

THE LAW OF THE KYRGYZ REPUBLIC

On bankruptcy (insolvency)

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CHAPTER I

GENERAL PROVISIONS

Article 1. Relationships governed by this Law

1. This Law determines the grounds, conditions and the procedures for a process of bankruptcy in relation to insolvent legal entities conducting commercial activities and individual businessmen hereinafter referred to as "debtors", as well as finding or declaring them bankrupt.

This Law also sets out the principles defining the procedures of bankruptcy: special administration, sanitation, conservation, rehabilitation, and amicable agreement.

2. In accordance with the Civil Code of the Kyrgyz Republic, this Law applies to any debtor regardless of the form of ownership, including banks, foreign legal entities and legal entities with foreign participation.

This Law also applies to legal entities acting in the form of consumers' cooperatives or public foundation.

3. This Law governs all issues relevant to bankruptcy of debtors.

4. This Law shall not apply to:

1) liquidation of solvent legal entities, and to liquidation of a legal entity based on that it carries out unlicensed activity, or involved in an activity prohibited by the legislation of the Kyrgyz Republic, pursuant to the rules of Article 16 of this Law;

2) institutions and other non-commercial organizations.

5. The procedural rules necessary to explain and execute this Law are defined by subordinate normative legal acts issued in compliance with this Law.

Article 2. Concepts used in this Law

For the purposes of this Law, following concepts are used:

Administrator - a qualified specialist appointed by the court, the National Bank of the Kyrgyz Republic or a creditors' meeting who acts as a Temporary Administrator, Special Administrator, Conservator, External Manager, and responsible for the process of bankruptcy of the debtor.

Assets - the property comprised of fixed assets, other long term investments (including non-material assets), current assets, financial assets and receivables.

External Manager- an administrator appointed by the court or by a meeting of creditors, when necessary, who is responsible for implementing the Rehabilitation of the debtor in accordance with an accepted rehabilitation plan.

Temporary Administrator - an administrator appointed by court or the National Bank of the Kyrgyz Republic upon the petitioner's petition pending the final decision, who is responsible for preserving the assets of a debtor.

Debtor - a legal entity or an individual businessman involved in business activity and deemed to be insolvent.

Extended Liability - a liability, in compliance with which owners of the debtor are liable on the obligations of the owner in an amount which is equal to all owners in multiples of the value of their contributions to be determined by founding documents of the legal entity.

Bankruptcy Process Expenses - necessary costs, associated with carrying out the process of bankruptcy which comprise costs to publishing notices on the bankruptcy procedure, court fees, special (temporary) administrator costs, remuneration to special administrator, and possible expenses of the debtor for that period within which a special administrator (temporary administrator) considered necessary to transfer the economic activity of the debtor, and other expenses.

Petition - a request to initiate a process of bankruptcy in court in respect to a debtor which includes a lawsuit by a creditor, a petition by the owners of the debtor or National Bank of the Kyrgyz Republic, and may also refer to any motions submitted to court according to the prescribed procedure.

Individual Businessman - any person carrying out commercial activities without forming a legal entity in compliance with civil legislation, who may be deemed insolvent in compliance with this Law, and subjected to process of bankruptcy.

Conservator - a qualified specialist appointed by the National Bank of the Kyrgyz Republic, who is responsible for the bank's rehabilitation or for recommending its special administration, where rehabilitation of the bank is not possible.

Conservation - a procedure of bankruptcy process which applies to debtor banks of the Kyrgyz Republic with the purpose of restoring the solvency of the bank or applying other procedures of bankruptcy provided by this Law.

Creditors' Committee - an authorized body of the meeting of creditors which carries out its activity in compliance with the requirements of this Law.

Liquidation - method of procedure of special administration which involves the withdrawal and alienation of all assets of the debtor for satisfying the claims of creditors pursuant to their priority.

Liquidation Estate - means assets of a debtor with deduction of costs for carrying out the bankruptcy procedure and assets being the subject of pledge.

Commencement of a Procedure of Special Administration - decision of a court, meeting of creditors, National Bank of the Kyrgyz Republic to appoint a Special Administrator.

Commencement of a Process of Bankruptcy - decision of a court, National Bank of the Kyrgyz Republic, general meeting of creditors or debtor to initiate or declare the bankruptcy process.

Obligatory Payments - taxes, charges, and other obligatory contributions into the budget of the respective level, and into extrabudgetary funds, pursuant to the procedure and conditions determined by the legislation of the Kyrgyz Republic.

Limited Liability - a liability, pursuant to which owners of the debtor are liable on obligations of the debtor within the limits of the value of the contributions made by them (value of shares).

Liabilities - obligations of a debtor (with the exception of subventions, subsidies, own funds and other sources) comprised of borrowed and attracted funds, including the debts payable to creditors.

Full Liability - liability, in compliance with which owners of the debtor are liable on obligation of the debtor with all their property.

Enterprise - property complex as implied by the concept provided in Article 33 of the Civil Code of the Kyrgyz Republic.

Bankruptcy Process - a process applied to the debtor, in the form of procedures provided by this Law.

Rehabilitation - procedure for bankruptcy process which may be applied to a debtor. Such procedure may be carried out with or without the involvement of the court in regard to legal entities, however it must occur with the involvement of the court in regard to an individual businessman. This process involves restoration of the debtor's solvency.

Restructuring - method of special administration which involves creation of one or more new legal entities based on the assets of the debtor for further sale in the interests of creditors.

Manager - a person appointed in compliance with the established procedure to manage a legal entity (director, member of the board, administrator, manager, etc., including their deputies, and individuals performing temporary duties of the manager).

Sanitation - a procedure of bankruptcy process which involves economic improvement of the debtor, by employing financial, economic or organizational measures. Sanitation implies satisfaction of demands of all creditors within the period established by this Law.

Special Administration - a procedure of bankruptcy process which may be applied to a debtor. Such procedure may occur with or without the involvement of the court in regard to legal entities but must occur with the involvement of the court in regard to individual businessman. This procedure may be carried out in the form of liquidation (termination of activity of an individual businessman) or restructuring of the legal entity. It involves the appointment of special administrator, the sale or alienation of the debtor's assets to third parties for the benefit of creditors and a termination of the legal entity and business activity of the individual businessman.

Special Administrator (Liquidator) - an administrator appointed by the court or the National Bank of the Kyrgyz Republic, or by a meeting of creditors, and responsible for implementing the special administration of the debtor.

Owner - individual or legal entity (including the Kyrgyz Republic in the person of the State Property Fund, in respect to state enterprises with the state share, and founders (participants), shareholders, and members) who possesses the obligatory right, or the right of ownership or other real right over the debtor's property.

Legal Entity - any organization which has characteristics as described in Article 83 of the Civil Code which may be deemed (declared) insolvent or subjected to a legal process of bankruptcy.

Article 3. Bankruptcy (insolvency)

Bankruptcy (insolvency) is understood as recognized by court or declared by the meeting of creditors inability of the debtor to satisfy the claims of the creditors on monetary obligations in full, including inability to ensure obligatory payments into budget and extra-budgetary funds.

Article 4. Process of bankruptcy

1. The process of bankruptcy is understood as activity of the state in the person of authorized agencies, courts, administrators who are specially appointed in compliance with the procedure established by law (temporary administrators, special administrators, conservators, external managers), creditors, and other persons governed by this Law and other legislation, with the purpose of satisfying claims of the creditors, and restoration of debtor's solvency, or his termination.

2. In the process of debtor's bankruptcy following procedures may apply:

- 1) special administration, in the form of liquidation or restructuring;
- 2) sanitation;
- 3) rehabilitation;
- 4) amicable agreement;
- 5) conservation, in respect to banks.

Article 5. Basic provisions for procedure of special administration

1. Liquidation:

- 1) applies to both legal entities and individual businessmen;
- 2) in respect to an individual businessman may be conducted only with the involvement of court;
- 3) provides for withdrawal, alienation, and further distribution of all assets of the debtor in favor of his/her creditors.

Upon completion of liquidation process, the activity of the debtor terminates.

Individual businessman may be prohibited by court to engage in business activities for a period determined by this Law.

2. Restructuring:

- 1) applies to legal entities;
- 2) is carried out in accordance with this Law, with the change of owner, and provides for establishment of one or several new legal entities;
- 3) this new legal entity, or several legal entities, and the remaining assets of the debtor are sold (alienated) to repay debts to creditors;
- 4) upon completion of the procedure activity of the legal entity shall be terminated.

Article 6. Basic provisions for sanitation procedure

Sanitation:

- 1) applies to legal entities;
- 2) provides for special guarantees to protect interests of creditors, and full payment of their claims within the period established by this Law;

- 3) if sanitation is successful, and debtor restores his/her solvency, he may continue his/her business activity;
- 4) does not involve the change of owners, unless otherwise provided by the agreement of parties.

Article 7. Basic provisions of rehabilitation procedure

Rehabilitation:

- 1) applies to a legal entity and an individual businessman;
- 2) in respect to individual businessman may be carried out only with the involvement of the court;
- 3) involves the submission of a rehabilitation plan by the debtor for acceptance by the creditors in accordance with the requirements of this Law;
- 4) rehabilitation plan provides for the debtor to continue business activity to satisfy the creditor's demands in full or in part;
- 5) a process of rehabilitation may be converted to a process of special administration of the debtor in compliance with the requirements of this Law;
- 6) the process does not involve the change of owners, unless otherwise provided by the agreement between the parties.

Article 8. Administrator

1. Unless otherwise provided by this Law the bankruptcy process may be carried out by a qualified administrator who may act in the capacity of:

- 1) Temporary Conservator;
- 2) Special Administrator;
- 3) External Manager;
- 4) Conservator.

2. An Administrator may be an individual including foreigners who meets the requirements established by the legislation of the Kyrgyz Republic for operational and legal ability of these persons, and also conditions specified below.

3. An Administrator must have a license to carry out such activity.

An Administrator may not be:

- 1) current creditor, debtor, a party to a transaction, owner, managers of the debtor's insolvency;
- 2) former owner or manager of the debtor within one year prior to the bankruptcy process;
- 3) next of kin relatives of persons indicated above;
- 4) any other person working in a government agency, local government and judicial bodies of the Kyrgyz Republic;
- 5) a person subject to restrictions for implementation of activities related to management of affairs and/or the property of other persons;
- 6) a person with unserved term in prison.

4. An Administrator is appointed or dismissed by court (in a bankruptcy process with involvement of the court), or the meeting of creditors (in a process without involvement of the court) or the National Bank of the Kyrgyz Republic in compliance with the procedure and conditions established by this Law.

5. An Administrator in the performance of his duties enjoys the protections granted to him under this law, and is guided by the legislation of the Kyrgyz Republic, and enjoys the rights and bear obligations established by the legislation or an agreement.

Article 9. Insolvent debtor

1. A debtor is deemed insolvent if:

- 1) when the payment becomes due he fails to satisfy the demands of creditors for payment of debts and for fulfilment of other obligations (for goods or services); or
 - 2) when the payment becomes due, he refuses to satisfy such demands, or
 - 3) when the payment becomes due, he is unable to satisfy such demands, or
 - 4) his liabilities exceed the value of his assets so that the balance sheet structure of the debtor is unsatisfactory.
2. In cases 1), 2) and 3) of this sub-point, it is not relevant whether a debtor is able to pay his debts.
3. A debtor is considered insolvent by court (where a process of bankruptcy is brought about with the involvement of the court) or by creditors' meeting (in cases where a process of bankruptcy is brought about without the involvement of the court).

Article 10. Creditors

1. Creditors on obligations of a debtor are Kyrgyz and foreign individuals and legal entities, and the Kyrgyz Republic in the person of authorized agencies.

2. In applying the bankruptcy procedures, interests of all creditors are represented by the creditors' meeting and the creditors' committee, founded in compliance with this Law.

Article 11. Composition of creditors' claims

1. To determine the presence of features of debtor's bankruptcy, the amount of monetary obligations is taken into account, based on the indebtedness for goods provided, works performed and services rendered, and the amount of loan including interest to be paid by the debtor.

Penalties (fines) to be paid for failure to perform or improper performance of obligations are not taken into consideration while determining the amount of monetary obligations.

2. To determine the features of bankruptcy of the debtor, the amount of obligatory payments should be taken into consideration without regard to financial (economic) sanctions established by law.

Obligatory payments are taxes, fees and other mandatory contributions into the budget of the respective level, and into extrabudgetary funds in compliance with the procedure and subject to conditions determined by the legislation of the Kyrgyz Republic.

3. The amount of monetary obligations is deemed established if confirmed by the decision of the court which came into effect, or documents testifying the recognition of these claims by the debtor, and in other instances provided by this Law.

4. Should the debtor challenge the creditors' demands, the amount of monetary obligations and/or obligatory fees shall be determined by court in compliance with the procedure established by this Law.

Article 12. Creditors' meeting

1. Participants of the creditors' meeting with the right to vote are creditors (or their representatives), and in the instances provided by this Law, other authorized bodies as well.

2. Depending on the applied bankruptcy procedure, the creditors meeting shall be organized and held by the owners of the debtor, the insolvent debtor himself, creditors, or by the administrator.

These persons must inform of the meeting the known creditors who have the debt amounting to 100 minimum wages or more, by mailing them registered letters with the notice, or by delivering such letters upon receipt no less than 10 days prior to the date of the meeting.

3. The creditors' meeting may make a decision related to debtor's debt obligations, which do not contradict this Law, decisions of the court and does not impede the administrator's activity.

5. To participate in the first meeting of the creditors with the right to vote, the creditor must within seven calendar days prior to the beginning of the meeting submit his/her demand (claim) to persons who initiated this meeting, or to a special administrator. The procedure of formation and submission of claims is established by the legislation. Documents confirming the presence, amount and grounds of the creditor's demands must be attached to such claim.

To participate in the meeting of the creditors with the right to vote, a secured creditor must estimate the value of the subject of pledge, and announce it at the first meeting of creditors. The right of a secured creditor to vote is determined as the difference between the amount of the claim of the secured creditor, and estimated value of the subject of pledge.

6. To perform the control over the special administrator's activity, the creditors' meeting may at any time elect a committee of creditors composed of 3 to 7 members.

7. Decisions of the creditors in the debtor's bankruptcy process with the involvement of the court must be approved by the court.

Decisions of the creditors' meeting in the process of bankruptcy of the debtor without involvement of the court must be formalized by the record and signed by the person presiding at the meeting.

8. Creditors' meeting shall be held at the place of location (residence) of the debtor, unless otherwise established by the meeting (committee) of creditors, or administrator.

Article 13. Making decisions by creditors' meeting

1. A properly called creditors' meeting is deemed valid, if attended by creditors claiming 51 or more per cent of the total amount of debts of the debtor.

The person presiding at the meeting must ensure mailing of the decision made at the meeting to all creditors, by registered letter, with notice on delivery, or delivery upon receipt, within three days after such decision was made.

2. The right to call subsequent creditors' meetings (after holding the first meeting) shall be given to the creditors' meeting, creditors' committee, or special administrator.

3. The decision of the first or any subsequent creditors' meeting on all issues except the issue of no confidence vote to the special administrator, is deemed adopted, if voted for by creditors attending the meeting, who claim 51 or more per cent of the total amount of debts of the debtor (majority by the value). The amount of debts payable to those who is not attending the meeting, is not significant.

Article 14. Creditors' committee

1. Creditors' committee represents interests of creditors, and carries out the control over the acts of the administrator in compliance with the procedure established by this Law.

2. To implement its functions, the creditors' committee may:

- 1) require information from the administrator on financial state of the debtor;
- 2) require information from the administrator on the process of bankruptcy;
- 3) provide recommendations to the administrator;
- 4) express no confidence vote to the administrator in compliance with the procedure provided by this Law;
- 5) call a meeting of creditors by written notice of all creditors.

Creditors' meeting may be held within no less than 2 weeks after the date of mailing the last notice. Special administrator must provide to the committee the information on all creditors known to him.

3. The creditors' committee is deemed to have a quorum at its properly called meetings if attended by all members of the committee (or their representatives).

Creditors' committee makes decisions by simple majority vote of those attending the meeting. Should the number of votes split equal, the decision shall be made by the majority based on the value of claims of the creditors - members of the committee.

Article 15. Expression of no confidence in administrator

1. In the course of the bankruptcy process, the creditors' meeting and creditors' committee may express no confidence to the administrator.

2. Decision of the creditors' meeting concerning the expression of no confidence in the administrator and proposal of the new candidacy is deemed adopted, if voted by the majority of the total number of creditors attending the meeting, including the creditors attending the meeting and claiming 75 per cent or more, of the total amount of the debtor's debt (majority in value). The amount of debt payable to those who do not attend the meeting is not taken into consideration.

3. In a bankruptcy process with the involvement of the court, the court may confirm the decision of the creditors' meeting and discharge the administrator, or appoint a new administrator, whose candidacy is proposed by the general meeting of creditors, provided that interests of all creditors and interests of this Law are observed.

4. In the bankruptcy process without the involvement of the court, the administrator is appointed and dismissed by the meeting of creditors, in compliance with point 2 of this Article.

Article 16. Liquidation of solvent legal entity

1. Liquidation of a solvent legal entity, and the liquidation of a legal entity on the grounds that it exercises its activity without the license, or is engaged in activity prohibited by the legislation of the Kyrgyz Republic, is implemented pursuant to the requirements of Articles 96-99 of the Civil Code of the Kyrgyz Republic.

Should the insolvency of the specified legal entities be discovered while the liquidation, a bankruptcy process should apply pursuant to this Law.

2. In compliance with the Civil Code, the owners of the legal entity at the moment of adoption of the decision on liquidation of a legal entity as a solvent, shall bear liability for satisfying the obligations of legal entities to the creditors.

3. If in the process of liquidation of a solvent legal entity it is found out that a legal entity is insolvent, and bankruptcy procedure of a legal entity did not transfer into bankruptcy procedure in compliance with this Law, the owners and managers of this legal entity shall be liable for all losses incurred by creditors due to this reason.

Article 17. Government bankruptcy agency

1. The Government Bankruptcy Agency implements the government policy regarding preventing bankruptcies and fostering implementation of the bankruptcy process in compliance with this Law.

The Government of the Kyrgyz Republic shall approve the Regulation on the Government Bankruptcy Agency of the Kyrgyz Republic.

2. The Government Bankruptcy Agency shall:

- 1) approve the requirements to persons implementing professional activity as administrators in bankruptcy process;

- 2) license the activity of the individuals who carry out their professional activity as administrators in the bankruptcy process, and withdraw such licenses;
 - 3) organize the training system for administrators;
 - 4) foster implementation of bankruptcy of a missing debtor;
 - 5) register and analyze insolvent large, economically or socially substantial legal entities; submit proposals on financial improvement of such legal entities to the Government of the Kyrgyz Republic;
 - 6) prepare by the request of the court, procuracy, or of the authorized agency an opinion on presence of features of insolvency, and a fictitious or predetermined bankruptcy;
 - 7) implement other powers provided by laws and other normative legal acts.
3. The Government Bankruptcy Agency may issue legal acts on issues related to bankruptcy, which do not contradict this Law, and other legal acts of the Kyrgyz Republic issued in compliance with this Law.
4. The Government Bankruptcy Agency shall form territorial bodies, which powers are established within the competence of the Government Bankruptcy Agency.

Article 18. Wrongful acts

The following acts by a person are considered wrongful in the process of bankruptcy where he/she:

- 1) initiates fraudulent process of bankruptcy;
- 2) illegally conceals, transfers or removes the property or debts of the debtor, also after the commencement of the special administration;
- 3) conceals or destroys, falsifies records, or inserts falsified records in the accounting books related to the debtor;
- 4) presents claims by means of fraud;
- 5) sells or gives as security any property of the debtor which was taken on credit or is not paid for;
- 6) gives, offers, receives or attempts to obtain any money or assets, remuneration, compensation, reward, advantage or promise for acting or forbearing to act in any case under the law of bankruptcy;
- 7) does not cooperate with a special administrator in order to disclose the property of the debtor, or to obtain the property of or other information about the debtor, or its debts and debt obligations, or provides false information to the special administrator;
- 8) being an administrator, directly or indirectly purchases any asset of the debtor;
- 9) uses the name or trademark of a debtor which is subject to bankruptcy process or has terminated its activity in compliance with the procedure established by the legislation of the Kyrgyz Republic;
- 10) deliberately creates or increases the insolvency of the debtor, or incurs damage to the debtor in his personal interests or in the interests of other persons;
- 11) impedes the administrator in performance of his duties.

Individuals who commit the wrongful actions stipulated by this Article are answerable in accordance with the legislation of the Kyrgyz Republic.

Article 19. Fictitious and predetermined bankruptcy

1. If a legal entity or individual businessman who is able to fully satisfy the claims of the creditors makes a knowingly false declaration of himself a bankrupt for the purpose of misleading the creditors, and to receive a stay of repayment period or permission to repay by installments of sums payable to the creditors, or discount from debts, as well as release from the duty to pay (fictitious bankruptcy), the creditors may demand that the debtor indemnify the inflicted losses, and make the guilty persons answerable in compliance with the procedure established by law.

2. If the bankruptcy is caused by actions (omissions) by the leader of the debtor (debtor's owner or individual businessman) which led to predetermined creation or increase of insolvency in personal interests, or in the interests of other individuals (predetermined bankruptcy), the creditors may demand that guilty persons indemnify the inflicted damages and make them otherwise answerable in compliance with the procedure established by law.

Article 20. Invalidity of decision

The court, the meeting of creditors, the creditors committee, the temporary administrator, the conservator, the external manager, special administrator as well as the debtor or its owners, have no power to take decisions - and if such decisions have been taken they are considered invalid if they contradict this Law, or encroach the rights of a secured creditor.

§ 1. General provisions

Article 21. Grounds for initiation of special administration

1. A process of special administration may be initiated against a debtor in the following instances:
 - 1) when it has outstanding debts amounting at least to five minimum sizes of wage (minimum salary), as determined in the Kyrgyz Republic to one of its creditors (when the creditor is an individual);
 - 2) when aggregate claims on the debtor amount to 500 minimum wages or more.
2. In the case of a bank, the procedure of special administration may be initiated, if the claims amount to one minimum salary, regardless of the creditor's being an individual or legal entity.

Article 22. Commencement of special administration process

1. The process of special administration is considered to have commenced upon the appointment of a special administrator for the debtor, either by the court, creditors meeting or by the National Bank of the Kyrgyz Republic.
2. The official commencement of the process of special administration entails the consequences established by this Law.

Article 23. Disposal of assets of debtors after initiation of special administration

1. This Article applies in one of the following instances:
 - 1) from the moment the owners of the debtor or its managers inform any of the creditors by any means that the debtor is insolvent and is unable to pay its debts;
 - 2) from the first newspaper advertisement calling a meeting of creditors to consider special administration, following a decision by the debtor itself or by its creditors for its own special administration; or
 - 3) from the moment of receipt of a petition on commencement of special administration of the debtor;
 - 4) the moment of the commencement of special administration process in accordance with this Law;
 - 5) from the moment a decision of the owners of the debtor has been taken, concerning the transformation of a liquidation process for a solvent debtor into a special administration process for an insolvent one.
2. After initiation of the special administration process in respect to a debtor, the owner (founder, participant) of the debtor have no right to withdraw his share from the capital.
3. If any moment provided in point 1 of this Article occurs, the owners or managers of the debtor may not dispose of its assets or funds or voluntarily discharge their obligations, without coordinating that issue with the following bodies and individuals:
 - 1) court;
 - 2) temporary administrator;
 - 3) special administrator;
 - 4) conservator;
 - 5) debtor, with the permission of the properly called meeting or creditors' committee.
4. In the exceptional cases, the debtor may without permission of agencies and individuals mentioned in point 3 hereof, make the following payments:
 - 1) payment of monthly wages to employees, in accordance with rates established in the staff schedule;
 - 2) ordinary operating expenses which are necessary in order to secure production activities of the debtor (gas, telephone, communal services, light, or fresh deliveries of already ordered materials used in production) except payment of costs made prior to any moment specified in point 1 of this Article.
5. Any assets of the debtor which were disposed of contrary to this Article should be withdrawn by a special administrator from third parties who have acted in bad faith, unless the court decides otherwise.
Third parties acting in bad faith must return the assets or repay their cost to the creditors.
6. The court is to decide in favor of the return of the assets (or their value) to third parties, if they manage to prove that the assets were acquired by them at market price and they were not aware of the events mentioned in point 1 of this Article. Otherwise, such persons shall be deemed to have acted in bad faith, pursuant to Article 104 of the Civil Code.
7. Those wrongly disposing of assets of the debtor after any of the events mentioned in point 1 of this Article shall also be personally liable for indemnification of losses incurred by creditors, if the aforementioned assets were not returned in full.

8. Provisions of this Article do not apply to the right of a secured creditor to enforce his security, if the security is valid and was perfected prior to any moment indicated in point 1 of this Article, and with consideration of requirements of Article 102 of the Civil Code, and Article 76 hereof.

9. Provisions of this Article shall not apply as of the moment when the court or creditors' meeting makes a decision not to commence the procedure of special administration.

Article 24. Consequences of decision on commencement of procedure of special administration

As of the moment when the decision on commencement of special administration process was made:

- 1) all debt obligations of the debtor are deemed due, if they did not become due before;
- 2) calculation of penalty (fine) and interest on all debt obligations of the debtor ceases;
- 3) penalty (fine) and interest calculated at the moment of commencement of special administration process must be paid out in compliance with this Law;
- 4) information on financial state of the debtor ceases to be deemed as confidential information, or commercial secret information;
- 5) transactions involving the alienation of property of the debtor, or the transfer of the property into use of third parties, may be perfected only in compliance with the procedure established by this Law;
- 6) acts aimed at enforcement of court and other decisions to repay debts of the debtor, or arrest of his assets, and enforced performance of the debtor's obligations shall be ceased;
- 7) all property claims may be filed to the debtor only within the framework of special administration process;
- 8) secured creditor may file his claims to the special administrator and have his claims granted in compliance with the requirements of this Law.

Article 25. Notice of agency responsible for registration

The special administrator must inform in writing state agencies which perform registration of legal entities and individual businessmen on the commencement of the special administration process of the debtor, so that a record be made in the state registry that special administration of the debtor is being carried out.

Article 26. Compensation to special administrator

1. The amount of compensation and procedure of payment to the special administrator is determined by the creditors (without involvement of the court), or by court, in accordance with claims and in compliance with the procedure established by this Article.

2. Compensation shall be paid to the special administrator at the cost of property of the debtor, and is referred to expenses of the debtor's bankruptcy procedure.

If a missing debtor is being liquidated, the compensation to the special administrator shall be paid from the funds of the Government Bankruptcy Agency with the subsequent full or partial indemnification at the cost of the debtor's property.

3. Compensation to the Special administrator shall consist of:

- 1) current (monthly) payments for the entire period of performance of his/her duties;
- 2) additional payments based on the results of his/ her activity.

Current payments shall be made once a month, unless a shorter period of payments is established by the court or creditors.

Additional payments formed at the cost of deductions from the funds aimed at satisfying the creditors' claims, shall be paid to the special administrator along with each transfer of funds aimed at satisfying the creditors' claims.

Funds for compensation of a special administrator are deducted along with each transfer of funds aimed at satisfying the creditors' claims.

4. The current (monthly) payments to the special administrator are exercised in the amount of twenty minimum monthly wages established by the legislation of the Kyrgyz Republic.

The amount of additional payments to a special administrator must not be less than 5 per cent of the funds aimed at satisfying the creditors' claims.

5. Should the bankruptcy case be dismissed due to entry into an amicable agreement, amounts of claims shall be considered in a volume in which they had been actually satisfied or repaid in compliance with the approved amicable agreement.

6. Should the assets of the debtor be insufficient, the minimum amount and procedure of payment of the compensation to the special administrator shall be established in subordinate normative legal acts.

Article 27. Dismissal of special (temporary) administrator

1. The temporary or special administrator appointed by court may petition to court on dismissal from his/her duties. The court makes a decision on such dismissal, if the work of these persons cannot be paid for, or these persons are sick or do not fit for the further performance of their duties, or on other grounds.

2. The Special administrator appointed by the creditors' meeting may be dismissed from his/her duties by the creditors' meeting. The procedure for dismissal must be stipulated in the agreement between special administrator and creditors entered into at the time of his/ her appointment.

§ 2. Process of special administration without court involvement

Article 28. Initiation of process of special administration without court involvement

The process of special administration without court involvement may be initiated by a decision of the creditors or by the owners of the debtor (including state bodies when state enterprises or enterprises with state share are involved) in accordance with the requirements of this Law.

Where the special administration process is initiated by the decision of creditors, the amount of the debt is not significant.

Article 29. Conditions for special administration without involvement of court

The following conditions must be observed to implement the process of special administration of the debtor without involvement of a court:

1) the decision to initiate the process should be taken by the owners of the debtor, in accordance with the established procedure, or by creditors who are owed 40% or more of the total debts of the debtor (with the deduction of the amount of debts of the secured creditor), upon expiration of seven calendar days after serving a written notice to the debtor with the request to initiate a voluntary special administration process.

A permission of the National Bank of the Kyrgyz Republic should be obtained in respect to the bank;

1) an advertisement on the decision to initiate the procedure must be published in one national and one oblast (or local) newspaper which is nearest to the places of principal activity of the debtor, no less than twice, with intervals of no less than 10 days.

Each advertisement should contain the time, date and place of the creditors' meeting;

1) written notices on initiation of the process of the debtor shall be sent by registered mail with notice, or delivered against signature to all known creditors who are owed the amount of 100 minimum salaries, or more;

2) no earlier than 14 calendar days after the last publication of the advertisement and mailing the last notice specified in points 2) and 3) hereof, a meeting of creditors should be held at the place and time indicated in the advertisement and in the notice;

3) the meeting of creditors must decide to commence the process of Special administration against the debtor without involvement of the court, and a special administrator must be appointed in compliance with requirements of this Law.

Article 30. Decisions of creditors' meeting

1. The creditors at their general meeting may decide:

1) to commence a process of special administration without court involvement;

2) to file a petition to the court to conduct a process of special administration with involvement of court;

3) to neglect the process of special administration of the debtor without court involvement (in this case, the debtor may apply to court);

4) to defer their decision pending the subsequent creditor's meeting, the time and date and place of which must be established at the current meeting.

2. Decision of the creditors' meeting shall be sent to the creditors by registered mail with the notice on delivery, or delivered against the signature within three days after adoption of the decision.

A creditor or the debtor who does not agree to the decision of the creditors' meeting, is entitled to appeal this decision to court within seven (7) calendar days after adoption of such decision by the creditors.

Article 31. Effect of appointment of special administrator

1. From the moment of appointment of the special administrator, all actions aimed at enforcement of the decision of the court and other decisions related to repayments of debts of the debtor or seizure of his assets shall be terminated.

2. The appointment of a special administrator shall in no way affect the rights of a secured creditor. The secured creditor may dispose of the subject of pledge in compliance with the procedure established by the legislation of the Kyrgyz Republic.

3. The special administrator must publish information concerning his appointment in republican and oblast (or local) newspaper at the place of the debtor's principal activity no later than 5 calendar days after such decision has been taken by the meeting of creditors.

Such information must also include the following:

- 1) the name and other particulars of the debtor found bankrupt;
- 2) the date when the decision of the creditors' meeting was made, and the commencement of the process of special administration;
- 3) the deadline for presenting claims by creditors established by this Law;
- 4) the information on special administrator.

§ 3. Process of special administration with participation of court

Article 32. Consideration of cases by court

1. Bankruptcy cases shall be considered in the arbitration court at the place of location (residence) of the debtor.

2. The court may not submit the case for consideration by the third party's arbitration tribunal.

Article 33. Persons who have the right to petition to court

1. Persons who have the right to petition to court for recognizing the debtor bankrupt shall be:

- 1) the creditor, (or a group of creditors); or
- 2) the owner of the debtor, or authorized state agencies in respect to the state enterprise;
- 3) the Government Bankruptcy Agency.

Article 34. Grounds for initiation of proceedings in case

1. The proceedings in case may be initiated on the following grounds:

- 1) petition of a creditor (or group of creditors); or
- 2) petition by the owners of a debtor, or authorized state bodies in the case of a state enterprise; or
- 3) joint petition by any group of persons indicated in subpoint 1) and 2) hereof.

2. The petition shall be filed in court in accordance with requirements of this Law.

3. If a petition is withdrawn by the person who filed it prior to the decision on commencement of the special administration procedure rendered by the court, the petitioner must indemnify all court expenses.

4. The amount of state fees and procedure of its payment shall be established by the legislation of the Kyrgyz Republic.

If the court decides to commence the process of special administration, all court expenses shall be deemed as expenses related to special administration.

Article 35. Petition filed by debtor

1. The debtor shall file the petition in writing. The petition shall be signed by the debtor, manager of the debtor - legal entity, or a person who replaces him.

2. The petition filed by the debtor must include:

- 1) the name of the court where the petition is filed;
- 2) all creditors on civil obligations, their post addresses, and claims in the amount which is not challenged by the debtor;
- 3) the amount of indebtedness related to indemnification of the damage inflicted to the life and health, or to compensation for labor, or payment of severance benefit payable to the debtor's employees;
- 4) the amount of indebtedness on obligatory payments to the budget and extra-budgetary funds;

- 5) the substantiation for impossibility to satisfy the demands of creditors in full;
 - 6) the information on proceedings initiated on claims against the debtor filed to the courts of original jurisdiction, arbitration courts, and third party's arbitration tribunals, as well as on writs and other documents on unaccepted (without recourse to court) writing-off;
 - 7) information on property held by the debtor, including funds and accounts receivable;
 - 8) numbers of accounts in banks and other credit institutions, mail address of such banks and other credit institutions;
 - 9) evidence confirming the grounds for the petition filed by the debtor;
 - 10) information on assets available, which is sufficient to cover court expenses;
 - 11) list of attached documents;
 - 12) other information necessary for proper resolution of a bankruptcy case, and information held by the debtor who filed the petition.
3. In his/her petition, the debtor who is an individual businessman must also include such information on obligations of the debtor which are not related to business activities.
4. The debtor must serve copies of the petition to the creditors.

Article 36. Documents attached to petition filed by debtor

1. The debtor shall attach to his petition on finding the debtor bankrupt documents which confirm:
 - 1) presence of indebtedness and inability of the debtor to satisfy the claims of creditors in full;
 - 2) other circumstances on which the debtor's petition is substantiated;
 - 3) payment of state fees and mail expenses, in the established amount, and in compliance with the established procedure;
 - 4) serving a copy of the petition to creditors.
2. The petition filed by debtor shall be also accompanied by:
 - 1) list of creditors and debtors of the petitioners, with explanation of accounts receivable and payable;
 - 2) accounting balance as of the latest report date, or substituting documents;
 - 3) documents on composition and value of the property of the debtor-individual businessman;
 - 4) decision made by the owner or the founders (participants) to file a petition to court on finding the debtor bankrupt;
 - 5) minutes of the meeting of employees of the debtor, where their representative was elected to participate in the trial of the case on bankruptcy, if such meeting had been held prior to filing the petition.

Article 37. Creditor's petition

1. The creditor's petition shall be filed to court in writing, and signed by its manager or representative, and petition of an individual creditor shall be signed by this individual or his/her representative.
2. The petition must include:
 - 1) name of the court where the petition is filed;
 - 2) name of the debtor and his/her mailing address;
 - 3) name of the petitioner and his/her mailing address;
 - 4) amount of the petitioner's claim to the debtor, with the amount of the interest and penalties (fines) payable;
 - 5) obligation of the debtor to the creditor which served the grounds for the claim, and the period of its performance;
 - 6) evidence of justification of the creditor's claims, including effectuated decisions of the court, evidence confirming recognition of these claims by the debtor, writ of execution issued by the notary;
 - 7) evidence confirming the grounds for the creditor's petition;
 - 8) list of attached documents;
 - 9) other data necessary for proper resolution of the case on bankruptcy, and petitions available to the creditor.
2. The creditor must send the copy of the petition to the debtor.

Article 38. Documents attached to creditor's petition

1. The following documents shall be attached to the creditor's petition to find the debtor bankrupt, which documents shall confirm:
 - 1) obligations of the debtor to the creditor, and presence and the amount of debt on these obligations;
 - 2) other circumstances on which the petition of the creditor is grounded;
 - 3) payment of state and postal fees, in compliance with the established procedure and the amount;
 - 4) sending a copy of the petition to the creditors.

2. The petition shall be accompanied by the power of attorney confirming the power of the person who signed the petition to file such petition.

3. The following documents shall be also attached to the creditor's petition, if available:

1) decision of the arbitration court, general court or third party's arbitration tribunal which considered the claims of the creditor;

2) writ of execution (writ, payment claims accepted by the debtor, writ of execution issued by notary), and other evidence confirming the recognition of creditor's claims by the debtor.

Article 39. Receipt of petition for consideration

1. To initiate the process of special administration, the court must receive and consider the petition filed in compliance with the requirements provided by this Law.

Filing documents on payment the state fee by the petitioner shall be deemed as sufficient ground for adoption of the petition for consideration.

2. The judge shall make a decision on initiation of the proceedings on the petition, no later than three calendar days after receipt of the petition. The court shall inform the petitioner and the debtor on the decision made.

3. Absence of the petitioner or his representative from the court session, shall not be the grounds for postponement of the consideration of the case.

Article 40. Rejection of petition

1. The court shall reject the petition to initiate the procedure of special administration, if while filing the petition:

1) the debtor was not solvent, according to Article 9 of this Law;

2) the debt does not comply with the requirements of part one of Article 21 of this Law;

3) the person filing the application is not the person specified in Article 33 of this Law;

2. Where the petition is rejected, the court shall make a motivated decision, and simultaneously resolves issues of absence or presence of the damage inflicted to the debtor as a result of filing an ungrounded petition, the amount of such damage and deadline for its indemnification by the petitioner.

3. The court may not reject the petition on special administration filed by the owners of the debtor, or petition of the creditor (group of creditors) after the meeting of creditors, which was initiated by the owners of the debtor.

Article 41. Period of consideration of bankruptcy cases

1. The court must consider the bankruptcy case within one month as of initiation of proceedings on this case, and make a decision indicated in Article 43 of this Law.

The specified period may be extended by the motivated decision of the court, for no more than one month.

2. Presence of another case or issue related to the debtor and considered in compliance with the constitutional, civil, or criminal procedure may not serve the grounds to suspend the bankruptcy proceedings.

3. If there are any uncontested claims, the court must make a decision on finding the debtor bankrupt and commencement of procedure of special administration of the debtor within 7 calendar days as of the date on which the decision was made by the court to accept the petition for consideration and appoint the special administrator.

Article 42. Additional grounds for establishing facts of insolvency of debtor by court

1. Should any dispute arise concerning the expediency of the commencement of the procedure of administration, the petitioner must prove in court:

1) any of the grounds stated in point 1 of Article 9 hereof;

2) existence of any debt of the debtor, provided by part 1 of Article 21 hereof;

3) that the petitioner is the person indicated in Article 33 hereof.

2. Following evidence provided by the petitioner shall be sufficient to recognize the fact of the debtor's insolvency:

1) failure by the debtor to perform on the decision of the court to repay the debt, or failure to pay the debts prior to the expiration of the deadline appointed by the court;

2) failure by the debtor to repay his/her debt within 21 calendar days as of filing the claim by the petitioner. The specified period may be reduced or extended, by the prior written agreement between the petitioner and debtor;

3) if the petitioner may prove the refusal by the debtor to pay or ungrounded denial of the obligation, or the debtor's inability to pay;

4) if the petitioner manage to persuade the court that the amount of debtor's assets is less than the amount of his liabilities;

5) if the petitioner may prove the debtor's insolvency by other means.

In the instances established by items 1), 2) and 3) of this point, the petitioner must not prove the inability of the debtor to make payment from his/her debt. It shall be sufficient to prove that the debtor was to pay, but failed to do so.

3. The court may find the debtor insolvent on other grounds.

Article 43. Judicial acts taken by court

1. Based on the case file available, and on the results of consideration of the case, the court shall take one of the following acts:

1) decision to dismiss the petition on finding the debtor bankrupt and discontinue the proceedings in the case;

2) decision to find the debtor bankrupt, and to commence the procedure of special administration;

3) decision to suspend proceedings on the case;

4) decision to discontinue the proceeding in case.

2. Decisions made by the court in bankruptcy cases shall enter into legal force as of the moment of its adoption.

3. The petitioner or debtor (when the debtor is the creditor) may appeal the decisions of the court within 7 calendar days after adoption thereof.

Article 44. Suspending proceedings in bankruptcy case

1. The court must suspend the proceedings in bankruptcy case:

1) if the debtor agrees to grant the demand of the petitioner in full, after initiation of the proceedings in the case, in compliance with the requirements of Article 45 hereof;

2) in other instances provided by Law.

2. Proceedings in the case may be suspended for a term which does not exceed two months as of the date of initiation of the proceedings on the petition. The court shall make a decision to suspend the proceedings.

3. Should the proceedings in the case be suspended, the court must, by the petition of the petitioner appoint the temporary administrator of the debtor to preserve his assets, and adopt a decision on merits, and issue a disposal to perform all judicial and other decisions, concerning payment of debts and arrest of assets of the debtor (except the rights of the secured creditor).

Article 45. Satisfying creditor's claims by debtor after initiation of proceedings in case

1. The court may postpone adoption of decision to commence special administration of the debtor, if the debtor agrees to satisfy all petitioner's claims after initiation of the proceedings in case. In such event, the court shall make a decision to suspend the proceedings in the case, if:

1) the debtor agrees to satisfy the claims of the debtor within seven calendar days (or a longer period, with the petitioner's consent);

2) the debtor pays to the deposit account of the court the amount which is necessary to satisfy the petitioner's claims;

3) the debtor pays the expenditures of the court, including the state fee.

2. Petitioner's demands may not be satisfied prior to:

1) publishing of announcement on decision of the debtor to make payments to the petitioner, placed to the account of the debtor in the republican and oblast (or local) newspaper circulating the closest place to the main activity of the debtor;

2) sending written notices by the debtor to all his/her creditors with the debt amounting to 100 minimum rates and over;

3) expiration of 14 calendar days after the date of publishing of the last announcement or sending the last notice.

3. Should the debtor fail to comply with the conditions provided in point 1 and 2 hereof, the court shall reinstitute the proceedings in the case, unless the petitioner agrees to extend the period for repayment of debt.

4. Within the period specified in item 3 of point 2 of this Article, the creditors may submit their objections to court. In the absence of objections of the creditors, the claims of the petitioner shall be satisfied via the deposit account of the court.

5. Issues related to procedure of satisfying the claims of the petitioner, shall be governed by the subordinate legislative normative acts.

Article 46. Decision of court to dismiss the petition to find

debtor bankrupt

The court shall make a decision to dismiss the petition to find debtor bankrupt in the following instances:

- 1) where the court does not establish the signs of bankruptcy provided by this Law;
- 2) where the debtor or other person, prior to the decision of the court satisfy the claims of creditors who petitioned to court and/or commenced the process;
- 3) where fictitious bankruptcy was established;
- 4) in other instances provided by this Law.

Article 47. Decision of court to find debtor bankrupt and to commence special administration process

1. The court shall make decision to find the debtor bankrupt and to commence special administration process in the instances where signs of debtor's bankruptcy provided by this Law are established, and where there are no grounds to introduce other procedures of bankruptcy process.

2. The decision of the court to find the debtor bankrupt, and to commence the procedure of special administration must contain the instructions:

- 1) to find the debtor bankrupt;
- 2) to commence procedure of special administration;
- 3) to appoint a special administrator.

3. The decision of the court on finding the debtor who is an individual businessman bankrupt must contain provisions on invalidation of the registration of the debtor as an individual businessman.

Article 48. Publishing decision to find debtor bankrupt

1. Special administrator must publish the decision of the court on recognizing the debtor bankrupt and on his/her appointment.

The advertisement is published in a republican newspaper twice, within no less than 7 calendar days, with indication of the time, date, place of the meeting of the creditors. This meeting must be held no earlier than 14 calendar days after publishing the second advertisement.

The special administrator shall publish the information on recognition of the debtor bankrupt, and the commencement of the procedure bankruptcy, at the expense of the debtor.

The publication must contain:

- 1) the name and other particulars of the debtor found bankrupt;
- 2) the name of the arbitration court which initiated the proceedings on the debtor's bankruptcy;
- 3) the date of the decision of the arbitration court to find the debtor bankrupt, and to commence the procedure of liquidation;
- 4) the deadline for filing claims by creditors established by this Law;
- 5) the information on the special administrator.

2. In certain instances, in the interests of creditors, or for the purposes of reduction of losses related to the procedure of special administration, the court or subordinate legal normative acts may determine other procedure and ways of informing the creditors.

Article 49. Decision of court to postpone court trial

The court may decide to postpone the trial for a period which does not exceed two months after initiation of proceedings on the petition.

In such event, the court must, by the petition of the petitioner, appoint a temporary administrator of the debtor to preserve his assets until any judicial or other actions are made regarding repayment of debts and arrest of the debtor's assets (with the exception of the rights of the secured creditor).

Article 50. Grounds for termination of proceedings in bankruptcy case

1. The court shall terminate the proceedings in bankruptcy case in the following instances:

- 1) if the court made a prior decision on the dispute between the same parties, on the same subject, and on the same grounds, which decision entered into legal force;
- 2) if the debtor who is a party to the case was liquidated and excluded from the state registry;

- 3) if the petitioner (creditor) waived the petition, which waiver was accepted by the court;
 - 4) if the parties made an amicable agreement which was approved by the court;
 - 5) if the debtor restored his/her solvency within the period of special administration.
2. Where the proceedings in the case are discontinued, the repeated petitioning to court on the same dispute between the same parties, regarding the same subject, and on the same grounds, is not allowed.

§ 4. Liquidation

Article 51. General provisions

1. Decision of the court (creditors' meeting) on finding the debtor bankrupt entails the commencement of liquidation of the debtor.
2. Liquidation is a method of procedure of special administration which provides for withdrawal and alienation of all assets of the debtor for the purpose of satisfying the claims of creditors in compliance with their priority.
The liquidation of a debtor who is an individual businessman shall be carried out only with the involvement of the court, with consideration of peculiarities established by this Law.
3. The liquidation shall be carried out by a specially appointed person - special administrator (liquidator). In this case, the special administrator (liquidator) enjoys the rights and bears liabilities provided by this Law and other legislative acts.
4. Upon completion of the liquidation, the activity of the debtor shall be terminated, and the record in the state registry shall be canceled in accordance with the requirements of this Law. The liquidation of the debtor shall not entail the succession of rights.
5. Demands of creditors which are not satisfied due to insufficiency of the property of the debtor, and the demands of creditors not recognized by the special administrator, if the creditor did not file a lawsuit to court, and the demands which were dismissed by the court, shall be deemed as repaid, except in instances provided by Article 104 of the Civil Code, and by this Law.
6. Liquidation carried out in case of special administration may at any stage be transformed into procedures provided by this Law in accordance with the established procedure.

Article 52. Period of liquidation

The period of liquidation shall be twelve months. By the decision of the court or the creditors' meeting (in case of procedure without involvement of the court) this term may be extended.

Article 53. Powers of special administrator in liquidation of debtor

1. Bodies of management of debtor within three days after appointment of special administrator shall ensure the handing over of accounting and other documentation, seals and stamps, material and other values to the special administrator. Where these duties are evaded, the bodies of management of the debtor (manager) shall bear liability in accordance with the legislation of the Kyrgyz Republic.
2. In case of liquidation, the special administrator enjoys rights, and bears liabilities provided by this Law, and also:
 - 1) takes into management the property of the debtor, carries out inventarization and evaluation of such property, and takes measures to preserve this property;
 - 2) analyzes financial status of the debtor;
 - 3) notifies the employees of the debtor on the coming dismissal in accordance with the Labor Legislation of the Kyrgyz Republic;
 - 4) presents objections on claims presented to the debtor by creditors, in compliance with the established procedure;
 - 5) takes other necessary measures which do not contradict this Law.

Article 54. Creditors' accounts

1. In case of liquidation of the debtor, the special administrator must use only one account of the debtor in the bank or other credit institution (the principal account). Other accounts of the debtor in banks and other credit institutions known by the moment of the liquidation, and found within the period of liquidation, must be closed down by special administrator at the extent of their finding out. The remaining balances of such amounts must be transferred to the principal account of the debtor.

2. Funds received in the course of liquidation shall be transferred to the principal account. The costs of bankruptcy procedure shall be paid from the same account.

3. The special administrator shall submit the report on the use of the debtor's funds to court (meeting, creditors' committee), at any time, by its demand.

§ 5. Restructuring

Article 55. Restructuring of debtor

1. Restructuring is a method of procedure of special administration which provides for creation of one or several new legal entities, based on the assets of the debtor for further sale in the creditors' interests.

2. If a special administrator decides that restructuring of the debtor who is a legal entity is expedient, he may do that by establishing a new legal entity (or more than one), which he temporarily possesses, by transferring assets of the debtor into it at his discretion, and the further transfer of his/her rights to the new legal entity to a third party, and by payment of means gained from such transfer, to the creditors.

3. A new legal entity established for the purposes of restructuring may be established in any organizational and legal form, permitted by the legislation of the Kyrgyz Republic.

4. A newly established legal entity is not the legal successor of the debtor, and shall not bear liability for any debts of the debtor, including debts on obligatory payments into the budget and extra-budgetary funds.

Bodies of state government, local self-administration, and judicial bodies may not withdraw assets, including funds of a new legal entity, to repay the debts of the debtor.

5. A special administrator may sell stocks and shares of capital in a newly established legal entity, and repay to creditors funds gained from such sale. By the creditor's consent, their demands will be satisfied by stocks or a share in the capital of a new legal entity, in compliance with the priority.

6. While establishing a new legal entity in the form of a joint stock company, the buyer of the new legal entity shall bear all duties and expenses on the registration of shares, obtaining permission to issue or to open sale of shares, and other duties and expenses.

§ 6. Completion of procedure of special administration

Article 56. Finding debtor insolvent

The court or a special administrator (in the instances of special administration without involvement of the court) shall find a debtor who made full repayments on debtors' demands provided by this Law solvent, and such debtor may resume his activity with the owners' consent.

In this Article, demands by creditors do not imply demands by the owners of the debtor.

Article 57. Report by special administrator

1. Upon completion of all settlements with creditors, and fulfillment of other duties provided by this Law, the special administrator shall submit to court the report on the results of his activity.

In case of special administration of the debtor without involvement of the court, the special administrator must submit the report to the creditors' meeting for approval, and shall be liable for informing the body which exercises state registration of business entities.

2. The following shall be attached to the report:

- 1) liquidation balance;
- 2) registry of creditors' claims and results of their consideration with specification of the amount of satisfied claims;
- 3) documents on the use of remaining property (assets) of the debtor;
- 4) documents on remuneration received by the special administrator;
- 5) documents confirming that expenses of the process of bankruptcy are substantiated and expedient;
- 6) information on unlawful activity of the managers and owners of the debtor (if any);
- 7) other information, if necessary.

3. In case of administration with the involvement of the court, the court shall approve the report presented by the special administrator, make decision on completion of process of special administration, and inform the agency which exercises the state registration of business entities on that.

4. The court (creditors' meeting) must consider the issue on approval of the report presented by the special administrator within seven calendar days after presentation thereof.

Article 58. Actions taken by registration agency

1. Should the bankruptcy process be completed, the record in the registry on introduction of bankruptcy process for the debtor shall be canceled.

Should the bankruptcy process of the debtor end by the liquidation of the debtor, such debtor shall be excluded from the registry and deemed as terminated his activity.

2. Actions taken by the registration agency listed in this Article must be performed within ten calendar days after the receipt of the appropriate information of the court, or a special administrator.

Article 59. Storing documents after finalizing bankruptcy process

After finalizing the bankruptcy process all reports and other documents shall be sent, depending on the forms and results of the procedure to court for storage (if the court is involved), or to the Government Bankruptcy Agency (if the court was not involved), and to owners (if the debtor is found solvent).

Article 60. Renewal of special administration process

The creditor may, within 10 years after completion of the process of special administration, petition to court for the renewal of the bankruptcy case, should any assets be found out which were concealed by the owners or managers of the debtor.

CHAPTER 3 TEMPORARY ADMINISTRATOR

Article 61. Role of temporary administrator

1. The principal objective of the temporary administrator is to ensure that assets of the debtor are safe, and to conduct analysis of the financial state of the debtor within the period pending rendering a decision by the court on the bankruptcy case.

2. After appointment of a temporary administrator, the debtor may continue his/her activity under the control of the temporary administrator.

Article 62. Appointment of temporary administrator

1. While initiation of the procedure of special administration without involvement of the court, the court may appoint a temporary administrator by the petition of any creditor for a period pending the first meeting of creditors.

Should the creditors make a decision to commence the procedure of special administration of the debtor without involvement of the court, the creditors may appoint the temporary administrator to the position of a special administrator.

Should the creditors decide to refrain from commencement of the procedure of special administration without involvement of the court, the temporary administrator shall be relieved from his/her duties after seven calendar days after the meeting of the creditors.

Within the indicated period, a petition on conduct of the procedure of special administration with the involvement of the court may be filed to court.

2. While initiation of the procedure of special administration with the involvement of the court, the petitioner may take measures pending rendering the final decision in the bankruptcy case, to secure the lawsuit by filing a petition to court to appoint a temporary administrator.

Appointment of a temporary administrator does not mean that the court has made a final decision to commence the procedure of special administration.

3. The court must consider the petition and appoint the temporary administrator no later than the next day after filing the petition to court.

Should the debtor be absent from the court session, the court may make a decision on the petition without hearing the debtor. The court shall make a decision to appoint the temporary administrator.

Appointment of a temporary administrator does not serve the ground for extending the period of trial by court of the bankruptcy case, stipulated in Article 41 hereof.

4. Should the temporary administrator be appointed without hearing the debtor, the court shall within 7 calendar days after adoption of such decision consider the petition of the debtor, and if necessary review its decision on appointment of the temporary administrator.

5. Should the court decide to deny the commencement of the procedure of special administration, the petitioner who filed the petition to appoint a temporary administrator must pay all expenses of a temporary administrator and compensate the damage inflicted to the debtor as a result of the appointment.

Should the court take a decision to commence the procedure of special administration, the expenditures of temporary administrator shall be included in the expenditures of the bankruptcy process.

Article 63. Rights and duties of the temporary administrator

1. A temporary administrator from the moment of his appointment by the court carries out his duties to manage the debtor and control its activities.

All the assets of the debtor are taken into the possession and control of the temporary administrator in order to preserve them pending the final decision of the court.

At that time, the powers of the management and owners of the debtor shall cease, unless the court orders otherwise or the temporary administrator decides otherwise.

2. All managers, employees and owners of the debtor have a duty to cooperate with the temporary administrator, and to make no impediments while carrying out his duties, including provision of the full access to the premises, assets, bank accounts, and documentation of the debtor.

Appointment of the temporary administrator shall serve no grounds for termination of duties of third parties with respect to the debtor, including the temporary administrator.

3. The temporary administrator may order that a full or partial audit, inventarization or revision of the debtor be carried out at the expense of the debtor.

The temporary administrator shall have the right to order all managers and owners, including those who have been managers or owners within the last year, to present him all records and information related to the debtor, and to cooperate with him otherwise.

The temporary administrator has no right to divulge the obtained commercial information, and use such information only in the interest of the debtor. The temporary administrator must reveal such information to the court, the Special administrator (if appointed) and to other persons, as specified in the legislation of the Kyrgyz Republic.

4. The temporary administrator may limit access of owners or managers of the debtor to the premises, including offices and production facilities of the debtor.

5. Persons obstructing the temporary administrator in carrying out his powers, are considered to obstruct the court, and are held liable in accordance with the legislation of the Kyrgyz Republic.

6. When a temporary administrator is appointed, court or other actions in relation to establishment of obligations of the debtor shall proceed, but may not be enforced in any way (except for actions of a secured creditor.)

7. The temporary administrator may renew or continue the debtor's activity, if he considers it necessary in order to preserve the assets, or if he is unable to do so for some reason.

8. The temporary administrator shall have the right:

1) to receive explanations and information from owners, managers, employees and other persons related to the enterprise, including persons who have been related to the debtor during the previous financial year;

2) to request and receive for his own disposition, any accounting books or records to which the debtor is entitled, (or copies of them if he is willing to accept copies) from the debtor or from persons connected with him.

9. The temporary administrator within a period of 14 days of his appointment is obligated to make a report to the court on the financial position of the debtor. If he has insufficient information, this report may be a intermediary report.

The court shall take the report of the temporary administrator into account when making its final decision on special administration, or on removing the temporary administrator.

In case of bankruptcy process without involvement of the court, the temporary administrator provides the report about the financial position of the debtor to the meeting of creditors.

10. While appointment of the temporary administrator, the court may determine his other rights and obligations. When necessary, the temporary administrator may apply to the court concerning issues pertaining to his rights and obligations.

Article 64. Cessation of powers of a temporary administrator

If the court decides not to find the debtor bankrupt and to terminate the proceeding on the case after the appointment of the temporary administrator, the court is to make a justified decision on dismissing the temporary administrator from his office.

From the moment such decision of the court is made, the powers to manage the debtor shall be transferred to its management and owners.

CHAPTER 4 SPECIAL ADMINISTRATOR

Article 65. General provisions

1. Regardless of the procedure for special administration, with or without involvement of the court, the special administrator shall have similar rights and obligations.

2. In case of disputable issues and obstructions to perform powers of the special administrator, the court based on principles set forth in this Law and other acts published in accordance with this Law, in order to secure special administration proceedings, shall have the right to render a judgment enabling the special administrator (including the one appointed by the creditors) to abstain from or perform certain actions with regard to the debtor or its assets.

3. The main task of the special administrator shall be to alienate assets of the debtor in the interest of creditors and allocate means in accordance with the priorities set forth in this Law, after secured creditors have been satisfied and expenses on the bankruptcy process have been covered.

4. The special administrator shall be the only legal representative if the debtor who is subject to the process of special administration.

The debtor shall be held liable for obligations arising from transactions entered into by the special administrator in compliance with the powers granted to him by this Law.

Article 66. Rights of special administrator

The special administrator shall have the right:

1) to carry out any lawful acts with the assets of the debtor, in compliance with the legislation, in order to satisfy creditors' claims in the most optimal way, take measures to collect debts due to the debtor, and take measures to find, identify and return the property of the debtor in accordance with requirements of the legislation.

Should the claim on collection of debt be filed to the court, the special administrator shall not pay the state fee established in this case;

2) to transfer without payment ownership rights or other rights in respect of any property, and to waive them, if they cannot be alienated (sold) with profit, including rights related to accounts receivable due to the debtor;

3) to waive any obligations of the debtor including transactions being performed, which would not bring profit or would lead to liabilities (without satisfying the claims of persons, who will then become creditors of the debtor during the special administration process for any losses inflicted to any persons by the refusal to perform any legally effective obligations or duties);

4) to verify grounds for claims and to reject ungrounded claims completely (or ungrounded parts of claims).

Creditors may petition to court for satisfying the withdrawn claims or for determining the priority of the satisfaction thereof. The court shall consider these petitions within one month after receipt thereof;

5) to manage the activity of the debtor in place of the existing management. If necessary to hire or dismiss managers, employees (personnel) of the debtor, including categories of persons who have guarantees on dismissal set forth in the labour legislation, unless otherwise provided by this Law;

6) to make a decision and restructure the debtor in accordance with this Law;

7) to sell or alienate in any way the property complex (fully or partially), assets of the debtor, and of the new legal entity (or entities) created during the special administration process as provided by the legislation;

8) receive information from any individual:

a) related to the debtor by labour and other relations during one year prior to adoption of the decision to commence the special administration process;

b) owner or persons who were owners of the debtor during one year prior to adoption of the decision to commence the special administration process;

c) close relative, spouse, parent or children of the owner of the debtor or person mentioned in subpoint (a) and (b) of this point;

9) to request and obtain for his disposal any account books or records or other documents concerning the debtor or its activity;

10) to receive compensation for his work, which amount shall be defined by this Law and other acts;

11) to call regular or special meetings of creditors or creditors committee (if any) as necessary;

12) to make partial payments to creditors in accordance with the rules and procedure established by this Law.

Article 67. Invalidity of transactions of debtor

1. A transaction, including the one concluded by the debtor before the process of special administration may be invalidated by the court upon petition of the special administrator on grounds set forth in the civil legislation.

2. A transaction concluded by the debtor with the interested person within one year prior to filing the application on finding the debtor bankrupt may be invalidated upon the petition of the special administrator, in the event the performance of this transaction lead to the debtor's insolvency.

3. A transaction concluded with a single creditor or other person after the receipt of the application for bankruptcy and (or) concluded within one year prior to filing the application on finding the debtor bankrupt may be invalidated upon the petition of the special administrator or by the creditor, in the event such transaction leads to preferential satisfaction of claims on debtor's monetary obligations of some creditors over others.

Article 68. Rights of the special administrator in connection with assets of the debtor, which are share capital in another enterprise

1. Shares (stock) of debtor located in another legal entity as part of the authorized (founding) contribution or as an investment, shall not be subject to withdrawal by the special administrator, except where the shares (stock) are redeemable in accordance with the terms of their issuance.

2. The special administrator has the right to alienate the share (stock) of the debtor which is the share capital in another legal entity, to third parties in compliance with the legislation of the Kyrgyz Republic.

Article 69. Rights of the special administrator in respect of the assets of the debtor, which are in the disposal of third persons on the basis of a contract

1. The special administrator can waive any obligations of the debtor, but has no right to demand back the property of the debtor which is disposed of by third parties on the basis of a contract until the expiry of the period provided in the contract. If the contract with the third parties permits the return of the property (for example, in case of breach of the contract) the special administrator may demand the property back.

The special administrator shall have the right to demand accounts and accounting documents (make copies) from third parties which are related to the debtor.

2. The special administrator may sell the property to another party which is willing to assume the obligations of the debtor in relation to the contract before the expiry of the period specified in the contract with prior notice to the third party which holds this property.

Article 70. Obligations of the special administrator

The special administrator shall:

1) publish an announcement in accordance with Article 48 of this Law;
2) from the moment of his appointment exercise management and control over the activities of the debtor including debts and other obligations owed by other parties to the debtor and also over assets and obligations which the debtor acquired or will acquire after the commencement of special administration process;

3) sell (alienate) all assets which are in non-cash form in the shortest possible period taking into account the requirements of this Law, and distribute the proceeds of sale of the assets among creditors in accordance with the priorities in the procedure and based on rules set forth in Chapter 7 of this Law.

He shall not be liable, if he fails to sell them with profit;

4) report to the court or to the creditors' meeting in the scope and in the procedure established in this Law and inform the registration agency in accordance with the requirements of this Law;

5) ensure that all outgoing documents of the debtor (letters, invoices and financial documents) contain the information which notifies that the debtor is subject to a process of special administration;

6) in case of the special administration of a government-owned enterprise which has not been denationalized and privatized, the special administrator shall dispose of the facilities of the social infrastructure in accordance with the requirements of the legislation;

7) publicly announce the sale of assets and sell assets without any unreasonable delays at the formed market price taking into account that the sale of assets is done under forced circumstances within restricted periods of time, and that the price may be lower than the one under more favorable conditions;

8) the special administrator shall sell the assets as soon as possible following proper public advertisement. Without the assent of the court, the committee or the creditors' meeting, the Special administrator has no right to postpone the sale of assets for a long period in order to await changes in the market situation with the hope to sell the assets at a higher price;

9) where there is a valid reason, the special administrator has the right to sell the assets at a price which the creditors or the debtor disagree with.

Valid reasons shall be the following:

a) if the assets are alienated within the period indicated in the announcement of sale, even if the price received is lower than the price which can be received by selling at another time;

b) if the assets are alienated without notification of sale because of lack of time resulting from the deterioration in the quality of the (perishable) assets, or for other objective reasons;

c) if the assets cannot be alienated because of lack of demand, or when alienation costs exceed the value of assets, or if for some other valid reason the assets cannot be sold (in which case the Special administrator has the right to waive the assets pursuant to point 2 of Article 66 of this Law);

10) the Special administrator may set starting prices for sale of assets through auction, but he has no right to set minimum prices, and at a properly advertised public auction, he should sell the assets to the highest bidder.

Article 71. Obligations of the special administrator in case of insufficiency of assets

1. The main duty of the special administrator shall be to secure the safety of assets of the debtor, and to carry out financial analysis of the financial state of the debtor.

The analysis of the financial state of the debtor shall be carried out in order to define sufficiency of assets owned by the debtor (minus assets subject to pledge) to cover court costs, compensation to the special administrator, and secure the opportunity for restoration of the solvency of the debtor.

2. If the analysis of the financial state of the debtor reveals insufficiency of assets to cover court expenses, the special administrator shall inform the court thereon and shall present recommendations on conducting the special administration process. In this case the court shall rule to stop special administration process and terminate the activity of the special administrator.

The special administrator shall terminate his activity after notification of the registration agency.

Where there are insufficient assets, the special administrator shall receive compensation in the amount of twenty minimum wages established by the legislation. This amount shall be paid from the special fund of the Government Bankruptcy Agency.

3. In the event a building, equipment or other property of the debtor constitutes potential danger for the population, the special administrator must determine the amount necessary to prevent the danger (including expenses on securing safety of these assets). These expenses shall be the expenses of the bankruptcy process.

Where the assets of the debtor are insufficient to cover all the expenses of the bankruptcy process, the Government Agency for Emergency Situations shall provide the special administrator with the requisite funds upon his/her request, or the Government Agency for Emergency Situations shall assume the responsibility on prevention or elimination of the danger.

Otherwise the court shall order the Government Agency for Emergency Situations to pay the requisite funds to the special administrator within the period established by the court.

Article 72. Liability of the special administrator

Upon the petition of owners, managers of the debtor or creditors, the court may impose liability on the special administrator for losses which they suffered due to actions of the special administrator undertaken in violation of this Law.

Article 73. Specific aspects of passing title to assets of debtor founded on the right of economic management

Where a legal entity is founded on the right of economic management, in special administration process the owner of this legal entity, or agency controlling the government legal entity shall transfer all property rights to the assets of the debtor (including the right to alienate).

Article 74. Rights of the secured creditor

1. A process of special administration shall not entail the limitation of the right a secured creditor to foreclose the subject of collateral.

The Special administrator must provide the secured property to the secured creditor's possession, upon his first request.

The Special administrator shall have the right to sell the collateral having the written consent of the secured creditor. This shall not entail termination of the creditor's right to satisfy his claims in accordance with the priorities set forth in this Law.

2. Rights of the secured creditor shall be governed by the pledge legislation, unless otherwise provided by this Law.

Article 75. Invalidation of the collateral

1. The Special administrator must verify the validity of the pledge agreement and secured creditor's claims.

2. Except as specified in the civil legislation, a pledge agreement shall be invalidated in the event:

1) if the pledge agreement was entered into after the events stipulated in Article 23 of this Law;

2) if the pledge agreement was entered into at any time during the year prior to the commencement of Special administration of the debtor, and at the time such pledge agreement was entered into the debtor was insolvent, or the pledge agreement lead to the debtor's insolvency.

Article 76. Pledge agreement entered into after the commencement of the special administration

Pledge agreement entered into by the special administrator after the commencement of the special administration shall be invalidated, except for the pledge agreement entered into in order to satisfy creditor's claims or to restore the solvency of the debtor upon coordination with the court (in case of special administration with involvement of the court) or with creditors (without involvement of the court).

Article 77. Assignment of the right to enforce the pledged property

Secured creditor shall have the right to assign his right to enforce the pledged property to the third party in exchange for repayment of his secured claim. In this case the third party retains the right to enforce the subject of pledge in compliance with the priority established by this Law.

CHAPTER 6 LIMITED, EXTENDED AND UNLIMITED LIABILITY

Article 78. Full liability of a legal entity

A debtor being a legal entity in the process of Bankruptcy shall be fully liable for his debts and obligations with all its assets and may not bear limited liability.

Article 79. Full and extended liability of owners of the debtors

1. When the owners of a debtor in accordance with the legislation of the Kyrgyz Republic are obligated, or voluntarily assumed unlimited obligations to bear liability on the debts of the debtor (full liability), or to bear liability for debtor's obligations in amounts equal for all owners in multiples of the value of their contributions which is additionally defined by foundation documents of the legal entity (extended liability), they shall bear full or extended liability respectively for debts of the debtor subject to the bankruptcy process.

2. If upon distribution of debtor's assets some debts remain unpaid, the special administrator must collect the payment of the unrecovered debts from all or several owners of the debtor with full or extended liability.

3. The owner with full or extended liability who has paid voluntarily the in full (or in part) for other owners with full or extended liability, he may claim remuneration from them.

4. Where the state or a government agency acts as the debtor's owner with full or extended liability, the state or the government agency is not itself subject to a process of bankruptcy, however, in accordance with this Law the property owned by the state or the government agency may be collected to the extent permitted by the legislation.

Article 80. Limited liability of owners of the debtor

Limited liability shall mean liability in accordance with which owners of the debtor are liable for obligations of the debtor to the extent of the value of their contributions (value of stock).

Owners who did not pay their contribution in full shall bear joint and several liability on its obligations in the amount of the unpaid part of the contribution of each owner.

Article 81. Liability of a guarantor

A person with limited liability who gave a personal guarantee (including signed a transferable bill of exchange or a similar document signed by this person as a guarantor) or gave a personal guarantee to a third party in respect of a debt or obligation of a debtor, shall be liable and must bear liability in the amount of his guarantee.

Article 82. Full liability of the individual businessman

A debtor who is an individual businessman subject to the bankruptcy process shall be held liable on his obligations with all his property which may be collected in accordance with the legislation.

Article 83. Liability of managers of a troubled debtor

1. Provisions of this article shall apply to managers of a troubled debtor. A debtor shall be considered troubled when any of the following occur:

- 1) a debtor is insolvent;
- 2) a process of initiation of the special administration has been commenced against the debtor or there is a threat of such process;
- 3) a debtor carries out a loss-making activity;
- 4) a debtor is expected to carry out a loss-making activity, unless the situation changes;
- 5) obligations of a debtor exceed its assets.

2. For purposes of this Article the following persons shall be managers of a troubled debtor:

- 1) a person appointed in compliance with the established procedure to manage a legal entity (director, manager, head, etc., including their deputies and persons acting as managers);
- 2) an owner holding stock (or shares), enabling him to control the legal entity through orders binding for a person set forth in subpoint 1 of this point.

3. Persons indicated in point 2 of this Article shall be held liable in accordance with the legislation, if they fail to perform their duties to manage the economic activity of a troubled debtor (duty to be prudent, duty to prevent losses, obligation to prevent bankruptcy).

Article 84. Wrongful transfer

1. Where a manager or owner of a troubled debtor (knowing that the debtor is troubled), transfers its property to third parties without receiving full payment in cash or in kind for the transferred property, so that the creditors of the debtor are deprived of these assets - those managers or owners will be fully liable for the losses inflicted to creditors by such transfer.

2. Articles 102 and 104 of the Civil Code of the Kyrgyz Republic and Article 23 of this Law shall also apply to wrongful disposal of the debtor's property after commencement of special administration thereof.

CHAPTER 7 CONDITIONS AND PRIORITY OF DEBT REPAYMENT

Article 85. General rules on observation of priorities in repayment of debts

The Special administrator shall distribute the proceeds received from sale of the assets of a debtor, in accordance with the following rules:

- 1) he may sell assets and distribute the proceeds from the sale among creditors, or he may transfer assets directly to creditors in repayment of debts;

2) claims of each creditor of the with an earlier priority must be fully satisfied before satisfaction of claims of creditors of the subsequent priority;

3) while satisfying claims of creditors of one priority, each creditors in this priority shall be treated equally, and have equal rights to compensation, dependent on the amount payable to them.

If there are insufficient funds to repay all creditors of the same priority, the creditor who has claims for a bigger part of the share of debt of the debtor will receive proportionately bigger compensation:

4) should any property be subject to several valid pledges, the priority among such secured creditors shall be defined in accordance with requirements of the legislation of the Kyrgyz Republic;

5) claims of creditors presented after expiration of the period established by the legislation shall be satisfied from the assets of the debtor which remain after satisfaction of timely filed creditors' claims;

6) claims of creditors which were not satisfied due to the lack of the assets of the debtor shall be considered recovered, except as provided in this Law, and Article 104 of the Civil Code of the Kyrgyz Republic. Claims which are not recognized by the special administrator, unless the creditor petitions to the court, and claims dismissed by the court shall also be considered satisfied.

Article 86. Property not included in liquidation estate

1. All property of the debtor available at the time of commencement of the special administration process and identified during this process shall constitute the liquidation estate subject to points 1 and 2 of this Article.

2. The property withdrawn from circulation, property rights related to the personality of the debtor who is an individual businessman, including rights which are based on permission (license) to carry out certain types of activity, and other property and rights set forth in the legislation shall be excluded from the property of the debtor which comprises the liquidation estate.

Where the property withdrawn from circulation is part of the debtor's assets, the special administrator must transfer that property to the owner of such property. The owner of the property shall accept or assign this property to another person within one month period from the time of receipt of the notice of the special administrator. Otherwise, upon expiration of one month period all expenses on maintenance of the said property shall be imposed on the owner.

3. The subject of pledge shall not be part of the liquidation estate. A secured creditor shall have claims to the debtor's property (subject of pledge) by virtue of his right to enforce the security, provided that the grounds set forth in the law or the pledge agreement occur.

Upon agreement with the creditor who is a pledgeholder the special administrator may alienate the subject of pledge in any way and in compliance with the procedure provided by the law or the agreement between the parties and transfer the proceeds from the alienation to the secured creditor minus expenses incurred by the special administrator.

In this case the claims of a secured creditor shall be recovered out of turn within the amount received from sale of the pledge.

In the event the proceeds are not sufficient to satisfy the claims of the secured creditor in full, the remaining part of the claim must be paid up subject to general rank of priority in compliance with the procedure and based on the conditions set forth in this Law.

4. After alienation of the liquidation estate by the special administrator, the amount distributed among the creditors shall constitute the proceeds from alienation of the unsecured assets minus expenses on the bankruptcy process (net sale proceeds).

Expenses of the bankruptcy process shall include expenses on publication of the notice on the bankruptcy process, court expenses, expenses of the special administrator (temporary administrator), remuneration to the special administrator, and possible expenses of the debtor for the period during which the special administrator (temporary administrator) considered it necessary to continue the economic activity of the debtor and other expenses.

Article 87. Payment priorities

1. Net sale proceeds shall be distributed as follows:

first in priority are claims of citizens to whom the debtor is liable for damages inflicted to their life or health by means of capitalizing the corresponding periodical payments in the procedure established by the law;

second in priority are settlements on retirement and social benefits and salary payments for workers employed under labor agreement (contract), but for no more than a 3 month period;

third in priority are claims of unsecured creditors on the principal and interests thereto;

forth in priority are settlements on the principal amount of obligatory payments to the budget and extra budgetary funds;

fifth in priority are claims on payment of penalty (fine) of creditors of the third and forth priority including interests on the principal amount of obligatory payments to the budget and extra budgetary funds.

After all claims are satisfied the balance shall be paid to the owners of the debtor.

2. Claims of creditors of each priority are satisfied after satisfaction of claims of creditors of the previous priority.

3. The right to claim owned by a creditor under the obligation may be assigned to another person including a creditor of any priority in a transaction (assignment of a claim) in the procedure and on conditions established in the legislation.

4. Where the assets of the debtor are insufficient, the funds (property) shall be distributed among creditors of the corresponding priority in proportion to the amount of the claim subject to satisfaction, unless otherwise established by this Law.

5. Where the special administrator denies satisfaction of creditor's claims or evades their consideration, prior to approval of the liquidation balance of the debtor, the creditor may file a lawsuit to the court against the special administrator. The claim of the creditor may be satisfied from the remaining assets of the debtor by the court decision.

Article 88. Mutual settlements

1. If in the course of the special administration it is found out that the debtor has debt on the obligation (existing debt) or will have the debt (future debt) or may have the debt (possible debt) to another person, and at the same time this person has an existing, future or possible debt to the debtor, then:

1) the difference between the two debts which become due before the commencement of the special administration process, expressed in the monetary or other form, which difference is payable by one party to the other party shall be taken into consideration (mutual settlements);

2) if the monetary expression of the debt is not established, it shall be defined by the special administrator in order to carry out mutual settlements in the procedure set forth in subpoint (1) hereof;

3) settlement of any debts which arose after the commencement of the special administration process shall be prohibited.

2. Mutual settlement set forth in point 1 of this Article shall be prohibited in the event:

1) a third party is related to the debt of either party, and its rights may be violated;

2) one of the debts is a contribution of an owner to the authorized capital;

3) in accordance with obligation between creditors and debtors such mutual settlement will result in distortion in payment priorities set forth in this Law.

Article 89. Interests and penalty

1. Pursuant to the Civil Code of the Kyrgyz Republic accrual of interests and penalty (fine) on all debt obligations of the debtor shall be suspended from the time established in Article 23 of this Law or from the time of appointment of the special administrator.

2. Interests and penalty which the creditor was to receive before the bankruptcy process shall be included in the amount of creditors' claims and shall be paid in accordance with priority set forth in this Law.

Article 90. Collection of ungained profit

Creditors shall have the right to collect ungained revenues (lost profit) from the debtor, by including them in the amount of the principal claim.

Article 91. Consideration and enforcement of creditors' claims

1. The special administrator shall evaluate the payments due on creditors' claims.

2. Should the special administrator refuse to perform contractual or other obligations assumed by the debtor before the bankruptcy process, the person who is affected by such refusal may demand from the debtor in court compensation of damages at the expense of the property (assets) of the debtor in compliance with priorities set forth in this Law.

3. If debts or obligations of the debtor refer to the future, the period of their enforcement shall be considered shifted to an earlier period, so that the right to seize emerge immediately. In this case the special administrator must indemnify the damages, taking into account that the obligation or debt was paid up early. The special administrator shall independently calculate the amount of claims (damages) on such obligations or debts, unless the procedure for such calculation is established by subordinate normative legal acts.

4. The special administrator shall capitalize funds meant for payment of benefits and compensations for labor injury of workers of the debtor and shall transfer such funds to the Social Fund of the Kyrgyz Republic in accordance with the first priority set forth in this Law.

5. Owners of the debtor shall have the right to receive their contributions to the debtor's capital at the expense of the property (assets) left after satisfaction of all claims of debtor's creditors.

6. In accordance with this Law no one has the right to change the procedure and priorities of settlement with creditors, except in the instances of assignment of claims carried out in compliance with the legislation.

Government agencies and agencies of local self-government shall have no right to seize money or other property (assets) of the debtor, and to arrest this property (assets) after initiation of the bankruptcy case or declaration of the debtor as bankrupt in the extra-judicial procedure.

In order to save the property (assets) of the debtor, government agencies and agencies of local self-government shall have the right to file a claim to the court on ensuring safety of the property (assets) of the debtor before the court makes a final decision on the bankruptcy process.

Article 92. Ownerless property

Unless otherwise established by the legislation, property (assets) of the debtor remaining after satisfaction of creditors' claims which was offered for sale, but remained unsold shall be registered in the authorized agency of the corresponding local administration, and should there be no claims of debtor's owners on the rights to this property, it shall be considered ownerless in accordance with the Civil Code.

The special administrator must notify the authorized agency of the corresponding local administration about the existence of such property.

CHAPTER 8 SANITATION

Article 93. Concept of sanitation

1. Sanitation means a complex of financial, or economic, or organizational measures taken by the authorized agency upon the court decision and aimed at restoration of the debtor's solvency in order to enable it to settle with creditors within the period established by the court.

2. Sanitation shall apply only to the debtor which is a legal entity, in case the claim on finding the legal entity bankrupt was filed to court.

3. If the claim to find the debtor bankrupt (insolvent) was not filed in the court procedure, the sanitation may be carried out upon the agreement of the debtor with its creditors in the procedure and on conditions defined in such agreement.

Article 94. Application on conducting sanitation

1. Within seven calendar days after filing an application to commence the special administration process (or after the National Bank of the Kyrgyz Republic has made a decision) the debtor or owner of its property may file a claim to court for suspension of the case hearing and on conducting sanitation.

The court shall consider the expediency of sanitation within further fourteen days. In the event the court fails to render a judgment on sanitation within this period, the special administration process shall commence.

Time periods specified in this point may not be extended.

2. A petition for conducting sanitation may be filed in court, in the event:

1) the owner acknowledges the fact of the debtor's insolvency;

2) the debtor (owner) assumes additional losses of creditors incurred while the court considers expediency of sanitation, unless the court renders a judgment on sanitation.

Article 95. Surety and guarantee of third parties

1. The surety (guarantee) by a third party that all claims of creditors, including all court expenses will be recovered may be a valid condition for suspension of the special administration by the court and commencement of the sanitation.

2. Persons ready to assume obligations related to the sanitation shall bear duty to indemnify additional losses of creditors arising during sanitation including expenses on organization of competition, otherwise the court cannot render a judgment on sanitation.

3. Surety (guarantor) or a person willing to conduct the sanitation of the debtor must present evidence of their solvency and sufficiency of their financial means to pay the creditors.

Where the debtor is a bank, the court must make sure that the surety (guarantor) has enough funds to pay debts to depositors, in order to protect depositors' interests. In this case the court considers the opinion of the National Bank of the Kyrgyz Republic on the solvency of the surety (guarantor).

Article 96. Court judgment

1. Should there be no surety (guarantee) of third parties with regard to creditors' claims to the debtor including the one on compensation of court expenses to creditors, the court shall advertize in press (no later than three weeks after filing an application on commencement of the special administration) a competition of legal entities and individuals willing to undertake sanitation of the debtor.

2. In the event there is no person willing to undertake sanitation of the debtor within one month after publication (no later than seven weeks after filing an application for commencement of the special administration) or the debtor disagrees with the conditions of sanitation set by the person, the court shall render a judgment on commencement of the special administration.

Article 97. Procedure for conducting sanitation

1. A temporary administrator must be appointed to manage the affairs of the debtor for the time of considering the issue on sanitation by the court. The persons who petitioned to the court on sanitation shall pay the compensation to the temporary administrator.

2. The period of sanitation may not exceed six months. At the expiration of this period the debtor or its owner or sureties (guarantors) must provide evidence to the court that the debtor paid all the debts to creditors which existed at the time of commencement of the special administration. If the evidence is not presented or a creditor files a claim on renewal of the special administration process on the ground that the debtor failed or refused to pay the debt, the court shall immediately render a judgment on renewal of special administration process.

3. The sanitation of the debtor may not be conducted during 12 months after termination of the period of sanitation.

4. During the period of sanitation all actions aimed at enforcement of court judgments and other decision on recovery of debtor's debts and arrest of its assets shall terminate. Calculation of interests and penalty (fine) on obligations may continue during the period of sanitation, however the requirement to pay may be presented only at the expiration of this period.

5. The fact of filing a petition to the court on sanitation or court judgment on appointment of a temporary administrator or conducting the sanitation shall not deprive the secured creditor of the right to enforce the pledge.

CHAPTER 9 REHABILITATION

Article 98. General provisions

1. Rehabilitation of a debtor may be carried out with or without involvement of the court and shall apply both to an individual businessman and a legal entity.

2. Rehabilitation shall include the following:

1) development and submission of the written plan of rehabilitation of the debtor to the properly assembled creditors' meeting to have a corresponding decision rendered. The said plan must include justified suggestions on restoration of the debtor's solvency within the period of rehabilitation established by the plan;

2) approval or denial of the plan by the creditors' meeting. Rehabilitation process of the debtor shall start after approval of the plan;

3) after the plan has been approved, the creditors may appoint an external manager of the debtor for the period of rehabilitation;

4) rehabilitation of the debtor without the court participation may be carried out with the court participation upon the petition of any party related to rehabilitation;

5) the approved plan may be changed only upon agreement between the debtor and creditors;

6) rehabilitation process shall end after performance of the plan or upon the agreement between the debtor and all creditors.

3. In the event the rehabilitation plan is approved and signed by the debtor, external manager and all creditors who voted for it, it shall be binding for all creditors.

4. After the commencement of rehabilitation all judicial and other actions aimed at enforcement of judicial and other decisions on payment of the debt or arrest of the debtor's assets and on enforcement of obligation must be terminated (except for actions of the secured creditor). Any property claims may be filed only within the scope of the rehabilitation process.

5. Penalty (fine) provided by the obligation shall not be calculated for the period of rehabilitation. Interests on monetary claims (bank credit, loan, etc.), shall not be calculated within first three months after commencement of rehabilitation.

6. The court may deny the approval of the plan of rehabilitation or may convert the rehabilitation process into the special administration process, in the event:

- 1) the procedure for adopting the rehabilitation plan is not complied with;
- 2) the plan does not meet the requirements of this Law;
- 3) the debtor fails to perform or improperly performs the rehabilitation plan.

Article 99. Rehabilitation and special administration

1. The process of rehabilitation may be converted into the special administration process at any stage by the initiative of the following persons:

1) debtor through petitioning to the court (in case of rehabilitation with the involvement of the court) or to the properly assembled creditors' meeting (in case of rehabilitation without the court participation) with the request on termination of the rehabilitation process and commencement of the special administration;

2) creditors through petitioning to the court (in case of rehabilitation with the involvement of the court) with the respective request or through rendering such decision at the properly assembled creditors' meeting. The only ground for the above action may be debtor's failure to perform or improper performance of the adopted rehabilitation plan. The debtor may appeal this decision within 7 calendar days and petition to the court for restoration of the effect of the previous decision;

3) court by its own initiative (in case of rehabilitation with the court participation) through rendering the corresponding decision, in case of debtor's failure to perform or improper performance of the rehabilitation plan.

2. The special administration process of the debtor may be converted into the process of rehabilitation at any stage by the initiative of the following persons:

1) debtor through development and submission of the rehabilitation plan to the properly assembled creditors' meeting to have a corresponding decision rendered;

2) in case of special administration with the court participation the debtor must inform the court about the creditors' meeting called to consider the issue on rehabilitation and about the decision made at the meeting. In the event the decision on rehabilitation is made the court shall approve the decision provided all requirements of this section are met.

Article 100. Initiation of the rehabilitation process and role of the creditors' meeting

1. Rehabilitation procedure may be initiated by the debtor or a creditor (a group of creditors) through filing a petition to the court or by assembling a creditors' meeting.

2. To initiate a rehabilitation procedure the debtor must have an unsatisfactory balance or be unable to recover its debts after they become due, in this case the minimum amount of the debt is not required. Debtor's insolvency is implied and no evidence from the debtor is required.

Article 101. Conditions for conducting rehabilitation

1. After the decision on conducting rehabilitation is made in accordance with this Law, the debtor shall:

1) publish an announcement in the republican and oblast (or local) newspaper in the region which is closest to its main location. This announcement must be published minimum twice with the interval no less than ten calendar days. The announcement must indicate the time, date and place and purpose of holding the creditors' meeting;

2) send to all creditors:

a) notice indicating the time, date, place and purpose of the creditors' meeting;

b) preliminary financial statement including the balance statement and the list of all creditors with names and amounts due;

c) preliminary rehabilitation plan;

3) no earlier than 14 calendar days after publishing the last announcement and sending written materials set forth in the subpoint (2) of this point conduct the creditors' meeting in the place and at the time set forth in the announcement.

2. At the first meeting of creditors the debtor must present full financial information about itself and the written rehabilitation plan.

Article 102. Decision of the creditors' meeting

1. At the first meeting the creditors may decide to:

- 1) adopt the rehabilitation plan and appoint a temporary manager, if necessary;

2) make changes and amendments to the plan and suggest it to the debtor, who must accept or refuse the changed plan within 14 calendar days. Should the debtor reject the changed plan, the rehabilitation process may be converted into the special administration process in accordance with this Law;

3) postpone their decision for the period of no more than 14 calendar days. At the expiration of this period the second meeting shall be called;

4) decline the rehabilitation plan;

5) decline the rehabilitation plan and initiate the special administration process.

2. The decision of the first and any subsequent creditors' meeting shall be considered made, if the creditors claiming 60 and more per cent of the debtor's debt payable to those present at the meeting voted for it. The amount of debt payable to those absent from the meeting shall not be taken into account.

3. Creditors shall have the right to establish a creditors' committee pursuant to this Law.

4. Any creditor or the debtor shall have the right to appeal the decision of the creditors' meeting in court within seven calendar days. In this case the applicant must attach to the claim the text of the rehabilitation plan, minutes of the creditors' meeting and written objections to the rehabilitation plan of other interested persons, if any;

5. Subsequent creditors' meetings may be initiated by the external manager (if appointed), owners of the debtor or creditors who have claims for 20% or more of the total debt amount. Subsequent meetings may be called to change the plan, convert the rehabilitation process into the special administration process or for other legal purposes.

Article 103. External manager

1. An external manager when appointed shall be the only legal representative of the debtor in the rehabilitation process. His main function shall be the implementation of the rehabilitation plan.

2. The external manager shall use the rights and obligations of the special administrator, unless otherwise established by this section and the rehabilitation plan.

3. The debtor shall pay compensation to the external manager. The amount and procedure for payment shall be established upon the agreement of the parties.

4. The external manager shall inform the registration agency about the rehabilitation of the debtor to have necessary entry made in the registry.

Article 104. Rehabilitation plan

1. In development of the rehabilitation plan the debtor shall have the right to change the priority of satisfaction of claims of creditors. The rehabilitation plan must not:

1) infringe the rights of secured creditors and creditors of the first and second priority set forth in Article 87 of this Law, unless otherwise established by the agreement of the parties;

2) provide for the amount payable to any creditor which is less than the one he would have received in case of liquidation in the special administration process, unless otherwise established by the agreement of the parties;

3) establish different conditions for creditors of one and the same group, unless otherwise established by the agreement of the parties;

4) establish different conditions for creditors who voted against the plan (or did not take part in the voting) against creditors who voted for the plan.

2. The rehabilitation plan must establish the precise procedure for satisfaction of creditors' claims.

3. The rehabilitation plan must envisage:

1) maintenance of all or part of assets by the debtor;

2) sale (alienation) or distribution of any part of assets of the insolvent debtor;

3) reorganization of the debtor in accordance with the legislation;

4) renegotiation of contractual terms including the change in the interest rate;

5) changes in management;

6) production of new goods, and new marketing strategies;

7) termination of debtor's obligations through forgiveness of debt, compensation for release from obligation, novation of the obligation, postponement or installment performance of obligations, discount or other means provided by the civil legislation;

8) assignment of the debtor's right to claim, exchange of debt for equity;

9) performance of debtor's obligations by third parties;

10) satisfaction of creditors' claims by other means consistent with the civil legislation.

Article 105. General provisions

1. At any stage of the bankruptcy process the debtor and creditors shall have the right to enter into an agreement which provides for termination of the debtor's obligations, decrease in the amount of creditors' claims to the debtor on these obligations and (or) postponement of their performance (amicable agreement).

2. Unilateral refusal to perform the amicable agreement which came into effect shall be prohibited.

3. Third parties which assume obligations set forth in the amicable agreement shall be allowed to participate in the amicable agreement.

4. The amicable agreement must be approved by the court. The amicable agreement shall become effective from the day of its approval.

5. The amicable agreement approved by the court upon the agreement between certain creditors and the debtor may not be rescinded.

Article 106. Form of the amicable agreement

1. The amicable agreement shall be in writing.

2. On behalf of the debtor the amicable agreement shall be signed correspondingly by a debtor who is an individual businessman or by a debtor's manager, temporary administrator, external manager or special administrator and by all creditors who voted for it.

3. In the event third parties participate in the amicable agreement, on their behalf the amicable agreement shall be signed correspondingly by an individual, manager of a legal entity or by their representatives.

Article 107. Content of the Amicable Agreement

1. The amicable agreement must contain provisions on the amount, periods and procedure for performance of obligations of the debtor and (or) on termination of debtor's obligations through forgiveness of debt, compensation for release from obligation, novation of the obligation or by other means stipulated in the civil legislation.

2. The amicable agreement may contain the following provisions:

1) on postponement or installment performance of obligations;

2) on discount from the debt;

3) on assignment of the debtor's right to claim;

4) on performance of debtor's obligations by third parties;

5) on exchange of debt for stocks;

6) on satisfaction of creditors' claims by any other means consistent with the legislation.

Article 108. Procedure for entering into the amicable agreement

1. The decision of the creditors' meeting shall be considered adopted, if the creditors claiming 60 and more per cent of the debtor's debt payable to those present at the meeting voted for it. The amount of debt payable to those absent from the meeting shall not be taken into account.

2. In the event the decision on entering into the amicable agreement is made, the amicable agreement may not set forth less favorable conditions for the creditors who did not take part in voting on the issue of the amicable agreement and for those who voted against it in comparison to those creditors of the same priority who gave their consent to the amicable agreement.

3. The court judgment on approval of the amicable agreement may be appealed in accordance with the legislation on civil procedure.

Article 109. Consequences of the amicable agreement

1. Signing the amicable agreement in the bankruptcy process shall serve the grounds for termination of the moratorium on satisfaction of creditors' claims.

2. From the time the amicable agreement is signed an individual businessman, manager of the debtor or an administrator shall commence the recovery of accounts payable.

Article 110. Conditions for approval of the amicable agreement by the court

1. The amicable agreement may be entered into provided that accounts payable of the first and second priority are recovered.
2. An individual businessman, manager of the debtor or administrator must submit an application to court for approval of the amicable agreement within five days from the time of signing the amicable agreement.
3. The following must be attached with the application:
 - 1) text of the amicable agreement;
 - 2) minutes of the creditors' meeting;
 - 3) list of creditors indicating their addresses and amount of debt;
 - 4) documents confirming the recovery of accounts payable of the first and second priority;
 - 5) written objections of creditors who did not participate in voting or who voted against the amicable agreement.
4. The court shall notify the interested parties about the date of consideration of the amicable agreement. Failure of the notified parties to appear in court shall not impede the hearing of the case.

Article 111. Consequences of approval of the amicable agreement
by the court

1. Approval of the amicable agreement shall serve the grounds for termination of the bankruptcy process and powers of the administrator.
2. The administrator shall continue to perform his duties until a manager of the debtor is appointed (elected).

Article 112. Dismissal of amicable agreement

1. In the event obligations on recovery of accounts payable of the first and second priority are not performed, the court shall dismiss the amicable agreement.
2. The court may dismiss the amicable agreement in the event:
 - 1) the procedure for entering into the amicable agreement set forth in this Law is not complied with;
 - 2) requirements to the form of the amicable agreement are not observed;
 - 3) rights of the third parties are violated;
 - 4) the conditions of the amicable agreement contradict the requirements of the legislation.
3. The court shall render a judgment on refusal to approve the amicable agreement which may be appealed.
4. In the event the court renders a judgment refusing to approve the amicable agreement, it shall be considered not entered.
5. The court judgment on dismissal of the amicable agreement shall not impede entering into a new amicable agreement.

Article 113. Invalidity of the amicable agreement

Upon the petition of the debtor or a creditor, the amicable agreement may be found invalid by the court:

- 1) in the event it contains clauses providing for privileges to certain creditors or infringing the rights and legal interests of certain creditors;
- 2) in the event the performance of the amicable agreement may lead the debtor to bankruptcy;
- 3) where there are other grounds for invalidity of transactions set forth in the civil legislation.

Article 114. Consequences of invalidation of the amicable
agreement

1. Invalidation of the amicable agreement shall serve the grounds for renewal of proceedings on the debtor's bankruptcy. The court shall render a judgment on renewal of the proceedings which may be appealed.
2. In the event the court invalidates the amicable agreement, claims of creditors which satisfaction has been postponed and (or) was made by installments or which were subject to the debt discount shall be restored in their unrecovered part.
3. Invalidation of the amicable agreement shall not result in the obligation of creditors of the first and second priority to return to the debtor the funds received in recovery of the debt.
In the part not regulated by this Article consequences of the invalidity of transactions set forth in the civil legislation shall apply.
4. In the event of invalidation of the amicable agreement the notice about the renewal of bankruptcy proceedings of the debtor shall be published in the republican press by the court at the expense of the debtor.

Article 115. Consequences of failure to perform or of improper performance of the amicable agreement

1. In the event of failure to perform or improper performance of the amicable agreement by the debtor, the debtor shall bear the liability set forth in the civil legislation for breach of obligations.

2. In the event of initiation of the bankruptcy proceedings against the debtor, restructuring and sanitation may not be applied to a debtor which failed to perform or improperly performed the previously entered amicable agreement.

CHAPTER 11
PARTICULAR FEATURES OF BANKRUPTCY OF BANKS

Article 116. Rehabilitation of a bank

1. Where there is a threat for the creditors in connection with the unstable financial situation, the rehabilitation process may be applied to the bank, during which any restructuring, organizational and business, financial and economic, legal, technical, investment and other measures consistent with the legislation and aimed at restoration of the bank's solvency in order to prevent its liquidation may be taken. Rehabilitation process shall apply to a bank in accordance with the provisions of this Law and with its prior approval by the National Bank.

2. The bank may be reorganized only with the consent of the National Bank.

Article 117. Conservation of a bank

1. When the National Bank of the Kyrgyz Republic, after consideration of the application of the bank, or of its owners or creditors on commencement of the bankruptcy process of the bank, or after examination on his own initiative of the state of affairs in the bank, decides that conservation of the bank would be more expedient than the special administration, then it may take a decision on conservation of the bank and may appoint a qualified specialist as bank's conservator.

2. The special status of the bank - its conservation - shall commence from the moment the National Bank of the Kyrgyz Republic takes a decision and from the moment of appointment of a conservator.

Article 118. Powers of the conservator

1. The conservator shall decide the issue of the expediency of applying bankruptcy proceedings provided by this Law.

2. From the time of appointment of the conservator powers of all owners and managers of the bank shall terminate and shall be transferred to the conservator.

The main duty of the conservator shall be to conduct conservation of the bank. He shall have the right to conduct conservation with or without the present management of the bank.

3. The conservator shall have the right to solicit borrowed funds in order to conduct conservation. In this case claims of creditors who lend to the conservator during the period of conservation of the bank shall be satisfied away from priorities set forth in Article 87 of this Law.

4. Unless otherwise established by the conservator or the National Bank of the Kyrgyz Republic, from the moment of appointment of the conservator the following shall apply to the bank:

1) owners and managers of the bank may not make a decision on initiation of the special administration process and any decision made earlier shall be considered invalid;

2) only the National Bank of the Kyrgyz Republic or the conservator shall have the right to initiate the bankruptcy process and any application to commence the bankruptcy process filed earlier must be dismissed;

3) enforcement of the effective court judgment on collection of the debt from the bank shall be suspended;

4) enforcement of the pledged property which the bank holds or repossession of the property in bank's possession shall be prohibited;

5) creditors (depositors) having the right to receive satisfaction of their claims pursuant to the legislation on protection of deposits shall have the right to file their claims to the conservator after his appointment.

5. The conservator of the bank with the consent of the National Bank of the Kyrgyz Republic shall have the right to pay certain or all depositors the amounts due partially or in full.

6. The bank shall bear full liability for all transactions entered into on behalf of the bank including conservation expenses.

7. The National Bank of the Kyrgyz Republic and the conservator shall bear no liability on transactions and expenses of the bank related to its conservation and appointment of the conservator.

8. The National Bank of the Kyrgyz Republic shall have the right to extend conservation:
 - 1) until the solvency of the bank is restored and mandatory normatives set forth in the legislation are performed;
 - 2) until the decision on commencement or initiation of the special administration process is made.
9. The National Bank of the Kyrgyz Republic shall have the right to appoint conservation for the period not exceeding six months. This period may be extended for up to two years. In exceptional cases the period of conservation may be extended for the second time, but in any case, the total period of conservation may not exceed three years.

Article 119. Special Administration of a bank

1. The National Bank of the Kyrgyz Republic shall decide the issue on expediency of the special administration of the bank.

Unless the National Bank of the Kyrgyz Republic sustains the application of a creditor (creditors) or the bank itself (bank owners) on the special administration, the bank may not be subject to the special administration process.

2. A person initiating the special administration process of the bank must file an application to the National Bank of the Kyrgyz Republic.

3. The National Bank of the Kyrgyz Republic shall have the right to:

1) sustain the application of the creditor on initiation of the special administration process in the judicial or non-judicial procedure;

2) sustain the decision of the bank owners on initiation of the special administration process of the bank without the court participation;

3) commence the special administration process of the bank on its own behalf by appointing a special administrator, in this case the National Bank of the Kyrgyz Republic must notify the corresponding bank about the commencement of the process and appointment of the special administrator within three calendar days in writing.

In the event the application of the creditors or the bank itself on commencement of the special administration process is sustained, the bank license shall be revoked.

4. Owners or creditors (depositors) shall have the right to petition to the court on suspension of the decision of the National Bank of the Kyrgyz Republic and commencement of sanitation in accordance with this Law.

The special administration process may not be suspended, unless the court renders a judgment on commencement of the sanitation.

From the time of commencement of the special administration process the National Bank of the Kyrgyz Republic must call the creditors' meeting, in order to inform the creditors about the decision made.

5. Provisions of the subpoint 5 of Article 29 and Article 30 of this Law shall not apply to banks.

6. The decision on sustainment or non-sustainment of the application of the National Bank of the Kyrgyz Republic must be made by the court within the period not exceeding one month. This period may not be extended.

In the event the court fails to make the decision at the expiration of the one month period, the suggestion of the National Bank of the Kyrgyz Republic shall be considered adopted and the special administration process shall be considered commenced and the National Bank of the Kyrgyz Republic shall appoint a special administrator.

7. The petition of the National Bank of the Kyrgyz Republic to the court on sustainment of the decision on the special administration process of the bank with the court participation must be considered within one month period. The court may not extend this period.

In the event the court does not make a decision on the petition of the National Bank of the Kyrgyz Republic within one month period, the petition shall be considered approved and the special administration process may be commenced with the appointment of the special administrator by the National Bank of the Kyrgyz Republic.

Article 120. Particular features of the special administration of a bank

1. The special administration process of a bank shall be conducted in accordance with this Law and on conditions set forth for other debtors, unless otherwise established by this Law.

2. The National Bank of the Kyrgyz Republic shall have the right to issue detailed recommendations and rules concerning the special administration, rehabilitation and other measures for an insolvent bank complementary to this Law and not contradictory to it.

3. When the National Bank of the Kyrgyz Republic in accordance with its powers granted to it pursuant to the Laws of the Kyrgyz Republic on Banks and Banking Activity and on the National Bank of the Kyrgyz Republic, requires the bank to have specific amount of the authorized, reserved and other fund, and the amount of these funds of the bank is insufficient, the missing amount shall be added to bank obligations.

4. In evaluation of assets of the bank, debts payable to the bank shall not be taken into account, in the event the repayment of the principal and interests is overdue. Instructions of the National Bank of the Kyrgyz Republic may allow full or partial set-off of some of such bad debts and may specify the conditions of when such debt is considered overdue.

Article 121. Sanitation of banks

Owners or managers of the bank may petition to the court for sanitation within one week from the date when the National Bank of the Kyrgyz Republic made a decision on commencement of the special administration process.

CHAPTER 12 BANKRUPTCY OF AN INDIVIDUAL BUSINESSMAN

Article 122. Particular features of the special administration of an individual businessman

1. Rules governing the procedure of special administration of a legal entity, with the particularities established by this Article, shall apply to the relationships relevant to the procedure of special administration of an individual businessman.

2. Procedure of special administration in respect to the individual businessman shall be initiated by the creditors in compliance with the requirements of Article 9 and Article 21 hereof.

3. Individual businessman shall be found bankrupt only by the decision of the court. As of the moment of effectuation of the court decision on finding an individual businessman bankrupt, his registration as a businessman shall be invalidated. The court shall inform the registration agency which carries out registration of businessmen, for the purpose of entering records into the state registry.

4. Other claims on the obligations which are not related to activity of the individual businessman may be presented to the special administrator. In such instances, these claims shall be satisfied in accordance with the priority established by this Law.

5. Upon termination of the procedure of special administration and termination of the settlements on submitted claim of the creditors, the individual businessman shall be relieved of the liability on all obligations and claims of the creditors relevant to his/her business activity, submitted to performance and taken into consideration while finding the businessman bankrupt.

Claims of creditors not relevant to the business activity, and which were not submitted while the special administration process, shall remain effective and may be presented for collection to the debtor, as an individual.

6. Property of an individual businessman which may not be collected is determined by the civil procedure legislation.

7. An individual businessman who is found bankrupt by the court may be prohibited to engage in business activity within a certain period which should not exceed 3 years. Failure to comply with this decision of the court shall entail the liability of the offender in accordance with the legislation.

CHAPTER 13 BANKRUPTCY OF INDIVIDUALS ENGAGED IN AGRICULTURAL PRODUCTION

Article 123. Bankruptcy of individuals engaged in agricultural production

1. The court may decide to find an individual (peasant's) farm, collective farm, and other agricultural enterprises bankrupt, in accordance with the petition by the creditors of this farm.

Farms listed in this Article may announce themselves bankrupt by the decision taken jointly with the creditors, without recourse to court.

2. An individual businessman engaged in agricultural production may be found bankrupt only by court, in compliance with the requirements of Article 122 of this Law.

Article 124. Legal basis of bankruptcy process of individuals engaged in agricultural production

Unless otherwise provided by the legislation, rules of this Law shall apply in the bankruptcy process of individual (peasant's) farms, collective farms, other agricultural enterprises and individual businessmen engaged in agricultural production.

CHAPTER 14 BANKRUPTCY OF MISSING DEBTOR

Article 125. Particular features of petitioning on finding missing debtor bankrupt

If the debtor who is an individual businessman or a manager of the debtor that is legal entity are missing, and identification of their location is impossible, the creditor, or the Government Bankruptcy Agency, irrespective of the amount of the accounts payable may file a petition to court on finding the debtor bankrupt.

Article 126. Consideration of case of bankruptcy of missing debtor

1. The court shall within two days after initiation of proceedings on the petition on finding the debtor bankrupt, shall make a decision to find the debtor bankrupt and to commence the process of special administration.

2. The decision of the court shall be sent to the Government Bankruptcy Agency, which within one week after receipt of this decision shall present to the court the candidacy of the special administrator.

3. The special administrator shall inform in writing on the bankruptcy of the debtor all known creditors, who within one month after receipt of the notice may present their claims.

Article 127. Satisfying claims of creditors of missing debtor

1. Creditors' claims shall be satisfied in accordance with the priority provided by this Law. Creditors may appeal the results of consideration of their claims by the special administrator to court, as of the moment of approval of the liquidation balance.

2. After settlements with the creditors, the special administrator shall compile the liquidation balance, and submit it to court along with the report on his/her activity.

3. Should the property of debtor be discovered, the amount gained from the sale thereof shall be used to cover judicial expenditures, and payment of compensation to the special administrator.

Article 128. Application of provisions on bankruptcy of missing debtor

Rules provided by this Section shall also apply in instances when the property of the debtor is knowingly insufficient to indemnify judicial expenditures in case of debtor's bankruptcy, or when within the last twelve months no operations with his accounts were performed, and in the presence of other signs which testify for the absence of business or other activity of the debtor.

President of the Kyrgyz Republic A.Akaev

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the Jogorku Kenesh of the Kyrgyz Republic September 22, 1997