:

1) elect the creditors' committee, provided there are more than 50 creditors;

2) discuss the issue of petitioning to the court about the rehabilitation procedure;

3) determine the amount of remuneration and procedure of payment to the administrator.

Article 13. Competence of the creditors' meeting

1. The creditors' meeting shall be authorized to:

1) file and submit a petition to the court about the implementation, prolongation or termination of the rehabilitation procedures;

2) present for the court's approval the candidature of the rehabilitation or bankruptcy managers;

3) elect a representative of the creditors to oversee the activity of the administrator, rehabilitation and bankruptcy manager;

4) put together the creditors' committee which is an operational body of the meeting.

The powers of the creditors' committee shall be determined by the creditors' meeting.;

5) take decisions on conclusion of an amicable agreement;

6) determine the amount of remuneration and the procedure of payment to the administrator, the rehabilitation and bankruptcy managers in accordance with the requirements set forth by this Law;

7) demand from the administrator, rehabilitation and bankruptcy managers the information on the financial status of the debtor and the progress of the bankruptcy procedure;

8) appeal the actions of the administrator, rehabilitation and bankruptcy managers in court as well as make decisions to move motions about their dismissal;

9) consent to conclusion of transactions in cases provided for by this Law;

10) acquire other rights provided for by this Law.

2. The creditors' meeting may delegate its powers to the creditors' committee, except for the decision-making that requires the majority of the bankruptcy and liensecured creditors' votes (Paragraph 3 of Article 14 of this Law).

#### Article 14. Decision-making by creditors' meeting and committee

1. The secured and bankruptcy creditors as participants of the creditors' meeting (committee) shall have the right to vote. Preferred creditors shall participate in the creditors' meeting (committee) as non-voting members.
2. The creditors' meeting shall be deemed to be legitimate irrespective of the number of attending secured and bankruptcy loancreditors, provided that the creditors were notified in time about the date and place of the creditors' meeting, except for the cases specified by this Law.
3. The bankruptcy and liensecured creditors whose claims constitute more than 50% of the total volume of claims shall vote by majority on the following issues:
  - 1) election of the creditors' committee;
  - 2) petiapplication of the rehabilitation procedure to the debtor;
  - 3) nomination of the rehabilitation and bankruptcy managers for out-of-court procedures;
  - 4) appeal to court to replace the administrator, rehabilitation or bankruptcy managers.
4. The decisions on the issues that are not listed in Paragraph 3 of the this Article shall be approved by the majority of the secured and bankruptcyloan creditors. If there is no quorum, the creditors shall reconvene the meeting and shall vote by majority, except for the cases specified by this Law.
5. Decisions of the creditors' committee shall be approved by majority of all the members of the creditors' committee.

### **Chapter 3. In-Court Consideration of Bankruptcy Cases**

#### Article 15. Procedures for initiating a bankruptcy case

1. The court shall initiate bankruptcy proceedings upon the filing of a petition by the debtor, creditor (creditors), and in the case of state-owned enterprises and economic partnerships in which the state share of the charter capital accounts at least to 2/3, also by an authorized state agency, provided there are indications set forth by Article 4 of this Law, and a procurator in the cases specified in Article 26 of this Law.
2. The tax and other authorized state authorities shall have the right to file a petition for the debtor's bankruptcy with respect to obligatory payments to the budget and non-budget funds, as well as the legal and physical persons - creditors under the civil Law obligations.
3. The bankruptcy proceeding shall commence upon the court's ruling on acceptance of the debtor's bankruptcy petition.
4. The bankruptcy petition filed by the debtor may not be revoked without an appropriate decision of the court.

The bankruptcy petition filed by the creditor(s), or procurator may be revoked by him(them) before the court renders a decision on adjudication of the debtor in bankruptcy.

#### Article 16. Persons participating in bankruptcy proceedings

The following persons may participate in a bankruptcy case:

- 1) the debtor;
- 2) the creditors;
- 3) a representative of the work collective (the debtor's employees' representative);
- 4) the procurator;
- 5) the owner of the debtor's property or an agency authorized by it;
- 6) a state agency commissioned to reorganize insolvent state enterprises and state-shared economic partnerships;
- 7) a state agency authorized by the respective akim, in the cases specified in Article 101 of this Law.

#### Article 17. The debtor's petition

1. The debtor may file a bankruptcy petition with the court based on the decision of:
  - 1) the body of the legal entity, by virtue of its founding documents;
  - 2) the owner of the debtor's property or an agency authorized by it.
2. The debtor is obligated t file a bankruptcy petition with the court if the owner of the property, an agency authorized by it, founders or the authorized body of the legal entity have

decided to liquidate the debtor, with the value of its property being insufficient to pay off the creditors' claims in full, or in the event an agreement with the creditors on official declaration of the debtor a bankrupt through out-of-court procedures has not been reached.

#### Article 18. Format and contents of the debtor's petition

1. A debtor shall file a petition to the court in writing. The petition shall be signed by the manager of the debtor legal entity or by a person authorized to do pursuant to the founding documents.

2. The debtor's petition shall contain the following items:

- 1) a name of the court where the petition is filed;
- 2) a list of the creditors with civil Law claims of whom he is aware with specified amounts of their claims and their postal address;
- 3) total arrears on the employees' wages and severance payment; royalties payable under author's agreements;
- 4) total arrears claims for injuries, except for moral injuries;
- 5) total arrears of obligatory payments to the budget and non-budget funds;
- 6) substantiation of the inability to pay off the creditors' claims;
- 7) information on a number of actions filed against the debtor and accepted by courts and on claims subject to non-judicial taking;
- 8) a list the debtor's property, including pledged property, amounts of money on bank accounts; numbers of the accounts and postal addresses of the banks;
- 9) a list of the debtor's liabilities that will come due within one year of the filing of the debtor's petition;
- 10) information about the representative of the work collective (employees' representative) who will participate in the bankruptcy proceedings;
- 11) a list of the attached documents.

The debtor's petition may contain other pieces of information, provided it is important for the court's review of the case, as well as the plaintiff's motions.

3. The debtor must send copies of the bankruptcy petition to all the creditors and other persons participating in the proceedings.

#### Article 19. Documents attached to the debtor's petition

1. Attached to the petition of the debtor shall be documents confirming as follows:

- 1). Documents that prove payment of the state filing fee, which was made in accordance with applicable rules, except for the cases , when the debtor requested a deferral of payment of the fee;
- 2) delivery of copies of the bankruptcy petitions and the attached documents, which were sent to the creditors and persons participating in the proceedings;.
- 3) a statement listing the existence of the debtor's liabilities and its inability to pay off the creditors' claims; and
- 4) other circumstances on which the debtor's petition is based. petition shall supplement the debtor's bankruptcy

2. The debtor's bankruptcy petition shall also be supplemented with:

- 1) a copy of the decision of the owner or founders (participants), bodies of the legal entity that is a ground to file a bankruptcy petition by the debtor;
- 2) financial statements as of the last reporting date with the breakdown of payables/receivables and capital/working assets by categories;
- 3) a copy of the minutes of the meeting (conference) of the debtor's work collective (employees) electing, by secret ballot, a representative for participation in the bankruptcy proceedings; and
- 4) the debtor's founding documents.

#### Article 20. Deferral of and exemption from payment of the state fee

1. Upon the debtor's request, based on hiits financial condition, the court may defer payment of the state fee. In this case the state fee shall be deducted from the value of the debtor's property

before any settlements with the creditors.

2. If the debtor's bankruptcy is obligatory, upon debtor's petition for deferral of the payment of the state fee, the court shall grant the debtor a deferral of the state fee payment for the period of no more than 6 months.

3. A procurator, as well as a tax authority or any other authorized state agency, filing a bankruptcy petition in the cases specified in this Law, shall be relieved from obligation to pay the state fee.

Article 21. Rejection of the debtor's petition

1. The court may reject, without consideration, a debtor's bankruptcy petition, if the petition does not meet the requirements set forth by Articles 18 and 19 of this Law.

2. In the event the debtor's bankruptcy petitioning is obligatory under this Law but the petition is not accompanied by the required documents, the court shall accept the petition and demand the missing documentation while getting the case ready for hearing.

Article 22. A petition filed by creditor(s)

1. Bankruptcy proceedings may be initiated by a creditor (creditors) who has (have) claims under civil Law.

2. The creditor's petition to the court shall be in written form. The petition of a creditor-legal entity shall be signed by its director or his representative. If the creditor is an individual he/she shall be the only one authorized to sign the petition.

In the event the creditor's petition is signed by its/his representative, a notarized copy of the creditor's power of attorney, authorizing the representative to file an appropriate petition with the court on behalf of the creditor, shall be attached to the petition.

3. The creditor's petition shall contain the following data:

- 1) name of the court where the petition is filed;
- 2) name of the debtor and its postal address;
- 3) name of the creditor that filed the petition, and its postal address;
- 4) the debtor's obligation to the creditor from which its claim arose; the date the payment is due;
- 5) the characteristics and the value (amount) of the claims of this creditor to the debtor;
- 6) the total arrears on the obligation, including the accrued interest, forfeits (penalties, fines), and losses payable by the debtor;
- 7) a statement of legal grounds for the creditor's claims (a court's decision, recognition of these claims by the debtor, a notary's certification of the decision). If none of the foregoing is available, the creditors shall provide other proof to support their claims and amount thereof;
- 8) information, known to the creditor, about the debtor's property;
- 9) a list of attached documents;
- 10) proofs of presenting claims to the debtor and any other information, necessary for examination of the bankruptcy case, and the creditor's motions.

4. The creditor shall send copies of the petition and the documents attached thereto to the debtor.

5. The court shall reject the creditor's petition, if the latter does not conform to the requirements set forth by Paragraphs 2 and 3 of the this Article, or if the documents to be attached are not available.

Article 23. Documents attached to creditor's petition

Attached to the petition of the creditor on the debtor's bankruptcy shall be documents confirming:

- 1) Documents that prove the payment of the filing state fee in accordance with the applicable rules and in the required amount;
- 2) delivery to the debtor of copies of the creditor's petition and the attached documents sent to the debtor;
- 3) a statement listing the debtor's liabilities toward the creditor and the total arrears on these liabilities;

4) documents substantiating the creditors' the validity of the creditor's claims (executive orders, a court's decision, or a written acknowledgment by the debtor of the creditor's claims); and

5) other circumstances on which the creditor's petition is based.

shall supplement the debtor's bankruptcy petition.

Article 24. Joint claims of one or several creditors

1. The creditor may pool several claims in one petition against the debtor arising from different obligations.

2. The creditors may join several claims against the debtor arising from different obligations and file only one statement of claim with the court. The statement shall be signed by the creditors who joined their claims.

Article 25. The petition filed by a tax authority or by another authorized state agency

1. The petition, filed by a tax authority or another authorized state agency with the court to adjudicate a debtor a bankrupt in the event the latter has failed to provide obligatory payments to the budget or non-budget funds, must meet the requirements set forth by this Law with respect to a creditor's petition, unless otherwise provided by legislation or not stemming from legal relations.

2. In the cases when the debtor's arrears on obligatory payments to the non-budget funds is the ground for petitioning to the court, the petition may be filed by the appropriate fund or its competent body.

Article 26. Petition filed by the procurator

1. A procurator shall have the right to file a bankruptcy petition a petition with the court to deem the debtor to be bankrupt provided as follows:

1) he/she uncovers indications (signs) of an intentional bankruptcy;

2) he/she acts to secure the interests of the Republic of Kazakhstan and governmental agencies; and

3) he/she acts to secure the interests of the creditors of an absent debtor.

2. The procurator shall file a petition with the court pursuant to the requirements towards the creditor's petition set forth by this Law, unless otherwise provided by relevant statutes and regufor by legislation or not stemming from legal relations.

Article 27. Debtor's response to the petition filed by the creditor or an authorized state agency or by the procurator

1. Within 5 days upon receipt of the copy of the petition filed by the creditor or an authorized state agency or procurator, the debtor shall send to the court its response to this petition and documents confirming the forwarding of a copy of the response and documents attached thereto to the person who filed the bankruptcy petition.

2. The response shall contain the following data:

1) name of the court to which the response was forwarded;

2) name of the petitioner, the petition registration number and the date of filing;

3) debtor's objections to the creditor's claims;

4) total arrears on the liabilities toward other creditors, the employees' wages, obligatory payments to the budget and non-budget funds;

5) a list of the debtor's property, including pledged property; the amounts of money on bank accounts; numbers of the accounts and postal addresses of the banks; and

6) evidences of potential settlement of the creditors' claims, provided the debtor recognizes them.

3. The absence of the debtor's response or failure to send it within the time frames set forth by Paragraph 1 of the this Article shall not interfere with the consideration of the case.

Article 28. Institution of bankruptcy proceedings

1. Within 5 days upon receipt of the bankruptcy petition and on the proviso it was filed in conformity to the requirements set forth by legislation, the court shall render a ruling on institution of the proceedings and preparation of the case for court examination.

2. If the petition is incomplete, the court shall order the petitioner to produce the required documents in the course of preparing the case for court examination, namely, the full list of the creditors and debtors of the person, against whom the bankruptcy proceedings are initiated, financial statements as of the last reporting date with the breakdown of the debtor's payables/receivables.

3. If the debtor refuse fails to produce the documents listed in Paragraph 2 of the this Article, the court may authorize an independent auditor to prepare such documents at the debtor's expense.

The officials, who fail to execute the court's decision on presenting information or hinder the execution of the decision, may be brought to responsibility by the court and shall be obligated to pay the fine in the amount of 10 minimum salaries computation indicators as well as to cover expenses associated with obtaining the missing information.

4. The court shall forward a notarized copy of the ruling to institute bankruptcy proceedings to the following addressees: the debtor, petitioner, creditors it is aware of, debtor's work collective in the person of the body that signed a corporate agreement, and other persons specified in Paragraph 1 of Article 29 of this Law.

Article 29. Effects of institution of bankruptcy proceedings

1. Upon institution of bankruptcy proceedings:

1) owner of the debtor's property (a body commissioned by him/her), the founders (participants), all bodies of the legal entity shall be deprived of the right to dispose the debtor's property;

2) execution of the decisions rendered earlier by other courts or third party arbitration courts shall be stayed, except for the cases provided for by Subparagraph 2 of Paragraph 1 of Article 33 of this Law;

3) any claims of the creditors against the debtor shall be filed only in accordance with bankruptcy procedures provided for by this Law;

4) recovery of money from the debtor's accounts to satisfy the claims of creditors, tax authorities or other authorized agencies which are subject to non-judicial collection, or recourse against the debtor's property shall be prohibited;

5) the officials of the debtor shall be prohibited to alienate the stock they own, or shares of the debtor's property.

2. The court shall, within 5 days, publish in the official press of the central body of justice an announcement about the institution of bankruptcy proceedings.

Article 30. Security for the creditors' claims

Upon the creditor's or another personarty's petition, the court shall have the right to take the following measures aimed at securing the creditors' claims:

1) seize all (or part) of the debtor's property, including the money;

2) ban the debtor from performing activities that may result in decreasing the value of its property or impairing the creditors' interests in another way;

3) stayuspend the non-judicial collection (collection without recourse to the court) that is effectuated on the basis of administrative or other documents.

Article 31. Preparation of the case for court examination

1. In the course of the preparation of the case initiated on the basis of the debtor's bankruptcy petition, along with the actions stipulated by procedural legislation, the court shall:

1) notify the creditors and other persons participating in the case about the time and place of case consideration in court;

2) apply to the authorized state agency for the administrator's candidacy and invites him/her to the court session;

3) review the creditors' objections concerning the administrator's candidacy; and

4) fix the court session for approval of the administrator's candidacy.

2. In the course of the preparation of the bankruptcy case initiated on the basis of the petition of the creditor, procurator, or other authorized persons for court consideration, along with other

actions performed in accordance with Paragraph 1 of the this Article, the court shall:

- 1) demand and obtain from the debtor the information and documents listed in Paragraph 2 of Article 18 and Article 19 of this Law;
- 2) fix the schedule of the court session if there are creditors whose claims are not recognized by the debtor on the basis of their petitions for purposes of reviewing the dispute.
3. All steps made by the judge during preparation for the hearing are formalized in a court's ruling which may be appealed by the parties in accordance with general procedural rules.

Article 32. Introduction of external management

1. In the event of uncontested claims against the debtor, the initiation of the proceeding shall result in external management of the debtor, except for the cases provided for by this Law.

Uncontested claims to the debtor shall be considered ascertained, provided as follows:

- 1) there is a court's decision or executive orders on recovery of certain amounts of money from the debtor;
- 2) the debtor recognized the creditors' claims or failed to file his objection to the claims within the specified period of time; and
- 3) a bankruptcy case is initiated on the basis of the debtor's petition.

2. Upon introduction of external management of the debtor, the following steps shall be taken:

- 1) the administrator shall be appointed within 15 days from the moment of initiation of the bankruptcy proceedings, and from that moment onwards the bodies of the legal entity-debtor shall be removed from managing the debtor's property and business activities;
- 2) the information about the financial condition (status) of the debtor shall no longer be considered confidential or a trade secret;
- 3) measures prescribed by Paragraph 1 of Article 29 of this Law, shall be implemented, except for the cases, provided for by the this Article; and
- 4) the administrator shall acquire the right to manage the debtor's property under the creditors' supervision for purposes of fulfilling the obligations set forth by Paragraph 1 of Article 33 (1) of this Law, covering current costs related to implementation of the external management and bankruptcy proceedings.

3. Upon introduction of external management, the creditors forfeit the right to demand individual payment of their claims. All the actions with regard to the debtor shall be effectuated pursuant to the provisions of this Law.

4. The external management shall be valid until the court renders a decision adjudicating the debtor a bankrupt, and institutes bankruptcy proceedings, and in the event of implementation of the rehabilitation procedure -- up to the launching of this procedure. The earlier appointed administrator may be vested with the functions of the rehabilitation or bankruptcy manager in accordance with the rules set forth by this Law.

5. The external management of the debtor's property may not be introduced, on the proviso the secured and bankruptcy creditors, whose claims constitute no less than 2/3 of the total claims, grant their consent thereto, and the managing of the debtor's property shall be effectuated by the debtor's respective administrative body within the scope of authorities described in Article 33 of this Law.

In such cases the rules of Subparagraphs 2-4 of Paragraph 2 and Paragraph 3 of the this Article shall apply.

Article 33. Scope of authorities of the administrator

1. The administrator managing the debtor's property shall be authorized to shall:

- 1) dispose of the debtor's property in accordance with the procedures prescribed by this Law;
- 2) make payments to the citizens to whom the debtor bears responsibility for causing damage to their life and health, except for the claims for moral damage;
- 3) make severance payments and pay wages to the persons working on a contractual basis that come due after the introduction of external management;
- 4) pay taxes and ensure other obligatory payments to the budget (non-budget funds) that

come due after the introduction of external management;  
5) satisfy the creditors' claims that stem from the liabilities that come due after the introduction of external management; and  
6) incur expenses necessary for the debtor's activities.

2. The administrator shall:

- 1) keep maintain the list of the creditors' claims;
- 2) in the case of institution of the bankruptcy proceedings on the basis of a petition filed by the creditors or a tax authority or another authorized state agency against an economic partnership, production or manufacturing cooperative, or non-governmental organization, convene a meeting of participants (shareholders), members of the respective partnership, cooperative, or organization;
- 3) take measures aimed at protecting the debtor's property (assets) and recovering the debts thereto;
- 4) analyze the debtor's financial condition and trace indications of fictitious or intentional bankruptcy;
- 5) determine the practicability of the debtor's rehabilitation, including a conclusion on the motion for implementation of the rehabilitation procedure and on the rehabilitation plan; and
- 6) perform other functions set forth by this Law.

Article 34. Court examination

1. Upon completion of the preliminary preparation of the case but no later than 45 days after its institution, the court shall render a ruling to set a hearing. The trial shall take place no later than 3 months after filing, provided there are no grounds for extension under the conditions envisaged by this Law.

2. During the hearing the court shall consider the motion for implementation of the rehabilitation procedure. The motions may be submitted before the court renders a decision on bankruptcy.

3. If the motions for implementation of the rehabilitation procedure are accepted, the court shall render a ruling that also stays the proceedings for the debtor's bankruptcy.

4. In the event of successful rehabilitation procedures, the court shall render a ruling on dismissal of the bankruptcy proceedings.

In the event of unsuccessful (ineffective) rehabilitation procedures, the court shall render a ruling to recommence the proceedings.

Article 35. Court decisions (rulings) on bankruptcy cases

1. After examination of the bankruptcy case by the court, the court may pass (render) one of the following judicial acts:

- 1) a decision on adjudication of the debtor in bankruptcy and institution of bankruptcy proceedings;
- 2) a decision on refusal to adjudicate the debtor in bankruptcy;
- 3) a ruling on implementation of the rehabilitation procedure provided there is a relevant motion; and
- 4) a ruling on dismissal of the lawsuit.

2. The court's rulings and decisions listed in Paragraph 1 of the this Article must conform to the requirements of procedural legislation with consideration for the characteristics set forth by this Law.

Article 36. Decision on adjudicating a debtor in bankruptcy

1. The court's decision to adjudicate a debtor-legal entity in bankruptcy shall contain the following information:

- 1) on liquidation of the legal entity;
- 2) on appointment of the bankruptcy manager;
- 3) on the total amount of claims presented by the creditors who moved motions to the court before the court takes a decision.

2. The decision to adjudicate a debtor in bankruptcy and institute bankruptcy proceedings

shall be published by the court in the official press of the central body of justice.

The content of publication shall be as follows:

- 1) name of the court that rendered the decision to adjudicate the debtor in bankruptcy;
- 2) name and location of the bankrupt;
- 3) appeal to the creditors to file their claims against the debtor within two months from the date of the publication.

Article 37. Court decision on refusal to adjudicate a debtor in bankruptcy

1. In the event of acceptance of the debtor's objections against the creditors' claims, the court shall refuse to deem the adjudicate the debtor in bankruptcy.

2. The court's refusal to adjudicate the debtor in bankruptcy shall not deprive the creditors from the right to pursue their claims against the debtor in accordance with the procedures provided for by procedural legislation.

Article 38. Court decision with respect to cases of fictitious bankruptcy

1. If the court uncovers indications of a fictitious bankruptcy, it shall render a decision on refusal to adjudicate the debtor in bankruptcy and adjust payment of all court costs against the guilty officials.

2. The court decision must contain directives indicating the right of the creditors to claim their losses from the debtor incurred as a result of the fictitious bankruptcy (Paragraph 2 of Article 5 of this Law).

Article 39. Court's ruling on dismissal of the lawsuit

1. The court shall dismiss a bankruptcy lawsuit on the grounds stipulated in procedural legislation, or provided as follows:

1) the creditors' claims filed with the court are settled as a result of the rehabilitation procedure;

2) an amicable agreement is concluded; and

3) the bankruptcy petition is revoked (Paragraph 4 of Article 15 of this Law).

2. The court's ruling to dismiss the bankruptcy lawsuit on the ground that the creditors' claims are settled shall contain the following:

1) approval of the report of the rehabilitation manager;

2) termination of the rehabilitation procedure.

3. The court's ruling to dismiss the bankruptcy lawsuit on the ground of an amicable agreement shall cite approval of the amicable agreement.

Article 40. Adjustment of court's expenses and expenses associated with providing commissions to administrator, rehabilitation and bankruptcy managers

1. If the court renders a decision to adjudicate a debtor in bankruptcy, finds that the debtor's petition is well-taken all the court's expenses, including the deferred payment of the state fee, as well as remunerations for the administrator, bankruptcy or rehabilitation managers shall be assessed against the debtor's property and shall be recovered at the expense of the debtor's property before any other payment is made.

The same procedures shall be applied to recover costs incurred by the court as well as the costs to pay remuneration to the rehabilitation manager, provided the court renders a ruling on dismissal of the bankruptcy lawsuit as a result of paying off all the creditors' claims through rehabilitation procedures or conclusion of an amicable agreement.

2. If the court renders a decision on refusal to adjudicate a debtor in bankruptcy dismisses the petition filed by the creditors which is based on recognition of the objections of the debtor to the claims of the creditors as well-grounded, expenses specified in Paragraph 1 of this Article shall be assessed against the creditors who have applied to the court and shall be distributed among them pro rata in accordance with their claims.

3. The procedures for adjustment of court's expenses and expenses associated with providing remunerations to the administrator, bankruptcy and rehabilitation managers shall be established in the court's decision or ruling.

Article 41. The court's decision (ruling) entering into legal force. Revision of the decision

(ruling)

The court's decision (ruling) shall come into effect and shall be revised (on the basis of an appeal or surveillance) in accordance with the rules of civil judicial proceedings.

#### **Chapter 4. Rehabilitation Procedure**

##### Article 42. Application of the rehabilitation procedure

The rehabilitation procedure may be applied only to those legal entities which are commercial organizations.

##### Article 43. Petition for application of rehabilitation procedures

1. An insolvent debtor, owner of the debtor's property (a body authorized by him), or a creditor may petition to the court for application of the rehabilitation procedures to the debtor before the court renders an appropriate decision (Article 35 of the Law).
2. The petition for application of the rehabilitation procedures with respect to the debtor may be included in the petition filed by either the creditor or the debtor to initiate bankruptcy proceedings.
3. The petition for rehabilitation procedure shall must contain must substantiation of the implementation of the above mentioned procedure with respect to the debtor, practicability of restoring the debtor back to solvency, and the name of a proposed candidate for the position of the rehabilitation manager. A written consent of the candidate shall be attached to the petition.
4. The plan for rehabilitation of the insolvent debtor may be attached to the petition.
5. The financial statement for the last two accounting years shall be attached to the petition.
6. If there is a rehabilitation petition that conforms to the requirements listed in Paragraph 3 of this Article, the court, with the consent of the secured creditors who hold more than 50% of the total claims secured by collateral and the bankruptcy creditors who hold more than 50% of the total claims of this class, shall allot to the candidate for the position of the rehabilitation manager 30 - 60 days to develop a plan (schedule) for restoring the debtor back to solvency, except for the cases when the rehabilitation plan (schedule) is filed together with the rehabilitation petition.

The administrator manages the insolvent debtor during the above-mentioned period.

67. If the liensecured creditors who hold more than 50% of the total claims secured by pledge and the bankruptcy creditors who hold more than 50% of the total claims agree to the proposed plan (schedule), with the interests of other creditors being not impaired, the court shall approve the rehabilitation plan (schedule), and render a ruling to stay the bankruptcy proceedings and to apply the rehabilitation procedure to the debtor.

##### Article 44. Contents of the rehabilitation plan (schedule)

1. The rehabilitation plan (schedule) for the debtor shall contain concrete measures to restore solvency of the debtor (rehabilitation measures) as well as dates of settlement of debts to the creditors specified in Paragraph 2, Article 47.

Changes to the rehabilitation plan shall be made pursuant to the requirements set forth by Paragraph 67, Article 3943 of this Law.

2. Rehabilitation measures may include any organizing, business, technical, financial and economic, legal and other measures consistent with the legislation and aimed at preventing the debtor's liquidation, or a combination of such measures, in particular: sanation, assignment of the debtor's claims, swap of claims and shares, or conclusion of an amicable agreement.

##### Article 45. Grounds for applying the rehabilitation procedure

The practicability of restoring solvency of the debtor and preventing its liquidation shall provide the ground for applying the rehabilitation procedure to the debtor.

Such practicability shall be confirmed by the relevant documents: agreements, calculation estimates, feasibility reports, etc.

##### Article 46. Effects of introduction of the rehabilitation procedure

1. The rehabilitation manager shall be appointed for the period of implementation of the rehabilitation procedure with respect to the debtor. The rehabilitation manager shall have the powers of all bodies of the legal entity with regard to managing the property and business

activities of the debtor.

The rehabilitation manager may undertake any action pursued aimed at attaining the goal of the rehabilitation procedure unless it contradicts the legislation (lay off the employees, carry on internal reorganization: liquidate internal subdivisions, etc.).

2. Creditors' claims against the insolvent debtor shall be paid off during the implementation of rehabilitation procedure in accordance with the rules set forth by Article 47 of this Law.

Article 47. Settlements with creditors.

1. From the moment of introduction of the rehabilitation procedure the creditors' claims shall be paid in the following priority:

1) the claims of the citizens to whom the debtor bears responsibility for causing damage to their life and health, except for the claims for moral damage;

2) severance payments, royalties and wages to the persons who work under a labor agreement (contract), that come due after the introduction of the rehabilitation procedure;

3) taxes and other obligatory payments to the budget (non-budget funds) and non-budget funds, the payment that come due after the introduction of the rehabilitation procedure;

4) the creditors' claims that stem from the liabilities, inclusive of the deals made by the rehabilitation manager, that come due during the rehabilitation procedure;

2. All other debt payments, including plan (schedule) and in the priority set forth by Article 75 of this Law.

Article 48. Rehabilitation manager

1. The court shall approve the candidacy of the rehabilitation manager. The debtor or creditors may propose their candidacies for the position of the rehabilitation manager.

2. A legal entity may be appointed to serve as the rehabilitation manager provided as follows:

1) the secured and bankruptcy creditors holding 3/42/3 or more of the total claims agree hereto, 2)

such appointment would not be incompatible with business activities performed by the legal entity, and 3) such appointment would not be subject to restriction in accordance with legislative acts (by-laws ???) and founding documents.

3. If there are several candidacies for the position, the rehabilitation manager shall be appointed on a competitive basis.

All the candidacies are obligated to submit to the creditors' meeting their rehabilitation plans (schedules) meeting the deadlines determined by the court. The creditors meeting is obligated to review the plans (schedules) within 10 days. That candidacy whose plan (schedule) is approved by the majority (based on the amount of claims) of the creditors, but by no fewer than provided for by Paragraph 67 of Article 43 of this Law, shall be recognized as a winner of the competition.

Article 49. Remuneration to the rehabilitation manager

1. Remuneration to the rehabilitation manager shall be paid off out of the property of the debtor and shall be included into the debtor's current operating expenses. The amount of remuneration and procedures for its payment shall be determined in an agreement between the rehabilitation manager and the creditors (Paragraph 2 of Article 9 of this Law) and in conformity to the requirements specified in this Article

2. Remuneration to the rehabilitation manager shall include as follows:

1) current payments for the entire period of his performance; and

2) bonuses paid on the results of his performance.

The bonuses shall constitute a specific percentage of the proceeds subject to distribution among the creditors to pay off their claims, and shall be paid to the rehabilitation manager within 20 days of the completion of the rehabilitation procedures provided the debtor was restored back to solvency.

Article 50. Term of the rehabilitation procedure.

The term of implementation of the rehabilitation procedures must not exceed two years.

At the request of the rehabilitation manager the court may extend this term for no more than

6 months.

Article 51. Scope of authorities of the rehabilitation manager.

1. The rehabilitation manager shall:

- 1) receive, manage and dispose of the debtor's property pursuant to the parameters of this Law;
- 2) acquire appropriate rights and assume liabilities with regards to the debtor's property as provided for by the current legislation applicable to all its bodies;
- 3) organize development/implementation of the debtor's rehabilitation plan; and
- 4) fulfill other functions listed in this Law.

2. With the consent of the creditors' meeting (committee) the rehabilitation manager shall:

- 1) conclude transactions to manage/dispose of the debtor's immovable property/real estate (sale, assignment, pledge, etc.) ;;
- 2) conclude transactions to manage other debtor's/dispose of the debtor's other property, the value of which exceeds 20% of the value of all other assets of the debtor; and
- 3) make decisions entailing increase of debtor's operating expenses, including wages for debtor's workers.

3. At the request of the creditors' representative (Subparagraph 3 of Paragraph 1 of Article 13 of this Law), the rehabilitation manager shall notify him about the deals entered into/concluded transactions on disposal of the debtor's property. If there is no representative, the rehabilitation manager shall submit a monthly report on such transactions to the creditors' meeting (committee) regarding such deals.

Rules set forth by this Paragraph shall not apply to the transactions on disposal of the debtor's property envisaged in the rehabilitation plan (schedule).

4. If the total amount of the debtor's pecuniary liabilities, emerged after introduction of the rehabilitation procedures, exceeds 20% of the total amount of the creditors' claims, the rehabilitation manager may conclude other transactions that entail new pecuniary liabilities only if the creditors agree hereto.

5. The rehabilitation manager shall have the right to appeal to the court to invalidate the transactions, concluded by the debtor, on the basis of the grounds stipulated in Article 6 of this Law.

6. Rights and obligations of the rehabilitation manager are set forth by this Law, and by the Civil Code of the RK (General Provisions) as well as specified in an agreement concluded between the rehabilitation manager and the creditors (Paragraph 2 of Article 9 of this Law).

Article 52. Responsibility of the rehabilitation manager

The rehabilitation manager shall bear responsibility for ill-performance of the rehabilitation procedure as stipulated in the agreement (Paragraph 6, Article 51 of this Law).

Article 53. Termination of the rehabilitation procedure

1. The rehabilitation manager may petition to the court to terminate the rehabilitation procedure with respect to the debtor in the following cases:

- 1) the rehabilitation procedure has achieved its goal;
- 2) the rehabilitation manager has come to the conclusion that it is not realistic to achieve this goal.

2. The owner of the debtor's property (a body commissioned by it) or any of the creditors who thinks that the implementation of the rehabilitation plan, actions (lack of actions) of the rehabilitation manager impairs his (the owner's or the body's, or the creditor's) interests, may file a petition with the court to revise the plan or to terminate the rehabilitation procedure. The court, within 10 days, is obligated to consider the petition and render a ruling based on the results of the examination.

Article 54. Consequences of termination of the rehabilitation procedure

1. Upon completion of the rehabilitation procedure, or before its termination as provided for by Article 4953 of this Law, the court may:

- 1) render a ruling to terminate the rehabilitation procedure with respect to the debtor and

dismiss the bankruptcy lawsuit;

2) render a decision on termination of the rehabilitation procedure, adjudicating the debtor in bankruptcy and institution of the bankruptcy proceedings, provided the goals of the rehabilitation procedure are unachievable.

#### Article 55. Sanation

1. If the plan for rehabilitation of the insolvent debtor provides for sanation as one of the rehabilitation measures, the plan must be accompanied by a written contract setting forth the amounts of money to be transferred by a sanation participant to the debtor and/or creditors in compliance with the rehabilitation plan and specifying the deadlines (terms) of payment.

2. A participant of sanation may undertake an obligation to secure payment of all creditors' claims within the terms they agree upon. In this case the participant of sanation or his authorized representative shall manage the debtor's estate within the limits of competence of the rehabilitation manager.

The rules specified in Par. 6 of article 44 paragraphs 3 and 4 of Article 9 of this Law shall not apply to fulfillment of managerial functions by the sanation participants with regard to the debtor's property.

3. The court shall have the right to make the sanation participant present documents confirming his/her ability to fulfill obligations specified in Paragraphs 1 and 2 of this Article.

#### Article 56. Agreement between the participants of sanation

Provided there are two or more sanation participants who undertook the obligation to secure payment of creditors' claims, they are obligated to conclude an agreement that would incorporate provisions on distribution of their liabilities before the creditors, responsibilities of one or several sanation participants in the event of their refusal to participate in sanation after its commencement, and procedures for their participation in managing the debtor's property.

#### Article 57. Responsibilities of the participants of sanation

1. A participant of sanation, who undertook the obligation specified in Paragraph 2 of Article 55 of this Law, shall bear subsidiary responsibility for the outstanding obligations of the debtor after its (debtor's) liquidation unless he proves that the purposes of sanation were not achieved due to force majeure circumstances or actions of the debtor's creditors or of the debtor (owner of the debtor's property).

If two or more persons participate in sanation, they shall bear the joint liability unless otherwise provided by the agreement.

2. The extent of the liability of a sanation participant who does not undertake the obligation to secure payment of the creditors' claims, shall be specified by an agreement between the sanation participant and the rehabilitation manager and approved by the creditors' meeting.

#### Article 58. Rights of the participant of sanation

1. If the bankruptcy proceeding is dismissed because the goal of sanation was achieved, the participant of sanation, who undertook the obligation stipulated by Paragraph 2 of Article 55 of this Law, and who is not the owner of the debtor's property, shall acquire the rights of the participant of the business partnership and come to own the funds, invested by him as provided by a resolution of the participants' meeting before the commencement of sanation. If the debtor is a state-owned enterprise or a production cooperative, the sanation participant shall acquire such rights after the enterprise is reorganized into a business partnership at the initial stage as provided by the resolution of the state body duly authorized by the property owner or by the resolution of the meeting of the cooperative's members.

The above-mentioned resolutions shall be submitted to the court together with the rehabilitation plan (schedule).

In such a case the charter capital of the newly created economic partnership may be less than the minimum amount stipulated by legislation provided that within two years the charter fund is replenished to the fixed amount.

2. If there are two or more persons participating in sanation, their share of the debtor's property shall be prorated by the amount of resources each of them used for sanation.

#### Article 59. Assignment of debtor's claims

1. The rehabilitation plan (schedule) may provide for assignment of the debtor's claims through the sale of these claims on an open tender that conforms to legislation.
2. The assignment of the debtor's claims without a recourse to an open tender may be accomplished by amicable agreement concluded in accordance with the applicable rules.

### **Chapter 5. Amicable Agreement**

#### Article 60. General provisions

1. The amicable agreement between the debtor and the creditors may be entered into at any stage of the bankruptcy proceeding before the court has decided to adjudicate the debtor in bankruptcy.
2. The amicable agreement shall be concluded in writing. If the administrator or rehabilitation manager was appointed, he shall sign it on the debtor's behalf.
3. The amicable agreement may contain the following provisions:
  - 1) termination of debtor's liabilities through forgiving the debt, payment of the compensation for forgiving, liabilities revision??novation, or any other method provided for by the civil legislation;
  - 2) deferral or installment plan for repayment of liabilities;
  - 3) debt discount;
  - 4) satisfaction of the creditors' claims in any other manner that does not contradict the civil legislation.

#### Article 61. Entering into an amicable agreement

1. The amicable agreement shall be considered to be entered into if more than 1/2 of the secured and bankruptcy creditors whose claims constitute more than 2/3 of the total claims agree thereto, and if the debtor paid off the creditors' claims of other priorities in the full amount, except for the cases, when the creditors voluntarily grant a deferral, an installment plan or a debt discount.
2. The terms of the amicable agreement whereby the debtor is granted a deferral and/or an installment plan shall apply to the creditors, who do not agree to enter into the amicable agreement. However, they shall not adversely affect such creditors if compared to those who belong to the same class and entered into the agreement.
3. The amicable agreement cannot be entered into, if bankruptcy proved to be fictitious.

#### Article 62. The amicable agreement entering into legal force

1. When filing a petition for the amicable agreement, the debtor must submit the amicable agreement signed by him and by the creditor (creditors), the creditors' motions of written objections against the amicable agreement, the balance sheet of the enterprise, the list of all the creditors of the third and the fifth priorities with their addresses and claims, and the statement of satisfaction in the full amount of the claims of creditors other priorities.
2. The amicable agreement shall enter into legal force on the date of its approval by the decision of the court and shall be binding on all the creditors.

#### Article 63. Grounds for rejection of the amicable agreement

1. The court shall reject the amicable agreement in the following cases:
  - 1) non-observance of the rules of entering into the amicable agreement (Article 61 of this Law);
  - 2) non-observance of the requirements to the format of the amicable agreement (Article 60 of this Law);
  - 3) inconsistency with the requirements set forth by legislation;
2. The court is entitled to reject the amicable agreement:
  - 1) if it stipulates the terms that set some creditors to advantage, or if the terms impair the rights and legitimate interests of some creditors;
  - 2) if fulfillment of the amicable agreement does not result in restoration of the debtor's solvency.
3. If the court refuses to approve the amicable agreement, it is entitled to deem the debtor to

be bankrupt and to liquidate it, or to render a ruling on implementation of rehabilitation procedures, provided there is a petition filed by the persons specified by this Law.

#### Article 64. Invalidation of the amicable agreement

1. If any of the creditors files a claim or if the procurator files a protest, the amicable agreement may be declared null and void by the court in the event of incorrect assessment by the debtor its property in financial statements or other accounting documents, or forging financial statements, or committing other actions entailing nullity of transactions under the general rules, especially if there is a collusion with one or several creditors aimed at impairing other creditors' interests.

2. After the amicable agreement is found null and void, the court shall recommence the bankruptcy proceeding.

3. If the amicable agreement is found null and the proceeding is recommenced, an appropriate announcement must be published in the official press of the central body of justice at the debtor's expense.

4. If the amicable agreement is found null and void, the claims of the creditors against which a deferral, installment plan, or discount was applied, must be restored to their full amount, and all the sums that were paid to the creditors under the amicable agreement must be returned to the debtor. The settlement of the creditors' claims shall be made within the framework of the bankruptcy proceedings in accordance with the rules set forth by this Law.

### **Chapter 6. Liquidation of Insolvent Debtor**

#### **(Bankruptcy Proceedings)**

##### Article 65. General provisions

1. The bankruptcy proceedings shall be performed for purposes of paying off the creditors' claims by prorating them and declaring the bankrupt free of debts.

2. The court shall determine the duration of the liquidation procedure. It may not exceed 12 months. At the request of the bankruptcy manager this term may be extended no longer than for 3 months.

##### Article 66. Participants in the bankruptcy proceedings

The court, the creditors' meeting (committee), the bankrupt, the bankruptcy manager liquidator and other persons concerned shall be the participants in the bankruptcy proceedings.

##### Article 67. Powers of the court in the bankruptcy proceedings

The court shall have the following powers in the bankruptcy proceedings:

- 1) to institute and dismiss the bankruptcy proceeding
- 2) to notify the departments of justice that is entitled to register legal entities about the decision to deem a legal entity to be bankrupt;
- 3) to initiate proceedings of cases of property nature where the debtor is a defendant;
- 4) to approve a candidate for bankruptcy manager;
- 5) to settle disputes among the participants of the bankruptcy proceedings;
- 6) to inform financial departments, banks and other credit institutions of the commencement of the bankruptcy proceedings.

##### Article 68. Effects of instituting bankruptcy proceedings against the bankrupt

1. When the court decides to deem the debtor to be bankrupt and to start liquidation, the following consequences shall occur:

- 1) the bankrupt shall be banned from the sale and temporary transfer of its property;
- 2) the outstanding debts of the debtor are considered to be overdue;
- 3) the accrual of penalties and interest shall cease on all arrears of the bankrupt;
- 4) all pending property claim disputes against the debtor ?? shall be stayed, if the decisions on them have not yet come into legal force;
- 6) any property claims against the debtor shall be filed only within the framework of the bankruptcy proceeding.

2. The bankrupt may appeal to the court any illegitimate actions of the bankruptcy manager liquidator

and of the creditors' meeting (committee) to the court.

3. If the debtor's assets include real estate, the prohibition of the sale or transfer of property shall be recorded at the registrar of property rights.

#### Article 69. Bankruptcy manager/liquidator

1. The court shall approve or appoint a bankruptcy manager to carry out the liquidation procedure.

The bankruptcy manager shall be elected by the creditors' meeting (with the consent of the creditors holding 2/3 or more of the total amount of claims). The external manager may serve as the bankruptcy manager with the consent of the creditors' meeting..

If the creditors' meeting does not elect a bankruptcy manager, the court shall do so at the proposal of the authorized state body.

#### Article 70. Responsibilities of the bankruptcy manager/liquidator

1. The bankruptcy manager shall:

1) within one week from the date when the court's decision to deem the debtor to be bankrupt and liquidate the enterprise comes into force, publish an announcement in the official press of the central body of justice about the bankruptcy of the debtor and about the procedure for submitting creditors' claims and in addition notify in writing all of the creditors of whom he is aware;

2) control the property of the debtor;

3) within 2 months from the date the decision on bankruptcy of the debtor was rendered, bring claims against all legal entities indebted to the debtor to recover the amounts owing in accordance with the rules set forth by legislation;

4) identify the deals concluded by the debtor under the circumstances described in Article 6 of this Law and file a nullity action or an action for return of the property;

5) within 2 months notify the workers of the debtor about the forthcoming layoff;

6) sell the debtor's property (assets) in order to pay off creditors' claims;

7) settle the accounts with the creditors;

8) identify persons responsible for the bankruptcy of the debtor (public officers of the business partnerships, managers, participants (founders, parent company, etc.) and file an action with the court.

9) keep records of the creditors' claims;

10) have other powers under this Law.

#### Article 71. Creditors' claims

1. The creditors' claims against the debtor may be filed within 2 months from the date of publication of the announcement of the debtor's bankruptcy.

Claims of the creditors shall specify the amount of the claims (amount of the principal, interest, penalties, fines, losses), with the documents stating the reasons and proving the amount of the claim attached (court decisions entered into legal force, photo-copies of agreements, recognition of the debts by the debtor, etc.)

2. The creditor's claims which are filed within the dates set forth by Paragraph 1 of this Article must be considered by the bankruptcy manager within 1 month from the date of filing and those accepted shall be entered in the list.

Creditors' claims filed with the court or submitted to the administrator earlier shall be put on the claims' list, provided they meet the requirements set forth in part 2 of Paragraph 1 of this Article.

3. The creditors may claim the amounts, inclusive of the debts, interest, losses incurred through the failure to fulfill or bad performance of the debtor's obligations, fines and other penalties.

4. The amount of interest shall be determined on the date the court renders the decision to deem the debtor bankrupt.

5. The amount of losses (penalties, fines) shall be determined as of the moment the debtor is deemed to be bankrupt and to be liquidated, and in the cases of rehabilitation proceedings - on

the date of introduction of the rehabilitation procedure.

Costs of the creditors connected with their participation in the bankruptcy procedures are not subject to refund.

Article 72. Consideration of the creditors' claims

1. The bankruptcy manager shall notify the court and all creditors in writing about the results of the creditors' claims evaluation (regarding the acceptance -- in full or partially -- or denial of the claims) on the next day after the decision is made. (If the claim was denied, the reasons therefore shall be set forth).
2. A claim shall be considered accepted if, within the consideration term (Paragraph 2 of Article 71 of this Law), the bankruptcy manager does not raise any objections against it.
3. A creditor (founder/participant) dissatisfied with the decision by the bankruptcy manager, may, within a one-month period since the decision is rendered, file an appeal with the court that handles the bankruptcy case, the decision on the disputed claim of which has entered into legal force.
4. The debtors' creditors may review the list of claims. At the request of more than 50 creditors, the list of claims shall be published in the same publication where the announcement on debtor's bankruptcy and liquidation was placed.

Article 73. Approval of the claims' list by the court

1. The bankruptcy manager shall file a written report setting forth the claims' list and the results of the claims' review for approval by the court within three months from the date the decision on bankruptcy is rendered.
2. If there are no creditors' (founders/participants') objections to the bankruptcy manager's list, the court shall approve within one week of receipt. If the creditor(s) (founders/participants) object, the court shall consider the dispute in accordance with Paragraph 3 of Article 72 of this Law.

A decision shall be rendered on the approval of the list of the claims.

Article 74. Bankrupt's estate

1. The debtor's property, including its claims (receivables), but excluding the property specified in Paragraph 2 of Article 83 of this Law, shall constitute the general mass of the bankrupt's estate.
2. The general mass of bankrupt's estate covers personal property of full partnerships, property of the former participants of a full partnership and of a partnership with additional responsibility, property of current members of a partnership with additional responsibility, as well as property of members of the production cooperative, against whose property execution may be levied under the civil Law procedures, if the bankrupt's estate proves to be insufficient.
3. When legislation provides for subsidiary responsibility of certain persons for the debtor's bankruptcy, the degree of this responsibility shall be determined on the basis of the difference between the total amount of the creditor's claims and general mass of bankrupt's estate. The bankruptcy manager shall file claims against these persons to secure the interests of all of the debtor's creditors. The creditors shall not be allowed to raise such claims pursuing their individual interests.

Article 75. Order of priority in distribution of the bankrupt's estate

1. Expenses associated with the bankruptcy proceeding, remuneration of the external administrator, bankruptcy manager and rehabilitation manager shall be covered as a priority.
2. First, the claims of the citizens to whom the debtor has caused harm to health or life shall be paid by capitalizing appropriate periodical payments.
3. Second, the secured creditors shall be paid.
4. Third, the wages and severances of the employees working under labor agreements and royalties shall be paid.
5. Fourth, indebtedness on obligatory payments to the budget and non-budget funds shall be paid.
6. Fifth, the accounts of other creditors shall be paid.

Article 76. Rules of settlement with the creditors

1. The claims of each class must be paid after the full satisfaction of the claims of the previous priority.
2. If the debtor's estate is insufficient to pay all claims in full, it shall be distributed prorata among the creditors of the relevant priority.
3. If the bankruptcy manager refuses to pay a creditor's claim or avoids its consideration, the creditor may file an action against the bankruptcy manager before the liquidation balance is approved.
4. The claims of the creditors filed after expiration of the term set forth by Paragraph 1, Article 71 of this Law, but before adoption of the liquidation balance, shall be satisfied from the proceeds of the liquidation of the debtor's property that remained after the settlement of the creditors' claims filed within the established term.
5. The claims of the creditors of the first and third priorities that were filed prior to the final settlement of all the creditors' claims shall be paid off from the bankrupt's estate. The settlement of claims of the creditors of the relevant priority shall be suspended until the above-mentioned claims are paid off. The same procedures shall be applied to the creditors of other priorities who filed their claims within the specified period, the files being accepted by the court, but not recognized by the bankruptcy manager.
6. The claims which were not paid off due to the lack of proceeds as well as the claims which were not presented before the approval of the liquidation balance shall be considered satisfied. Article 77. The amount of claims of first priority creditors and procedures for their settlement

1. The amount of claims of citizens to whom the bankrupt bears responsibility for harm caused to life or health is determined through capitalization of appropriate periodical payments (as of the date when the debtor was deemed to be bankrupt) that shall be made to the citizen for at least ten years until he/she is 70 years of age.
2. Payment of the amount determined in accordance with Paragraph 1 of this Article shall terminate the debtor's obligation to the citizen.
3. Claims of the first priority creditors may be paid off at the expense of secured propertythe property secured by pledge, if the amounts received through the sale of the remaining property are insufficient for the settlement of the above-mentioned claims.

Article 78. The amount of claims of second priority creditors and procedures for their settlement

1. When assessing a secured claim, the arrearages on this claim shall be counted inclaim secured by pledge, the indebtedness on the part of property that is secured shall be considered.
2. The secured claims of creditorsclaims of creditors secured by pledge shall be satisfied at the expense of the pledged secured propertyproperty.
3. The arrearages on the unsecured part of the claimIndebtedness on the part of the property that is not secured shall be added to the list of claims of the fifth priority creditors.

Article 79. The amount of claims of third priority creditors and procedures for their settlement

1. The unpaid amounts determined on the date the bankruptcy proceedings were instituted shall be taken into account for determination of the amount claimed by the third priority creditors.
2. If the debtor fails to fully pay wages, royalties, severance benefits after institution of the bankruptcy proceedings, the amounts outstanding before the decision on bankruptcy enters into force shall be added to the sums owed to the creditors of third priority.

Article 80. The amount of claims of fourth priority creditors and procedures for their settlement

1. While determining the amount of obligatory payments to the budget and non-budget funds, arrearages incurredthe extent of the indebtedness at the moment of initiation of the bankruptcy proceedings shall be counted in.

2. If the debtor has failed to make full payments to the budget or non-budget funds after the institution of the bankruptcy proceeding, the amounts not paid during the pendency of the bankruptcy case shall be added to the total amount of the claims of the fourth priority creditors.
3. The sums of financial penalties shall be added to the list of claims of the fifth priority creditors.

Article 81. The amount of claims of fifth priority creditors and procedures for their settlement

1. In order to determine the amount of the claims added to the claims of the fifth priority creditors, the claims of the creditors on civil Law obligations, including the interest payable to the creditors, except for the claims secured claims by pledge and claims of the founders (participants) of the legal entity, shall be counted in.
2. The claims of the fifth priority creditors for compensation of losses and payment of forfeits (fines, penalties) shall be listed separately and shall be settled after the arrears and interest is paid off.

Article 82. Representation of the interests of the employees of the debtor

1. Persons who have wages claims against the debtor shall elect in a meeting (conference), by secret ballot, a representative commissioned to protect their interests at the negotiations with the debtor and its creditors, as well as in court during the review of the claims and approval of the list of claims and results of their examination.
2. The representative who was elected under Paragraph 1 of this Article shall enjoy all the rights of a creditor provided for by this Law during the bankruptcy proceeding. The representative of the employees shall report to the meeting (conference) about the results of the approval of the list of the creditors' claims and their examination.

Article 83. Determination of the value of the debtor's property

1. During the liquidation of the debtor's assets the bankruptcy manager shall invite experts to inventory and assess the debtor's property (assets), including the receivables. Such evaluation shall be carried out pursuant to legislation.
2. The claims of creditors shall be settled from the proceeds of all the debtor's property assessed in accordance with Paragraph 1 of this Article, except for:
  - 1) property withdrawn from the turnover in accordance with legislation;
  - 2) property that does not belong to the debtor.

Article 84. Sale of debtor's property (assets)

1. The sale of the debtor's property (assets) shall be conducted by the bankruptcy manager in compliance with the procedures specified in civil procedural Law.
2. The debtor's property (assets) in kind, which was put up for sale but was not sold because of the absence of a buyer, shall be transferred to the creditors of an appropriate priority whose claims were not fully paid off and, with their consent, to the joint property pool.

Article 85. Property left after paying off creditors' claims

1. The monetary assets left after paying off the creditors' claims shall be transferred by the bankruptcy manager to the owner of the debtor's property or the founders (participants) in accordance with legislation or the debtor's founding documents.
2. The debtor's property in kind which was not sold and which was left after paying off the creditors' claims shall be transferred to the owner or the participants (founders) of the debtor - legal entity.

Article 86. Relief of the bankrupt from debts

1. After the settlement of accounts with the creditors the bankrupt shall be relieved from the payment of debts and other claims filed for execution and taken into consideration during the bankruptcy procedure.
2. The bankrupt shall not be granted debt relief if it concealed some portion of its property or transferred it to another person for the purposes of concealment over a one-year period before the bankruptcy petition was filed.

Article 87. Bankruptcy manager's report

1. After the debtor's debt relief and satisfaction of the creditors' claims the bankruptcy manager shall submit to the court his/her final report with the attached liquidation balance sheet and the report on utilization of the assets left after the claims were paid off.

2. The court shall approve the bankruptcy manager's report and the liquidation balance sheet, and render a decision on dismissal of the bankruptcy case and notify the department of justice responsible for state registration of legal entities.

#### Article 88. Completion of debtor's liquidation

1. After the approval of the liquidator's report and liquidation balance sheet the court shall render a ruling on completion of the debtor's liquidation.

2. The ruling on completion of the liquidation of the debtor may provide for settlement of such unresolved issues as remuneration for the bankruptcy manager and the debtor's remaining property.

A copy of the court's ruling shall be forwarded to the department responsible for state registration of legal entities.

3. The debtor's liquidation shall be considered completed and the debtor dissolved after the appropriate entry is made in the state list of legal entities.

### **Chapter 7. Simplified Bankruptcy Proceedings**

#### Article 89. Bankruptcy of the liquidated debtor

1. If a body of the legal entity or the liquidation commission (liquidator) discovers the circumstances stipulated in Paragraph 2 of Article 17 of this Law, they shall file a petition with the court to deem the debtor to be bankrupt (under Articles 18-19 of this Law).

The liquidation commission (liquidator) shall be obligated to notify the leading management body of the legal entity-debtor about these circumstances.

2. The initiation of court proceedings shall operate as an automatic stay prohibiting the owner of the debtor's property, its founders (participants) from transferring the debtor's property (assets) to other persons or disposing of it in any other way.

#### Article 90. Consideration of the case by the court

1. The court which instituted bankruptcy proceedings against the legal entity subject to liquidation, within one month, shall render a decision on adjudicating the debtor in bankruptcy and liquidation of the legal entity.

2. If during the examination of the case it is established that the debtor's property (assets) is sufficient to pay off the creditors' claims in full, the court shall decide to refuse to deem the debtor to be bankrupt. The court's decision is a ground for continuation of the debtor's liquidation through regular procedures.

#### Article 91. The procedure of liquidation of the debtor

The bankruptcy manager appointed (approved) by the court under Article 69 of this Law shall liquidate the debtor in accordance with the procedure set forth by Articles 65-88 of this Law.

#### Article 92. Effects of the refusal to liquidate the debtor in accordance with the bankruptcy procedures

1. If the owner, founders (participants), or liquidation commission (liquidator) refuses to file a bankruptcy petition for liquidation with the court on behalf of the debtor and liquidate it, though the available circumstances allow only for bankruptcy of the legal entity, the failure to pay off the claims of all creditors in full shall result in the rejection to record the liquidation of the debtor in the unified state registration list..

2. The creditors may pursue payment of their claims against the owner, founders (participants), liquidation commission (liquidator), provided the latter are to assume responsibility for outstanding liabilities of the debtor in accordance with this Law or other legislative acts.

#### Article 93. Bankruptcy of the liquidated debtor by the creditor's petition

1. The fact that the owner founders (participants) took a decision to liquidate the debtor shall not prevent a creditor from filing a petition with the court to deem the debtor a bankrupt.

2. In the event the court renders a decision to deem the debtor a bankrupt, the provisions set forth in this chapter shall not apply and the debtor shall be liquidated in accordance with the rules set forth by Articles 65-88 of this Law.

#### Article 94. Bankruptcy of the absent debtor

1. If the debtor is absent and it is impossible to determine his whereabouts (if physical persons -- participants, founders, and managers, without whom the legal entity cannot function -- are absent), the court may, upon petition of a creditor, procurator or a tax authority initiate bankruptcy proceedings.

2. The external management shall not be established if bankruptcy proceedings have been initiated. The court, within two weeks after the initiation of such proceedings, shall decide to deem the debtor to be bankrupt and to liquidate it.

3. The court shall appoint the bankruptcy manager to liquidate the absent debtor. The creditors may propose the candidate for the position of the bankruptcy manager.

4. The liquidator shall send a written notice about the debtor's bankruptcy to all the creditors of whom he is aware. The creditors, within two months of the receipt of the notice from the liquidator, may file their claims against the debtor.

#### Article 95. Liquidation of an absent debtor

3. as of the moment a record about the dissolution of the legal entity was entered in the unified state registration list on the basis of the court's decision to approve the liquidator's report.

1. Creditors' claims shall be paid in the order of priority set forth by Article 75 of this Law.

The creditors may appeal the decision of the bankruptcy manager regarding their claims to the court prior to the approval of the liquidation balance sheet.

2. After the creditor's claims are paid off, the liquidator shall prepare a liquidation balance sheet and a report on his performance, and submit them to the court.

3. The debtor is deemed to be liquidated when the court approves the liquidator's report, and the liquidation of the debtor's estate is ratified by the recordation of as of the moment a record about the dissolution of the legal entity was entered in the unified state registration list on the basis of the court's decision to approve the liquidator's report.

### **Chapter 8. Out-of-Court Procedures**

#### Article 96. Out-of-court procedures

1. Out-of-court procedures are the methods that allow the debtor (owner of debtors' property or an agency commissioned by it), through negotiations with the creditors, to declare officially its bankruptcy and voluntary liquidation, or implementation of rehabilitation procedures stipulated by this Law, or the amicable settlement of debts for purposes of continuing its operations.

2. An agreement between the debtor (owner of the property or an agency commissioned by it) and the creditors shall specify the procedure and conditions of the out-of-court procedures.

3. A meeting (committee) of creditors shall be convened in accordance with the rules set forth by this Law for purposes of agreeing upon the conditions of the out-of-court procedures, monitoring their implementation, and securing protection of the creditors' interests.

4. The out-of-court procedures and amicable settlement of debts may be implemented on the proviso that all the claims of the secured creditors were fully paid off, unless the secured creditors agree to grant a deferral, payment by installments, forgiveness, or relief from debts.

#### Article 97. Results of negotiations on application of out-of-court procedures

1. The negotiations on application of out-of-court procedures may result in:

1) an agreement between the debtor and all/some of the creditors about a deferral and/or payment by installments of the sums due to the creditors, discounts, or settlement of creditors' claims in another manner, so long as it does not contradict the civil legislation (amicable settlement of debts);

2) an agreement on implementation of the rehabilitation procedures in accordance with the procedures set forth in this Law and in compliance with particular rules specified in this Chapter;

3) an agreement on voluntary liquidation of the debtor under the creditors' control.

2. Claims of the creditors, who did not agree with the conditions of the agreement (Subparagraph 1, Paragraph 1 of this Article) or did not participate in the negotiations, must be paid off in the full amount and within a specified period of time. In the event these claims were not fully satisfied within the specified period of time, the creditors shall have the right to bring a court action to get their claims satisfied through regular proceedings or on the grounds stipulated by this Law, that is to initiate court proceedings to deem the debtor a bankrupt.

3. Generally accepted rules of conclusion and termination of an agreement shall apply to the agreement concluded in accordance with Subparagraph 1, Paragraph 1 of this Article.

Article 98. Characteristics of the out-of-court rehabilitation procedures

1. The conditions and flow of the rehabilitation procedures, as well as the candidate for the position of the rehabilitation manager shall be determined in an agreement between the debtor (owner of the property or an agency commissioned by it) and the creditors.

2. The secured and bankruptcy creditors who hold more than 50% of the total amount of all claims shall give their consent to application of out-of-court rehabilitation procedures. The claims of the creditors who did not give their consent to application of the out-of-court rehabilitation procedures must be paid off in full.

3. Payments for Settlement of claims specified in Paragraph 1 of Article 47 of this Law shall be effected during implementation of the rehabilitation procedures. All the rest claims shall be satisfied according to the rules set forth in Paragraph 2 of Article 47 of this Law.

4. The duration period of the rehabilitation procedures specified in this Law may be extended by agreement between the debtor and the creditors.

5. The rehabilitation procedures may be terminated by an agreement of the parties or through the court by motion of one of the parties on the proviso that:

- 1) the goals of the rehabilitation procedures are not achievable;
- 2) the requirements of the agreement were not met.

Article 99. Liquidation of an insolvent debtor under the creditor control

1. The owner of the debtor's property (an agency commissioned by it) together with the agency authorized by the founding documents and with all the creditors shall take a decision on voluntary liquidation of the debtor. The decision shall be made on the basis of the analysis of the debtor's financial conditions that ascertains that the enterprise is not able to meet its liabilities and there is no way to restore it back to solvency.

2. The official announcement about voluntary liquidation of the debtor shall be published in the official press of the central body of justice.

3. The creditors' meeting shall appoint the bankruptcy manager.

4. Upon his/her appointment, the bankruptcy manager shall control and manage the debtor's property and the debtor's management bodies shall be relieved of any management duties.

The bankruptcy manager shall be responsible for presenting, on a regular basis, a progress report on the debtor's liquidation at the creditors' meeting.

The bankruptcy manager shall fulfill other functions stipulated by Article 70 of this Law.

5. The debtor shall be prohibited from satisfying any creditors' claims at the expense of its property after the appointment of the liquidation manager, except for the claims of the creditors of the first and second priorities (Article 75 of this Law).

6. The debtor, within seven days of the appointment of the bankruptcy manager, must submit to him the financial statements.

7. The procedures for selling the debtor's property and paying off the creditors' claims shall be determined in accordance with provisions set forth in Articles 72, 83, and 84 of this Law.

8. After the sale of the debtor's property and apportionment of the money among the creditors, the bankruptcy manager shall convene a final meeting of the creditors, inviting the owner of property of the debtor, and shall report about his performance. The meeting shall vote to take decisions on approval of the liquidation balance sheet and the report on utilization of the funds remaining after the creditors' claims were paid off, as well as on liquidation of the enterprise. The enterprise shall be considered liquidated as of the moment it is excluded from the

state registration list.

9. Though the decision on the debtor's voluntary liquidation was reached, the creditors (creditor), after the decision is taken, may file a petition with the court to initiate bankruptcy proceedings.

## **Chapter 9. Characteristics of Bankruptcy of Legal Entities which are Company-Towns**

Article 100. Bankruptcy of company-towns - legal entities

1. The debtor - legal entity - which is a company-town may be deemed to be bankrupt in instances and according to the procedures set forth by this Law with consideration for the characteristics specified in this Chapter.

2. Classification of enterprises as company-towns and maintenance of the list of companytowns shall be done in accordance with the procedures determined by the Government of the Republic of Kazakhstan.

Article 101. Consideration of a bankruptcy case

1. While considering a company-town bankruptcy case, a person participating in the case shall acknowledge the respective administrative-territorial unit in the person of a state agency authorized by an akim the akim shall be viewed as an entity participating in the case.

The authorized state agency participating in the case shall have the right to propose the court candidates for the administrator and rehabilitation manager positions.

2. The documents confirming the fact that the debtor is classified as a company-town shall be attached to the debtor's petition to deem it bankrupt and to the debtor's response to the petitions of other persons to deem it bankrupt bankruptcy petition and to the debtor's response to other persons' bankruptcy petitions.

3. While doing preliminary work required for consideration of the company-town bankruptcy case, the judge shall apply for the extract an appropriate excerpt from the list of entities classified as company-towns.

Article 102. Implementation of rehabilitation procedures on the proviso there is a guarantee security

Upon the petition of an authorized state agency the court shall render the ruling on the authorized state agency's filing the petition, the court shall render a ruling on implementation of rehabilitation procedures with respect to the debtor under the condition of presenting guarantee on, provided there is a guarantee for the obligations of the debtor - company-town. A guarantee on for the debtor's obligations may be given by the Republic of Kazakhstan at the expense of the national budget, or by an administrative-territorial unit, in the person of the authorized state agency, at the expense of the local budget.

Article 103. Cancellation of debts (claims of creditors)

1. The Republic of Kazakhstan, and an administrative-territorial unit shall have the right at any time before the respective court's decision effectuate the simultaneous settlement of the extinguish debts (settle claims of all loan secured and bankruptcy creditors) of the debtor - company-town - concurrently, at any time before the court renders an appropriate decision.

2. In case of the settlement of the event the indebtedness of the debtor is extinguished according to the procedures specified in Paragraph 1 of the this Article the bankruptcy case proceeding, the bankruptcy proceedings shall be terminated.

3. While extinguishing debts of the debtor company-town, the creditors of Republic of Kazakhstan/administrative-territorial unit may not confiscation or acquisition by some other way seize the debtor's property or acquire it in any other manner.

## **Chapter 10. Transitional Provisions**

Article 104. Initiation of bankruptcy case proceeding with respect to state enterprises, and also economic partnerships with state share of the charter fund more than proceedings against state enterprises and economic partnerships where the state share of the charter capital exceeds 50%

1. Initiating the bankruptcy case procedure upon the creditor's (creditors') petition with

respect to While initiating, upon the creditor's (') petition, the bankruptcy proceedings against state enterprises or economic partnerships with where the state share of the charter capital more than exceeds 50%, the court shall suspend implementation of the bankruptcy case proceeding proceedings for the period of up to 6 months, upon a petition from the body authorized to implement rehabilitation and liquidation procedures with respect to such enterprises (economic partnerships), for adopting of the respective decision (sanation, in order to render an appropriate decision (on sanation/liquidation). Before the expiration of the indicated above-mentioned period, the state agency effectuating that implements rehabilitation and liquidation procedures shall must send a written notice to the court about the decision that was adopted decision, and in case of the decision to implement rehabilitation shall rendered. If the decision is to implement rehabilitation, the agency must submit a rehabilitation plan. Feasible possibility of rehabilitation of the debtor's solvency as the result of the rehabilitation shall be the grounds for prolongation of the rehabilitation term The practicability of restoration of the debtor back to solvency lays grounds for the extension of the rehabilitation period up to 12 months with the consent of the creditors whose claims amount to more than 50% of the total amount of claims.

2. If the debtor mentioned in Paragraph 1 of the this Article is rehabilitated as the result of state measures on its financial and economic improvement the court shall dismiss the case proceeding upon receiving improvement conformation docu subject to rehabilitation within the frames of the state measures aimed at its financial and economic adjustment, the court shall dismiss the proceedings upon receipt of properly certified documents advising about these arrangements.

3. Provided the decision is made In the event of the decision to privatize the property of the debtor against whom a bankruptcy case is initiated, this decision may be suspended for the term of the bankruptcy proceedings are initiated, the proceedings may be stayed for up to 3 months at the request of the body authorized to effectuate implement privatization, and at another the second request of this body - for another term period of up to 3 months.

4. The rehabilitation manager of the property of the state enterprise and also economic partnership with the state share of the charter fund more than 50% shall be appointed by the body authorized for reorganization and liquidation of such state enterprises and economic partnerships where the state share of the charter capital exceeds 50% shall appoint the rehabilitation manager of the property of such enterprises and partnerships.

5. If the legal entity's property or the state stock (share of the property) is privatized during the period of the bankruptcy case suspension and its debts a subject to privatization during the period for which the bankruptcy proceedings were stayed and its debts are to be settled by the state and/or a new owner of the state stock, -- a buyer of the state enterprise as a property set or are deferred by the creditors the unit -- or are to be deferred by the creditors, the bankruptcy case shall be dismissed.

If the debts of the enterprise-debtor during the period of case consideration suspension the stay of the bankruptcy proceedings are not settled and are not deferred by the creditors, the bankruptcy case consideration shall be reopen proceedings shall be continued.

6. U The buyer of the state property shall not have the right, until the expiration of the privatization agreement the buyer shall not have the right to file to court an petition to deem bankruptcy of the economic partnership in which, to file a bankruptcy petition with the court to deem the economic partnership, in whose charter capital it acquired a share, to be bankrupt. Article 105. Characteristics of implementation of out-of-court rehabilitation procedures and liquidation of insolvent state enterprises and economic partnerships with state share of charter fund more than here the state stock of the charter capital exceeds 50%

1. Competent state and other bodies (organizations) are entitled to implement the out-of-court rehabilitation procedure with respect to insolvent state enterprises and economic partnerships with where the state share of the charter capital more than 50% shall have the right to implement out-of-court rehabilitation procedure according to the procedure exceeds 50%,

pursuant to the rules and conditions provided for by this Law.

The indicated bodies shall have the right to implement above-mentioned bodies are entitled to implement the out-of-court liquidation of such enterprises and economic partnerships with the state share of the charter capital not less than 2/3 according to the procedure established, pursuant to the procedure set forth by Article 99 of this Law.

2. A competent state body shall must announce in an official republican publication of the central body of Justice about the beginning of the rehabilitation procedures with respect to of the state enterprise or economic partnership with where the state share of the charter capital more than exceeds 50%.

From the moment of the Upon publication of the announcement about the beginning of the implementation of the debtor's rehabilitation in an official republican publication of the central body of Justice, the payment of settlement of the creditors' claims shall be suspended for 6 months (except for the claims on the damage recovery and labor payment health damage and wages claims).

3. Not later than 5 months after the publication of the announcement about the beginning of the rehabilitation procedures in an official republican publication of the central body of Justice, the state body that started such this procedure shall submit to the court, eligible entitled to consider the debtor's bankruptcy case (Article 8 of this Law), documents confirming positive results good performance of the first 5 months and other documents confirming the reasonability justifying the implementation of the rehabilitation implementation with respect to procedure with respect to a given enterprise (economic partnership).

4. The court within ten days from the moment of receiving the documents on the rehabilitation results for 5 months shall render the judgment to extend Within ten days after the receipt of the reports on the five-month rehabilitation performance, the court shall render a decision on extension of the rehabilitation procedure for the term of 18 months (additionally) or refuse to implement rehabilitation with the indication of the reasons for this refusal.

5. The state (with respect to communal enterprises - the as for the utilities, it is a respective administrative-territorial unit) shall bear subsidiary responsibility on for the debtor's obligations, if the effectuated rehabilitation measures undertaken by the authorized state agency rehabilitation procedure does not rehabilitate the debtor's solvency or the court refuses to implement did not restore the debtor back to solvency or if the court refuses to render a decision on implementation of the rehabilitation procedure (Paragraph 4 of the this Article), except for instance the cases, when the body authorized to conduct the rehabilitation and liquidation of such enterprises (economic partnerships) takes a decision to liquidate an enterprise within 2 months from the moment of the publication of the announcement about the beginning of the rehabilitation procedure makes the decision to liquidate it.

6. The legal statute of the bodies created for these purposes and also the authority of the organization The Government of Republic of Kazakhstan shall determine the legal status of the bodies created for these purposes, as well as the powers of the agencies participating in the implementation of the rehabilitation and liquidation of insolvent state enterprises and also economic partnerships with where the state share of the charter capital more than 50% shall be determined by the Government of Republic of Kazakhstan exceeds 50%.

7. The conditions and procedure rules of implementation of rehabilitation and liquidation shall not restrict impair the rights of the enterprise-debtor's creditors, including the right to file to court an petition to initiate the bankruptcy case proceeding a bankruptcy petition with a court.

8. The rights of the owner of state property may be delegated by the Government of the Republic of Kazakhstan may delegate the right of ownership of the state property to the bodies (organization agencies) authorized to implement the rehabilitation of insolvent state enterprises and economic partnerships with where the state share of the charter capital more than exceeds 50%.

## **Chapter 11. Final Provisions**

Article 106. Procedures for application of this Law

1. This Law shall be applied to consideration of bankruptcy cases by the court; this Law

shall be also applied to implementation of out-of-court procedures launched after the enactment of this Law, except for the cases set forth in paragraph 2 of this Article.

2. Articles 75-81 of this Law shall apply to cases initiated in courts, and to out-of-court procedures that were launched prior to the enactment of the Law if the proceeds generated from the sale are not distributed among the creditors.

3. Provisions of Paragraphs 3 and 4 of Article 75 shall be applied to transactions secured by pledge and concluded after 1 January 1997. With regard to transactions secured by pledge and concluded before 1 January 1997, claims of secured creditors shall be given the third priority after paying off wages of employees working under labor agreements and remunerations according to author's agreements.

President of the Republic of Kazakhstan Nursultan Nazarbaev

## **Law of the Republic of Kazakhstan**

### **"On Introduction of Amendments to the Law of the Republic of Kazakhstan**

#### **"On Bankruptcy"**

**(Astana, July 1, 1998, N 256-1)**

1. To introduce to the Law of the Republic of Kazakhstan "On Bankruptcy" dated January 21, 1997 (Digest of the Parliament of the Republic of Kazakhstan, 1997., N. 1-2, Art. 7; N. 13-14, Art. 205) the following changes and additions:

1) in the preamble:

to change the words "procedures aimed at rehabilitating" to the words "rehabilitation procedures"

to add the words "as well as extra-judicial liquidation procedures" after the words "and its liquidation";

2) in Article 1:

in paragraph two:

to add the words "and compensations for the damage caused to life and health" after the word "wages";

to delete the words "at the expense of the debtor's property";

in paragraph three:

to add the words "or extra-judicial liquidation procedures" after the words "bankruptcy procedures";

in paragraph five:

to delete the words "pursuant to a judicial decision"; to add the words "pursuant to a judicial decision" after the words "its application";

to replace the words "upon an agreement with the creditors by official declaration of its bankruptcy" with the words "under the supervision of creditors";

in paragraph seven to delete the words "or officially declared through extra-judicial proceedings upon an agreement with the creditors";

in paragraph eight to delete the words "or officially declared by the debtor through extrajudicial proceedings upon an agreement with the creditors";

paragraph nine to rewrite as follows:

"extra-judicial liquidation proceedings - the proceedings meant for settlement of the debts of an insolvent debtor through extra-judicial procedure by reaching an agreement between the debtor and its creditors on the debtor's voluntary liquidation under supervision of its creditors";

in paragraph fourteen to delete the words "and receiving satisfaction out of the bankrupt's estate after paying off the claims of preferred and secured creditors";

paragraph seventeen to rewrite as follows:

"bankruptcy proceedings - is a procedure aimed at satisfying the creditors' claims and declaring the bankrupt (insolvent debtor) released of any debts";

in paragraph twenty two to delete the words "or extra-judicial";

in paragraph twenty five to replace the words "implemented through either judicial or extrajudicial

proceedings when" with the words "in the course of which";  
paragraphs twenty six and twenty seven to rewrite as follows:

"premeditated bankruptcy - an intentional act aimed at bringing a debtor to the state of inability to pay committed by the owner of the debtor's property or by the bodies of the debtor legal entity in favor of their personal interests or in favor of other persons' interests;  
fictitious bankruptcy - is a knowingly fictitious appeal of the debtor's body or owner of its property to a court or to the authorized agency to adjudicate such a debtor in bankruptcy in order to mislead its creditors, to be granted a deferral of payment of amounts due to the creditors or the right to pay them by installments, or to get discounts, or not to pay off debts at all, provided that the debtor is capable of satisfying the creditors' claims in full";

paragraphs ten, eleven, eighteen and twenty to delete  
to add new paragraphs to read as follows:

"authorized agency - is an agency determined by the Government, by local executive bodies and authorized to represent in the course of bankruptcy proceedings and during extra-judicial liquidation proceedings the interests of the creditors, whose claims arise from obligations to provide mandatory payments to the budget and non-budget funds, as well as to initiate an extrajudicial liquidation;

voting creditors - creditors, whose claims arise from obligations to provide mandatory payments to the budget and non-budget funds, participating in bankruptcy procedures and extrajudicial

liquidation proceedings through the authorized agency, as well as bankruptcy creditors;

non-voting creditors - all the rest tiers of creditors;

administrative expenses - all expenses incurred regarding the initiation and implementation of bankruptcy procedures, rehabilitation procedures and extra-judicial liquidation proceedings, including the costs of services of the employed and specialized organizations, fees due to the rehabilitation manager and to the bankruptcy manager";

3) to add Article 1-1 to read as follows:

"Article 1-1. Legislation Governing Bankruptcy

Legislation on bankruptcy shall be based on the Constitution of the Republic of Kazakhstan and shall be comprised of this Law and other normative legal acts of the Republic of Kazakhstan.";

4) in Article 2:

section two of Point 1 to rewrite as follows:

"Specifics of the bankruptcy procedures with respect to agricultural organizations regardless of their organizational-legal form may be established by legislative acts. Specifics of application of bankruptcy procedures stipulated in this Law with regard to the organizations with the perpetual production cycle may be established by legislation.";

In Point 2 to replace the words "special legislation" with the words "legislative acts"; to add Point 4 to read as follows:

"4. In the case of bankruptcy of those organizations which have a significant importance for the national economy which organizations are capable of affecting the citizens' life and health, national security or the environment, as well as those ones adjudicated in bankruptcy on the initiative of the state, the Government of the Republic of Kazakhstan shall have the right to establish special conditions and procedures for selling bankruptcy estate, and impose additional requirements on the purchasers of the assets included into the bankruptcy estate."

5) in Article 3:

Point 1 to rewrite as follows:

"1. Bankruptcy shall be identified by a court on the basis of a petition filed with the court by the debtor";

in Point 4 to replace the words "minimum salaries" with the words "monthly calculated indices";

in Point 5:

to replace the words "may be" with the words "must be";

to replace the words "by Chapters 7 and 8 of this Law" with the words " by this Law";

in Point 7:

to replace the words "or through extra-judicial proceedings" with the words "proceedings or by applying extra-judicial liquidation procedures.";

to add a new section to read as follows:

"While identifying the fact of insolvency, considered must be the debts of the debtor which are due, as well as those incurred and/or those which are in the process of execution";

6) in Article 4:

to add the words "and Implementation of Extra-Judicial Liquidation Procedures" to the title of the article;

section one of Point 1 to rewrite as follows:

"1. A debtor's inability to pay shall be the grounds for filing of a petition by the creditor with a court in order to adjudicate the debtor in bankruptcy or with the authorized agency in order to apply extra-judicial liquidation procedure."

Point 2 to rewrite as follows:

"2. A debtor's insolvency shall be the grounds for filing of a petition by the debtor with a court in order to adjudicate it in bankruptcy or with the authorized agency in order to apply extra-judicial liquidation procedure.";

Point 3 to delete

7) in Article 5:

in the title of the article to replace the word "Intentional" with the word "Predetermined";

in section one of Point 1 to replace the word "intentional" with the word "predetermined";

in Point 2 to delete the words "or the debtor officially declared itself in bankruptcy through extra-judicial proceedings upon an agreement with the creditors";

8) in Article 6:

in the title of the article to delete the words "concluded prior to adjudicating it in bankruptcy";

in Point 1:

paragraph one to rewrite as follows:

"1. Transactions concluded by the debtor prior to adjudicating it in bankruptcy or prior to issuing a decision on application of extra-judicial liquidation procedure must be deemed invalid";

Subpoint 1) to rewrite as follows:

"1) provided there are the grounds stipulated by civil legislation;"

in Subpoint 2):

to delete the word "administrator";

to add the words "or issuance of a decision on implementation of extra-judicial liquidation" after the words "institution of a bankruptcy case";

in Subpoint 3) to replace the words "on other grounds" with the words "provided there are other grounds stipulated";

in Point 2:

to delete the word "administrator";

to add the words "or as a security for previously concluded transactions" after the words "including the leased one";

to replace the words "decision on liquidation or application of rehabilitation procedure through extra-judicial proceedings made together with the creditors" with the words "initiation of extra-judicial liquidation procedure";

in point 3 to replace the words "four months prior to the institution of a bankruptcy case or rendering the decision on the debtor's liquidation or on implementation of extra-judicial rehabilitation procedure" with the words "one year prior to the institution of a bankruptcy case or

initiation of extra-judicial liquidation procedure";

in Point 4:

to replace the words "by an employee (worker) or a participant of an economic partnership to the manager of the insolvent debtor" with the words "or initiation of extra-judicial liquidation to employees (workers), participants of an economic partnership or to the manager of the insolvent debtor";

to add a new section to read as follows:

"Rules regarding the reclamation of the property as they are established by this Point shall also apply to the instances when the transfer of the property to a spouse or ascending and descending lineal relatives occurs."

to add points 5 and 6 to read as follows:

"5. While exercising their authorities the rehabilitation manager or the bankruptcy manager may bring suits, in addition to those provided for by this article, on the grounds stipulated by legislative acts governing the reclamation of a debtor's property from third parties, the cancellation of contracts concluded by the debtor and also perform other acts provided for by civil legislation and directed onto repossession of the debtor's property.

6. When it is impossible to reclaim property in the instances provided for by this article due to its [property] loss, wreckage or further good-faith acquisition of it by third parties, the initial acquirers of the reclaimed property shall be held liable to the debtor for recovery of losses incurred but within the value of the property lost, wrecked or fairly acquired by third parties."

9) in point 1 of Article 7 to delete the words "the administrator, as well as"

10) in Article 9:

to delete the word "Administrator" from the title of the article;

Point 1 to rewrite as follows:

"1. In order to achieve the goals of bankruptcy procedures, those ones of rehabilitation procedures and extra-judicial liquidation proceedings, for the period of the rehabilitation or bankruptcy (liquidation) proceedings or extra-judicial liquidation, all the bodies of the insolvent debtor shall be kept away from managing thereof, while the functions of managing the debtor's property and operations shall be delegated to the rehabilitation manager or to the bankruptcy manager (liquidator).

The rehabilitation manager or bankruptcy manager (liquidator) shall act as the sole authorized body of the debtor.";

in Point 2 to delete the words "administrator" and the words "if it is not formed -- with a person authorized by the creditors' meeting";

Point 3 to rewrite as follows:

"3. Appointed as the rehabilitation manager or bankruptcy manager shall be a physical or legal entity which has a license allowing him to perform such activity which license is issued by the authorized agency.";

in Point 4:

to delete the word "administrator";

to add Subpoint 5) to read as follows:

"5). A spouse, ascending and descending lineal relatives, as well as blood brothers and sisters of the persons described in Subpoint 1) of this Point.";

in Point 5 to delete the word "administrator";

11) in Article 10:

in Point 1 to add the words "and extra-judicial proceedings for liquidation of a debtor" after the words "bankruptcy proceedings";

in Point 2:

to delete the words "(point 1 of Article 32 of this Law)";

to add a new section to read as follows:

"The following claims shall be viewed as indisputable:

1) those ones in regard to which a judicial decision or executorial documents on recovery of

moneys from the debtor were issued and became valid;

2) those ones which were admitted by the debtor or if the latter did not present, within the specified time constraints, any objections to the claims brought against him.";

in Point 3:

to add the words "or extra-judicial liquidation proceedings" after the words "bankruptcy procedures";

to delete the words "the administrator";

Point 4 to rewrite as follows:

"4. Disagreements arising between the creditors and the rehabilitation manager or the bankruptcy manager with regard to the inclusion of creditors' claims into the list of claims or the amount thereof shall be considered by the court in the case of judicial bankruptcy proceedings or by the creditors' committee upon a petition filed by the concerned creditor in the case of application of extra-judicial liquidation procedure. In those cases the judicial ruling or the decision of the creditors' committee shall be the grounds for inclusion of a certain claim into the list of claims.

Any decision of the creditors' committee may be challenged with a court.";

12) in the title of Chapter 2 to delete the words "Meeting and";

12) Articles 11, 12, 13 and 14 to rewrite as follows:

"Article 11. Formation of Creditors' Committee

1. For purposes of ensuring creditors' interests and their participation in the decision making during the implementation of bankruptcy procedures, rehabilitation procedures and extra-judicial liquidation procedure, a creditors' committee shall be formed.

The formation of the creditors' committee shall be governed:

1) in the case of bankruptcy procedures - by Article 70 of this Law;

2) in the case of rehabilitation procedures - by Article 43 of this Law;

3) in the case of extra-judicial liquidation proceedings - by Article 97 of this Law.

2. Bankruptcy creditors holding the biggest amount of claims against the debtor as well as a representative of the authorized agency shall comprise the membership of a creditors' committee.

3. A creditors' committee shall consist of an odd number of members which must not exceed seven people.

4. A creditor may refuse to participate in bankruptcy procedures, rehabilitation procedure or in extra-judicial liquidation proceedings as a member of the creditors' committee.

5. New members selected out of bankruptcy creditors may be included into the formed and approved membership of the creditors' committee with consideration of the requirements set forth in Points 2 and 3 of this Article.

Article 12. Session of Creditors' Committee

1. The initial session of a creditors' committee must be held within 10 days upon approval of the composition of the creditors' committee.

2. At its initial session the creditors' committee must:

1) elect the chair of the committee to whom the right for a decisive vote shall be granted if there are equal numbers of votes received in the course of the voting procedure;

2) approve the candidate for the position of a rehabilitation manager, designate a candidate to serve as the bankruptcy manager in the case of extra-judicial liquidation;

3) determine the amount of the basic fee and supplementary fee due to the rehabilitation manager or bankruptcy manager and the procedure for paying thereof.

3. Subsequent sessions of the creditors' committee shall be summoned in accordance with the procedures and terms determined by the committee.

Article 13. Authorities of Creditors' Committee

1. The creditors' committee shall have the right:

to petition to the court on implementation, prolongation or termination of the rehabilitation procedures;

to present before the court a candidate for the position of a rehabilitation manager or appoint

a bankruptcy manager in the case of extra-judicial liquidation;  
to elect a representative of the creditors out of the members of the creditors' committee to oversee the operation of the rehabilitation manager or bankruptcy manager;  
to determine the size of basic and supplementary payments due to the rehabilitation or bankruptcy managers in accordance with the requirements set forth by this Law;  
to request from the rehabilitation manager or bankruptcy manager the information on the financial status of the debtor and the information on implementation of bankruptcy procedure, rehabilitation procedure and extra-judicial liquidation proceedings;  
to appeal the acts of the rehabilitation manager or bankruptcy manager in court, as well as to take decisions on petitioning to the court on dismissal of the said persons;  
to approve the amount of the debtor's receivables that cannot be recovered;  
to approve a plan for selling the bankruptcy estate submitted by the bankruptcy manager;  
to enjoy other rights stipulated in this Law.

#### Article 14. Decision-Making by Creditors' Committee

1. A creditors' committee session shall be competent provided that it is attended by the simple majority of the committee's members or proxies thereof.
2. A creditors' committee session shall be recorded in the minutes.
3. Decisions of a creditors' committee shall be made by the simple majority of all the votes following the principle "one committee member having one vote".
4. All the rest creditors of the debtor may participate in sessions of the creditors' committee with the right of an advisory vote.";

14) in Article 15:

in Point 1:

to delete the words "by an authorized state" ????

to replace the word "indications" with the word "grounds";

in Point 2 to replace the words "other authorized government agencies" with the words "any other authorized government agency";

15) in Article 16:

Subpoint 6) to rewrite as follows:

"6) the authorized agency;"

in Subpoint 7) to delete the word "state"

16) in Article 17:

in Point 2:

to replace the word "may" with the words "shall be obligated";

to add the words "or to the authorized agency" after the words "with the court";

to delete "and in the event when an agreement with the creditors on official declaration of the debtor a bankrupt through extra-judicial proceedings has not been reached";

17) in Article 18:

in Subpoint 8) of Point 2 to add the words "rented and leased" after the word "pledged";

Point 3 to delete;

18) Subpoint 2) of Point 1 of Article 19 to delete

19) in Article 20 to add Point 4 to read as follows:

"4. Upon petition filed by the bankruptcy manager or the rehabilitation manager, provided that there is no money to pay a state fee charged in the course of collecting receivables through judicial proceedings, the court shall grant a deferral of payment of the state fee until arrival of the money meant for the settlement of the accounts receivable.";

20) in Article 22:

in Subpoint 10) of Point 3 to delete the words "and any other information if it is necessary for examination of the bankruptcy case, as well as the creditor's petitions.";

to add Subpoint 11) to read as follows:

"11) any other information if its necessary for examination of the bankruptcy case.";

21) in Article 25:

to delete the words "Another" and "State" from the title of the article;  
in Point 1 to delete the word "another";

22) Article 27 to rewrite as follows:

"Article 27. Institution of Bankruptcy Proceedings

1. Upon receipt of a bankruptcy petition against the debtor which petition corresponds to the requirements established by legislation, the court shall, within five days after arrival of the petition, render a ruling on institution of a bankruptcy case.

2. A copy of the ruling on institution of a bankruptcy case shall be forwarded by the court to the debtor and the petitioner.";

23) Article 28 to rewrite as follows:

"Article 28. Consequences of Institution of Bankruptcy Proceedings

1. Upon institution of bankruptcy proceedings:

1) the owner of the debtor's property (a body commissioned by him/her), the founders (participants), all bodies of the legal entity shall fall from the right to dispose of the debtor's property;

2) enforcement of the decisions rendered earlier by other courts or third party courts shall be suspended, except for the payments due to the citizens to whom the debtor is liable for causing harm to their lives and health, excluding moral damage compensation claims;

3) any claims of the creditors against the debtor may be filed only within the bankruptcy procedures stipulated in this Law;

4) recovery of money from the debtor's accounts on the demands of the creditors, tax authorities or other authorized agencies, including those claims which are subject to indisputable collection, as well as the recourse against the debtor's property shall be prohibited;

5) the officials of the debtor shall be prohibited from alienating the owned stock or participatory shares in the debtor's property.

2. The court must, within 5 days, publish an announcement about the institution of bankruptcy proceedings in the official press of the central body of justice.

The announcement shall be published at the plaintiff's expense and shall be subject to reimbursement in the manner established by Article 40 of this Law.";

24) Article 29 to rewrite as follows:

"Article 29. Debtor's Response to the Petition filed by the Creditor or by Authorized Agency or by the Procurator

1. Within 10 days upon receipt of the copy of the court's ruling on institution of a bankruptcy case, the debtor must send to the court its response to the petition filed by the creditor, the authorized agency or by the procurator.

2. The response shall contain the following data:

1) official name of the court to which the response is forwarded;

2) name of the petitioner, the petition's registration number and the date of filing;

3) debtor's objections to the creditor's claims;

4) total arrears on the liabilities toward other creditors, the employees' wages, obligatory payments to the budget and non-budget funds;

5) information on the assets held by the debtor, including pledged, rented or leased assets; the amounts of money on bank accounts; numbers of the accounts and postal addresses of the banks;

6) evidences of the settlement of the petitioner's claims, provided the debtor admitted such claims.

3. Attached to the debtor's response shall be the documents proving that the debtor is capable of:

1) paying off his debts that have become due;

2) paying off his debts that will mature within the next three months after filing of the bankruptcy petition.

4. No response from the debtor or his failure, without a valid reason, to provide such a

response within the time constraints set forth by point 1 of this article shall lead to the conclusion that the debtor recognizes his insolvency and be the grounds upon which a court may render a decision to adjudicate the debtor in bankruptcy.

5. Recognition by the debtor of his insolvency expressed in the debtor's response shall be the grounds upon which a court may render a decision to adjudicate the debtor in bankruptcy. Should the debtor recognize his insolvency in the response provided, the submission of the documents specified in points 2 and 3 of this article shall not be required.";

25) Article 31 to rewrite as follows:

"Article 31. Preparation of the Case for Trial

1. The debtor's response, containing objections to the claims of a creditor, the authorized agency, or of the procurator, submitted to the court with consideration of the provisions of Article 29 of this Law, shall be the basis for preparation of the case for trial.

2. While preparing a bankruptcy case for trial, the court, in addition to the acts provided for by procedural legislation, shall:

1) notify creditors and other persons participating in the case about the time and place of the court session at which the case will be examined;

2) demand and obtain from the debtor information and documents described in point 2 of article 18 and article 19 of this Law;

3) schedule a court session for a substantive examination of the case.";

26) Article 32 and Article 33 to delete;

27) Article 34 to rewrite as follows:

"After completion of the preliminary preparation of the case and within one month after the institution thereof, the court shall render a ruling on setting the bankruptcy case for a trial. A bankruptcy case must be considered by the court within the period of time which may not be more than two months after the arrival of the petition in the court."

28) Article 36 to rewrite as follows:

"Article 36. Decision to Adjudicate the Debtor in Bankruptcy

1. The court shall render a decision on debtor's bankruptcy and initiation of bankruptcy proceeding in the following cases [and within the following timeframes]:

1) inability of the debtor to prove its solvency in the course of judicial proceedings, -- within 2 months after institution of the lawsuit;

2) absence of the debtor's response, as well the recognition of insolvency contained in the response, -- within 30 days after institution of the lawsuit;

3) filing of a bankruptcy petition by the debtor, -- within 10 after institution of the lawsuit;

4) creditors' committee's denial of application of rehabilitation procedures with regard to the debtor in compliance with the requirements of point 2 of Article 14 of this Law, -- within 45 days after arrival of the creditors' committee decision reflecting such a denial;

5) written appeal of the rehabilitation manager to the court about unsuccessful implementation of rehabilitation procedures, - within 10 days after reopening of the bankruptcy proceedings.

2. The court's decision to adjudicate a debtor in bankruptcy shall contain the following information:

1) on liquidation of the debtor;

2) on appointment of the bankruptcy manager;

3) on the total amount of claims filed by the creditors with the court before the latter rendered such a decision.

3. Announcements on debtor's bankruptcy and implementation of liquidation proceedings shall be published by the bankruptcy manager in an official press body of the central body of justice within 7 days after the court's decision comes into legal effect.

The publication on adjudication of a debtor in bankruptcy must contain the following data:

1) name of the court that rendered the decision on debtor's bankruptcy;

2) name and location of the bankrupt;

3) appeal to the creditors to file their claims against the debtor within two month from the date of the publication.";

29) in Article 39:

in point 1:

Subpoint 1) to rewrite as follows:

"1) the goal pursued by the rehabilitation procedures has been attained;"

Subpoint 2) to delete;

in Point 2 to replace the words "that the creditors' claims are settled" with "that the goal pursued by the rehabilitation procedures has been attained";

Point 3 to delete;

30) in Article 40:

to rewrite the title of the article as follows:

"Article 40. Distribution of Judicial and Administrative Expenses";

Point 1 to rewrite as follows:

"1. When the decision to adjudicate the debtor in bankruptcy is made, all judicial expenses, including the state fee payment of which has been deferred and administrative expense shall be charged against the debtor's property and paid off out of such property as an extra-priority claim. Same procedure shall apply while compensating of judicial and administrative expenses in the case when the court renders a ruling on termination of the lawsuit due to the attainment of the goal pursued by the rehabilitation procedures.";

Point 3 to delete;

31) Article 42 to rewrite as follows:

"Article 42. Application of Rehabilitation Procedure

Rehabilitation procedure shall be applied only to commercial organizations through judicial proceedings, provided there is a petition filed by the debtor and consent given by the creditors' committee.";

32) Article 43 to rewrite as follows:

"Article 43. Petition for Application of Rehabilitation Procedure

1. Provided there is a possibility for restoring the ability to pay, the insolvent debtor may petition to the authorized agency on application of rehabilitation procedures before filing a bankruptcy petition with the court. Same kind of petition may be also filed by creditors and third parties prior to the institution of a bankruptcy case.

2. The petition for rehabilitation procedure must contain a substantiation for implementation of the above mentioned procedure with respect to the debtor and suggestions with regard to the membership of the creditors' committee considering the requirements set forth in Article 11 of this Law.

3. The following papers must be attached to the petition:

1) financial statements for the last two years;

2) plan for rehabilitation of the insolvent debtor;

3) written consent for application of rehabilitation procedures given by the secured creditors holding more than 50% of the total amount of claims secured by pledge, as well as by the bankruptcy creditors holding more than 50% of the total amount of claims of such creditors;

4) proposals with regard to the candidate for the position of a rehabilitation manager and a written consent of the candidate to serve as rehabilitation manager during the rehabilitation procedure.

4. The authorized agency shall form a creditors' committee in compliance with the requirements of this Law and summon the first meeting of the creditors' committee within the terms specified by this Law; reviewed at the meeting shall be a rehabilitation plan and the candidate for the position of a rehabilitation manager.

5. If the proposed plan on rehabilitation of the debtor, as well as the candidate for the position of a rehabilitation manager are approved by the creditors' committee in compliance with the procedures for decision-making by the creditors' committee provided for by this Law, the

consent of the creditors' committee and the authorized agency for the debtor's rehabilitation petition shall be forwarded to the court.

6. If the proposed rehabilitation plan, as well as the candidate for the position of a rehabilitation manager are approved by (reconciled with) the creditors' committee and the authorized agency and the interests of the dissenting creditors are not impaired, the court must render a ruling on confirmation of the rehabilitation plan and application of the rehabilitation procedure to the debtor, within five days upon receipt of the consent of the creditors' committee and the authorized agency for application of rehabilitation procedure.";

33) in section two of Point 1 of Article 44 to replace the words "pursuant to the requirements set forth by Point 7 of Article 43 of this Law" with the words "upon consent of the creditors' committee and shall be resubmitted to the court for consideration.";

34) Article 48 to rewrite as follows:

"Article 48. Rehabilitation Manager

A rehabilitation manager shall be approved by a court upon the consent and advice of the creditors' committee.";

35) in Article 49:

Point 1 to rewrite as follows:

"1. A fee due to the rehabilitation manager shall be paid out of the debtor's property as an administrative expense. The amount of the fee and procedures for paying thereof shall be determined by the creditors' committee in compliance with the requirements set forth by this article.";

in Subpoint 2) of Point 2 to replace the words "a supplementary fee judging on the results of his performance" with the words "a supplementary fee judging on the results of his performance in the amounts determined by the creditors' committee.";

36) in Article 50 to add the words "with the consent of the creditors' committee" after the words "manager";

37) in Article 51:

Points 2, 3 and 4 to rewrite as follows:

"2. With the consent of the creditors' committee the rehabilitation manager shall:

1) conclude transactions to dispose of the immovable property (transfer for use, pledge and others);

2) conclude transactions to dispose of other debtor's property with the value exceeding 20% of the value of the debtor's assets;

3) take decisions entailing the increase of the debtor's expenditures on consumption, including the payment for labor services provided by the debtor's employees.

3. Rehabilitation manager must, on the demand of the creditors' committee representative (Subpoint 3 of Article 13 of this Law), inform him/her about the concluded transactions to dispose of the debtor's property; provided there is no such a representative, the rehabilitation manager must submit a monthly report on such transactions to the creditors' committee.

Rules established by this Point shall not be applied to those transactions for disposal of the debtor's property which are included into the rehabilitation plan.

4. If the total amount of the debtor's pecuniary obligations arising after the introduction of rehabilitation procedure exceeds 20% of the total amount of the payables noted at the moment of introduction of the rehabilitation procedure, the transactions resulting in new pecuniary obligations of the debtor may be concluded by the rehabilitation manager only with the consent of the creditors' committee.";

Point 6 to delete;

38) in Article 52 to replace the words "the agreement (Point 6, Article 51 of this Law)" with the word "legislation.";

39) in point 1 of Article 53 to add the words "with the consent of the creditors' committee" after the words "rehabilitation manager";

40) in Point 2 of Article 57 to replace the word "meeting" with the word "committee";

41) Point 2 of Article 59 to delete;

42) Chapter 5 to delete;

43) in Article 65:

in Point 1 to delete the word "ratable";

in Point 2:

to replace the words "The term for implementation of liquidation proceedings shall be determined by a judicial decision and" with the words "The term for implementation of liquidation proceedings";

to replace the words "12 months" with the words "six months";

to add the words "with the consent of the creditors' committee" after the words "bankruptcy manager";

44) in Article 66:

to replace the words "creditors' meeting (creditors' committee)" with the words "creditors' committee";

to add the words "the authorised agency" after the words "bankruptcy manager";

45) in Article 67:

Subpoint 4) to rewrite as follows:

"4) to appoint a bankruptcy manager;";

to add Subpoint 4-1) to read as follows:

"4-1) to approve the membership of the creditors' committee;";

Subpoint 6) to rewrite as follows:

"6) to approve the decisions taken by the creditors' committee in the instances stipulated by this Law."

46) in Article 68:

Point 2 to delete;

Point 3 to rewrite as follows:

"3. If the bankruptcy estate contains immovable property, the alienation and transfer for use of such immovable property of the bankrupt to third parties shall be registerable with the agencies responsible for registration of interests in immovable property. "

49) Article 69 to rewrite as follows:

"Article 69. Bankruptcy Manager-Liquidator

1. The court shall approve, with the advice and consent of the authorized agency, the bankruptcy manager to carry out bankruptcy proceedings.

2. The fee due to the bankruptcy manager (liquidator) shall be paid out of the bankrupt's estate prior to settling accounts with the creditors.

The fee due to the bankruptcy manager shall include as follows:

1) current payments for the entire period of his performance, monthly installments of which may not be less than twenty five rates of the monthly estimated index; and

2) supplementary fee judging upon the results of his performance the amount of which shall be determined by the creditors' committee. Supplementary fee shall make up a certain percentage of the proceeds used for paying off the creditors' claims.";

48) in Article 70:

Subpoint 1) to rewrite as follows:

"1) within ten days, form the membership of the creditors' committee in compliance with the requirements set forth by this Law and summon the first meeting of the creditors' committee";

to add Subpoints 1-1) and 1-2) to read as follows:

"1-1) notify all the members of the creditor's committee of the place and date of the first meeting;

1-2) within a week after the judicial decision on adjudication of the debtor in bankruptcy and liquidation thereof comes into effect, publish an announcement on the debtors' bankruptcy and on the procedures for filing creditors' claims in the official press body of the central body of justice;";

Subpoints 5) and 6) to rewrite as follows:

"5) notify the workers of the bankrupt about the forthcoming layoff in accordance with the legislation on labor;

6) reconcile with the creditors' committee the plan for sale of the bankrupt's property (assets) in order to pay off creditors' claims and shall implement it;"

49) in Article 71:

in Point 1:

to replace the words "may be filed" with "must be filed";

in paragraph two of Point 2 to delete the words "or submitted to the administrator";

50) to add Article 71-1 to read as follows:

"Article 71-1. Liability of the Bankruptcy Manager-Liquidator

In the case of the failure to perform or undue performance of his duties the bankruptcy manager-liquidator, upon the petition filed by a concerned party, may bear material, administrative or criminal liability as provided for by the legislation of the Republic of Kazakhstan."

51) in point 4 of Article 72:

to add the words "of creditors" after the words "list of claims";

to delete the words "and at the request of no less than 50 creditors, the list of creditors' claims shall be subject to publication in the same press body where the announcement on debtor's bankruptcy and liquidation was placed.";

52) in Article 74:

in Point 1 to add the words "including the property which is not reflected in his financial documents but accompanied by documentation confirming the ownership right of the debtor" after the words "The debtor's property";

in Point 2 to delete the comma after the words "property of the former participants";

53) Point 1 of Article 75 to rewrite as follows:

"1. Administrative and judicial expenses shall be the first to cover out of the debtor's property.

Amounts of administrative expenses may be paid off by the rehabilitation manager or the bankruptcy manager as soon as they are incurred";

54) in Point 1 of Article 76 to add a new section to read as follows:

"With the consent of the creditor his claim may be paid off in any manner which does not come in conflict with the legislation, including the means of satisfying the claim in a monetary form and/or by transferring the property in kind.";

in Point 6 to add a new section to read as follows:

"The creditor must write the specified amounts off the receivables on the basis of the court's ruling reflecting the completion of liquidation proceedings.";

55) in Subpoint 2) of Point 2 of Article 83 to add the words "under the right of ownership, including the property transferred for entrusted management or bailment." after the word "debtor";

56) in Article 84:

Point 1 to rewrite as follows:

"1. The sale of the debtor's property shall be performed by the bankruptcy manager in accordance with the property sales plan approved by the creditors' committee. A property sales plan must state the terms and procedures for conducting the sales.";

in Point 2:

to delete the word "(assets)";

to replace the words "due to the absence of a buyer" with the words "in accordance with the property sales plan.";

57) in Point 2 of Article 85:

to add the words "and was not accepted by creditors as the satisfaction for their claims," after the words "was not sold";

to add the words "except the instances provided by the civil legislation." after the words "legal entity";

58) Point 2 of Article 87 to rewrite as follows:

"2. The court shall approve the report of the bankruptcy manager and the liquidation balance sheet and render a ruling on completion of bankruptcy proceedings, within 15 days upon submission of said documents.

The ruling on completion of bankruptcy proceedings may also contain resolutions of unsolved issues regarding the payment of a fee due to the bankruptcy manager and the unsold property of the debtor. A copy of the court's ruling shall be forwarded by the bankruptcy manager to the department responsible for state registration of legal entities, as well as to the bankrupt's creditors, whose claims were not paid off.";

59) in Article 88:

Points 1 and 2 to delete;

60) in Article 91 to delete the words "appointed (approved) by the court in accordance with Article 69 of this Law";

61) in Point 1 of Article 92 to replace the words "may be" with the words "must be";

62) in Article 94:

in point 1 to add the words "the authorized agency" after the word "procurator";

Point 2 to rewrite as follows:

"2. The court shall, within five days upon the institution of a bankruptcy case, render a decision to deem the absent debtor a bankrupt and institute liquidation proceeding.";

in Point 3:

to add the words "with the advice and consent of the authorised agency" after the words "appointed by the court";

Point 4 to rewrite as follows:

"4. Within a week after the court's decision on adjudication of the debtor in bankruptcy and liquidation thereof comes into legal effect, the bankruptcy manager shall place a publication in an official press body of the central body of justice on the debtor's bankruptcy and procedures for filing claims by the creditors pursuant to the rules established in Article 71 of this Law.";

63) the title of Chapter 8 to rewrite as follows:

"Chapter 8. Extra-Judicial Liquidation Proceedings";

64) Articles 96 and 97 to rewrite as follows:

"Article 96. Extra-Judicial Proceedings

1. Extra-judicial liquidation proceedings shall be a method allowing to liquidate an insolvent debtor under supervision of its creditors.

2. Extra-judicial proceedings for liquidation of an insolvent debtor may be initiated by the debtor or a creditor of the debtor by filing a petition with an authorized agency for application of extra-judicial liquidation proceedings with respect to the debtor.

The authorized agency may initiate extra-judicial liquidation proceedings with respect to the debtor on its own by rendering an appropriate decision.

A debtor's obligations to provide payments to the budget and non-budget funds which have not been performed over a three-month period after their maturity day shall be the grounds upon which the authorized agency may render a decision to initiate extra-judicial liquidation proceedings against the debtor.

3. Decision on implementation of extra-judicial proceedings for liquidation of the insolvent debtor shall be taken by the creditors' committee and coordinated with the debtor in compliance with the requirements set forth in this Law.

4. Costs incurred regarding the implementation of extra-judicial liquidation proceedings shall be paid as administrative expense associated with liquidation proceedings.

Article 97. Creditors' Committee

1. In order to decide on implementation of extra-judicial liquidation proceedings with respect to the insolvent debtor, to ensure the oversight over implementation thereof the authorized body

shall form a creditors' committee out of the candidates promoted by the debtor, in compliance with the requirements of this Law.

2. At its initial meeting the creditors' committee shall make a decision either on implementation of extra-judicial proceedings for liquidation of the insolvent debtor or on filing of a bankruptcy petition with the court, and coordinate such a decision with the debtor.

3. In the case of a decision in favor of implementation of extra-judicial proceedings for liquidation of the debtor, the creditors' committee shall appoint a bankruptcy manager whose activity shall be governed by this Law.

4. The creditors' committee shall make decisions in accordance with the procedures established by this Law.";

65) Article 68 to delete;

66) Article 99 to rewrite as follows:

"Article 99. Consequences of Making the Decision on Implementation of Extra-Judicial Liquidation

1. After the creditors' committee takes a decision on application of extra-judicial liquidation proceedings, the consequences provided for by Article 68 of this Law shall occur.

2. Extra-judicial liquidation of the debtor must be carried out according to the rules established in Chapter 6 of this Law.

3. In the case of an extra-judicial liquidation, decisions on the issues transferred under the jurisdiction of a court by Subpoint 4) of Article 67 and by Articles 73 and 87 shall be made by the creditors' committee.";

67) in Article 101:

in Point 1:

to delete the words "state", "state", "administrator and";

to add a new sentence after the words "agency authorized by the Akim":

"The court, upon institution of a bankruptcy case against a company-town, must notify the state agency authorized by the Akim of the event.";

68) Chapter 10 to delete;

69) Point 3 of Article 106 to delete.

**President of the Republic of Kazakhstan N. Nazarbaev**