



Insolvency Law in Uzbekistan

Most Important General Provisions

CHAPTER I General Legal Entities

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The Preamble

Insolvency, generally speaking, refers to a financial state of distress in which a legal entity has a financial difficulty to meet its financial obligation. In this overview, we are going to try to explain, in simply words, main terms and conditions of insolvency law of Republic of Uzbekistan entered into force on April 13, 2022.

I. General provisions.

a. Main Purpose.

The main purpose of this law is to regulate Insolvency terms and conditions of legal entities.

Exemption. Government and none-profit institutions, except for legal entities acting in form of a consumer cooperative of public foundation.

Note: In case if international treaties of the Republic of Uzbekistan stipulate other rules rather than legislative acts of the Republic of Uzbekistan, then rules of International treaties shall prevail.

b. General Definitions.

Basic terms consist of following definitions: insolvency, bankrupt, homogeneous (similar) creditors, settlement agreement, creditors, creditors meeting, creditors committee, representative, observation procedure (monitoring), property sale procedure, moratorium, monetary (pecuniary) obligation, taxes and fees, false insolvency (fictitious bankruptcy), judicial manager (court trustee), judicial rehabilitation procedure (Sanation), pre-judicial rehabilitation procedure, external management, liquidation proceedings, solvency restoring procedure, concealment (cover up) of insolvency, debtor, founders representative, debtor's employees representative, debt restructure procedure, intentional (deliberate) insolvency, agricultural entity, city-forming and equivalent entity.

c. Signs of Insolvency.

Temporarily insolvency – when debtor cannot satisfy creditors' claims for monetary obligations (taxes and fees) as of the date of applying to the court, if the debtor has not fulfilled these obligations within 3 (three) months from the date of occurrence.

Exemption. City-forming entities and equivalent, have 6 (six) month period instead of 3 (three).

Permanent Insolvency – if the debtor's obligations exceed the value of their assets on the date of court filing and in the beginning of the year reporting period, and the

beginning of the previous year reporting period if a court filing occurred in first quarter of the year.

Note: Both temporarily and permanent insolvency signs could be considered as legal grounds for an insolvency legal proceedings.

d. Court Consideration Proceedings.

Insolvency cases are being reviewed by the court based on a lawsuit filings made by the entity (authority), within the debtor's registration jurisdiction. Court proceedings are regulated by the Economic Procedure Code of the Republic of Uzbekistan, with consideration of terms and conditions of the Insolvency law of Republic of Uzbekistan.

e. Court Filing Rights.

Right for filing a lawsuit have both Creditor and the Debtor, as well as Government Tax Authorities (RE: dues of Taxes and Fees) and authorized Government Body (if there is a government share in entity's statutory fund and/or monetary liability to the Republic of Uzbekistan).

f. Obligations of Debtor, Liquidation Commission and Liquidator.

Entity's principal is obliged to apply for initiation of insolvency proceedings against the entity (debtor) to the court, if:

- satisfaction of claims of 1 (one) or several creditors will lead to inability to fulfill its monetary obligations to other creditors and/or duties on taxes and fees;
- debtor's executive body, entitled to make a decision on court filing on the liquidation, based on internal bylaws of the entity, made a decision to file for liquidation;
- foreclosure on the debtor's property may render the debtor's activities impossible or lead to non-satisfaction of the claims of other creditors.

In case if during liquidation process, liquidation commission or a liquidator realizes that satisfaction of all the claims is not possible, they are obligated to apply to the court with an application to initiate insolvency proceedings against the debtor. The application of the debtor, the liquidation commission or the liquidator must be sent to the court no later than one month from the moment the circumstances occurred.

g. Subsidiary Liability.

Failure by the principal of the debtor, members of the liquidation commission or the liquidator to file with the court an application for initiation of insolvency proceedings



against the debtor shall entail subsidiary liability of above mentioned parties for monetary obligations and (or) obligations for taxes and fees of the debtor that arose after the expiration of 1 (one) month period.

h. Information Release Obligations.

In case of signs of insolvency determination, tax authorities and government statistics bodies shall be obliged to submit to the authorized government body information on entities with a government share in the statutory fund (authorized capital), as well as other information on the economic solvency of entities at the request of authorized government body.

II. Rights, Duties and Responsibilities of Participants.

a. Creditors and Meeting of Creditors.

During any insolvency procedures interests of all the creditors are protected by the meeting of creditors or committee of creditors. From the date of court initiation of the insolvency proceedings against the debtor, creditors do not have a right to approach a debtor with any claims individually. Each and every action in relation to the debtor are performed by the meeting of creditors or committee of creditors.

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The organization and conduct of the meeting of creditors shall be carried out by the judicial manager (court trustee).

b. Groups of Similar (Homogeneous) Creditors.

Similar creditors are divided into following groups:

- Creditors, where debtor's obligations are secured by a collateral;
- Creditors, where debtor's obligations are NOT secured by a collateral;
- Creditors for Taxes and Fees;
- Creditors for remuneration and payment of compensation under employment contracts, claims for the recovery of alimony, copyright agreements, as well as damage claims caused to property as a result of a criminal or administrative offense;
- Debtor's owners, principal and shareholders on accrued dividends.

c. Meeting of Creditors Notices.

A proper notice considered to be a notification send out to a creditor, relevant government body and other parties, who have a right to participate in Meeting of Creditors, either by mail (post) no later than 2 (two) weeks before the date of the meeting, or by any other way ensuring recipient of such a message at least 5 (five) days before the date of actual meeting.

Note: If it is impossible to identify the information necessary for the personal notification of the creditor or other person entitled to participate in the meeting of creditors, or if there are other circumstances that preclude the possibility of personal notification of the said persons, the publication of a notice on holding a meeting of creditors in the manner determined by the Cabinet of Ministers of the Republic of Uzbekistan, and in the mass media determined by it, shall be deemed proper notification. The judicial manager (court trustee) must give an opportunity for creditors to familiarize themselves with the materials to be considered at the meeting of creditors not less than 3 (three) working days before the date of the meeting.

d. Terms for Convening Creditors' Meeting.

The meeting of creditors shall be convened at the initiative of the judicial manager (court trustee) or at the request of the committee of creditors or at the request of creditors whose claims for monetary obligations and (or) obligations for taxes and fees amount are not less than one third of the total amount of claims for monetary obligations and (or) obligations for taxes and fees entered in the register of creditors' claims, or at the initiative of one third of the total number of creditors.

e. Meeting of Creditors Decisions.

Decisions of the meeting of creditors shall be adopted by a majority of votes. Creditors votes are calculated in proportion to its share in the total accounts payable on the date of the meeting of creditors.

III. Regulations.

a. The Cabinet of Ministers of the Republic of Uzbekistan Authorities.

The Cabinet of Ministers of the Republic of Uzbekistan shall:

- approve a unified procedure for submitting claims of the Republic of Uzbekistan as a creditor in insolvency proceedings for monetary obligations and/o obligations for taxes and fees;

- approve the certification procedure, qualification and professional requirements for persons acting as judicial managers (court trustees), and the procedure for maintaining a unified register of judicial managers (court trustees);
- approve the procedure for the activities of judicial managers (court trustees);
- determine the procedure for the formation and use of the rehabilitation (Sanation) fund;
- establish the procedure for the sale of property;
- approve the regulation on the authorized government body;
- exercise other powers in accordance with the legislation.

b. Authorized Government Body Authorities.

The Agency for Management of State Assets of the Republic of Uzbekistan considered to be the authorized government body.

The Agency for Management of State Assets of the Republic of Uzbekistan shall:

- monitor the financial condition of entity, in the statutory fund (authorized capital) of which there is a state share, in order to identify insolvent, unprofitable and economically insolvent entities (enterprises) and organize the formation of their electronic database;
- file with the court a claim to initiate a case on the insolvency of enterprises in the statutory fund (authorized capital) of which there is a government share and/or liabilities to the Republic of Uzbekistan for monetary obligations;
- conduct certification of judicial managers (court trustees) and maintain a unified register of judicial managers (court trustees);
- coordinate plans for pre-judicial rehabilitation (Sanation), judicial rehabilitation (Sanation) and external management of enterprises in the statutory fund (authorized capital) of which there is a government share;
- exercise control over the course of pre-judicial rehabilitation (Sanation) and insolvency procedures of enterprises in the statutory fund (authorized capital) of which there is a government share;
- observe (monitor) the insolvency process;
- exercise control over the activities of judicial managers (court trustees) in accordance with the legislation, file to the court for the release of the judicial

manager (court trustees) from the performance of duties if a systematic or single gross violation of the legislation is detected;

- have the right to nominate candidates for judicial managers (court trustees) in the course of consideration of cases of a simplified insolvency procedure, as well as in the liquidation proceedings of enterprises in the statutory fund (authorized capital) of which there is a government share;
- impose fines on managers or other officials of enterprises, financial condition of which are monitored, for failure to provide or untimely provision of materials on the financial and economic activities of these enterprises;
- exercise other powers in accordance with the legislation.

Decisions of the Agency for Management of State Assets of the Republic of Uzbekistan, adopted within its authorities, shall be binding on ministries, government committees, agencies, other government bodies, legal entities and natural persons.

IV. Procedures and Pretrial Rehabilitation (Sanation).

a. Insolvency Judicial Procedures.

Insolvency cases have following procedures:

- observation;
- judicial rehabilitation (Sanation);
- external management;
- liquidation.

b. Extrajudicial Procedures.

Extrajudicial procedures may include prejudicial (pretrial) rehabilitation (Sanation) or voluntary liquidation (termination of activities) of the debtor.

prejudicial (pretrial) rehabilitation (Sanation) shall be carried out before initiation of insolvency proceedings.

In the event of the appearance of signs of insolvency, principal of the debtor is obliged to notify in writing the founders (shareholders), the debtor's governance bodies or the owner of the debtor's property.

In order to prevent insolvency, before filing with the court by the founders (shareholders), the debtor's governance body or the owner of the debtor's property to declare the debtor's insolvency, measures shall be taken aimed at the financial recovery of the debtor. Measures aimed at the financial recovery of the debtor may also be taken by creditors or other persons on the basis of an agreement concluded with the debtor.

The object of prejudicial (pretrial) rehabilitation (Sanation) shall be the debtor which is a legal entity. The subjects of prejudicial (pretrial) rehabilitation (Sanation) may be the founders (shareholders) of the debtor, the owner of the debtor's property, government bodies and others.

c. Measures of Pretrial (Prejudicial) Rehabilitation (Sanation).

The main measures of pretrial (prejudicial) rehabilitation (Sanation) are:

- full or partial repayment (redemption) of overdue debts;
- re-profiling of production for the manufacturing of competitive products;
- attraction of highly qualified specialists;
- training, retraining and advanced training of personnel;
- provision of financial assistance by legal entities and persons interested in restoring the solvency of the debtor and continuing its activities;
- agreement between the debtor and creditors aimed at reaching a consent between them on the deferment and/or installment of payments due to creditors or a discount on debts in order to continue the activities of the debtor;
- deferral of payment of taxes and fees and repayment of loans for the period of pretrial (prejudicial) rehabilitation (Sanation);
- reorganization of the debtor.

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When carrying out pretrial (prejudicial) rehabilitation (Sanation) with the provision of government support to the debtor, a rehabilitation (Sanation) account shall be opened in the servicing bank with the suspension of previously existing accounts. The procedure for using the rehabilitation (Sanation) account shall be determined by legislation.

Pretrial (prejudicial) rehabilitation (Sanation) with the provision of government support to the debtor shall be introduced for a period of 12 (twelve) to 24 (twenty-four) months. The procedure of pretrial (prejudicial) rehabilitation (Sanation) with the provision of government support may be terminated due to the determination of its inefficiency.



V. Trial Proceedings (Detailed).

a. Grounds for Initiating Insolvency Case.

An insolvency case may be initiated by a court if signs on Insolvency are present.

Insolvency proceedings are initiated on the basis of an application from creditors, the debtor and persons authorized by this Law.

The basis for applying to the court to initiate an insolvency case and applying one of the procedures for restoring solvency is the temporary insolvency of the debtor.

The basis for applying to the court for the initiation of insolvency proceedings against the debtor and declaring him bankrupt, as well as the commencement of liquidation proceedings, is the permanent insolvency of the debtor.

Evidence confirming the validity of the creditor's claims, including a court decision that has entered into force, evidence of recognition of these claims by the debtor, an executive letter from a notary are the basis for the creditor to file with the court an application to initiate insolvency proceedings against the debtor and declare him bankrupt, as well as the commencement of liquidation proceedings.

The basis for filing by the government tax service to initiate an insolvency case against the debtor is the measures taken to collect overdue of taxes and fees.

b. Insolvency Case Participants.

The persons involved in the insolvency case are:

- the debtor;
- temporary manager, court manager, sanation manager, external manager, liquidation manager (court trustee);
- creditors from the moment they submit claims to the debtor in accordance with the procedure established by this Law;
- authorized government body;
- the person who provided security for the debtor's obligations;
- a representative of the employees of the debtor;
- a representative of the founders (shareholders);
- the owner of the debtor's property;

- a representative of the creditors' meeting (creditors' committee);
- and others.

Persons participating in an insolvency case, during any procedure applied in an insolvency case, may file with the court a request for the appointment of an expert examination in order to identify signs that led to false insolvency, concealment of insolvency or intentional insolvency.

c. The Debtor's Claim.

The debtor's claims for the initiation of insolvency proceedings against him is submitted to the court in writing or electronically and signed respectively by the debtor's principal.

In the debtor's claim for the initiation of insolvency proceedings against him, the following must be indicated:

- the name of the court to which the claim was submitted;
- the applicant's name (surname, first name, patronymic) and location (postal address), e-mail address (if available);
- the amount of creditors' claims for monetary obligations recognized by the debtor;
- the amount of the debtor's debt for compensation for harm to the life or health of employees, wages and severance payments to be paid to the debtor's employees;
- the amount of remuneration due for payment under copyright agreements;
- the amount of taxes and fees owed;
- justification of the inability to satisfy creditors' claims in full;
- information on statements of claim against the debtor accepted for production by the courts, as well as on executive documents submitted for undisputed write-offs;
- information about the debtor's property, including cash, accounts receivable;
- the numbers of the debtor's bank accounts, the postal address of the bank;
- the list of attached documents.

The debtor is obliged to send a copy of the debtor's statement to creditors and other persons involved in the insolvency case.

If, before submitting the debtor's claim, a representative of the founders (shareholders) or the owner of the debtor's property, a representative of the debtor's employees, is elected, then a copy of the debtor's claim needs to be sent to them as well.

d. Documents Attached to Debtor's Claim.

Documents confirming the existence of debt, as well as the debtor's inability to satisfy creditors' claims in full, and other circumstances that were the basis for the debtor's claim.

The debtor's claim for the initiation of insolvency proceedings accompanied by:

- constituent documents of the debtor;
- a list of creditors and debtors with a breakdown of accounts payable and receivables and an indication of the location (postal address), e-mail address (if any) of creditors and debtors;
- the balance sheet;
- the decision of the founders (shareholders) or the owner of the debtor's property to initiate an insolvency case;
- minutes of the meeting of the debtor's employees, at which a representative of the debtor's employees was elected to participate in the consideration of the insolvency case, if such a meeting was held before filing a claim for initiation of an insolvency case.

e. The Creditor's Claim.

The creditor's claim for the initiation of insolvency proceedings against the debtor is filed with the court in writing or electronically. The application of a creditor is signed by its principal or representative.

In the creditor's claim for the initiation of insolvency proceedings against the debtor, the following must be indicated:

- the name of the court to which the claim is submitted;
- the name (surname, first name, patronymic) of the claimant and his location (postal address), e-mail address (if available);

- the name (surname, first name, patronymic) of the debtor and the location (postal address), e-mail address (if available);
- the amount of the debtor's monetary obligation to the creditor from which the claim arose, as well as the term of its execution;
- evidence of the validity of the creditor's claims, including a court decision that has entered into force, evidence confirming the recognition of these claims by the debtor, a notary's executive inscription;
- the list of attached documents.

The creditor is obliged to send a copy of his application to the debtor. Creditors have the right to combine their claims against the debtor and apply to the economic court with a single application. Such a statement is signed by creditors who have consolidated their claims.

f. Documents Attached to Creditor's Claim.

In addition to the documents provided for by the Economic Procedural Code of the Republic of Uzbekistan, documents confirming the debtor's monetary obligations to the creditor, in case of insolvency in a simplified manner, proof of payment of expenses for the payment of remuneration of the court manager (court trustee) have to be attached. Also, a power of attorney confirming the authority to sign the claim have to be attached.

The creditor's claim for the initiation of insolvency proceedings against the debtor, if any, is also accompanied by:

- the court decision that considered the creditor's claims against the debtor;
- a writ of execution (writ of execution, payment claims accepted by the debtor, notary's writ of execution, etc.) or evidence confirming the debtor's recognition of the creditor's claims.

The claim of the authorized government body to the court to initiate a case on the insolvency of an enterprise in the statutory fund (authorized capital) of which there is a state share and/or debt to the Republic of Uzbekistan for monetary obligations is submitted in writing or electronically with the necessary documents confirming the debtor's insolvency.

The application of the government tax service body and other authorized body for the initiation of insolvency proceedings against the debtor must be accompanied by the evidence of taking measures to repay taxes and fees in accordance with the legislation.

g. Initiation of Insolvency Proceedings.

The judge decides on the acceptance of the claim, for the initiation of an insolvency case against the debtor or on the refusal to accept or on return a claim for the initiation of an insolvency case no later than 5 (five) days from the date of receipt of the claim.

The judge accepts the claim for the proceeding of debtor's insolvency case filed in compliance with the requirements of the Economic Procedural Code of the Republic of Uzbekistan and this Law.

When accepting a claim for the initiation of a debtor's insolvency case, the judge may issue a ruling on the introduction of an observation (monitoring) procedure and the appointment of a temporary court manager (court trustee).

The court's ruling on the initiation of an insolvency case is sent by the court to the bodies of the government tax service and other authorized bodies, to the state executor at the location (place of residence) of the debtor.

The debtor, a legal entity, is obliged to send copies of the ruling on the initiation of a case on its insolvency to the specified persons (bodies) at the location of the debtor's representative offices and branches.

The judge refuses to accept a claim for the initiation of insolvency proceedings against the debtor if the filing conditions are violated.

The judge returns the claim for the initiation of insolvency proceedings against the debtor, if the application does not meet the requirements provided by Law.

In cases where the claim is mandatory for the principal of the debtor and the required documents are not attached, such a claim is accepted by the court, and the missing documents are required in order to prepare the insolvency case for trial.

h. Measures to Secure Creditors' Claims.

The court, on the basis of a claim from a person participating in an insolvency case, has the right, but not obligated to take measures to ensure (secure) creditors' claims in accordance with the Economic Procedural Code of the Republic of Uzbekistan.

In addition to measures to ensure creditors' claims provided for by the Economic Procedural Code of the Republic of Uzbekistan, the court has the right to prohibit transactions without the consent of the court manager (court trustee), oblige the debtor to transfer securities, currency valuables and other property for storage to third parties and take other measures aimed at ensuring the safety of the debtor's property.

Measures to ensure creditors' claims are effective, respectively, until the court decides to introduce one of the insolvency procedures or until the court decides to refuse to recognize the debtor as bankrupt or until the court approves the settlement agreement.

The court has the right to cancel measures to secure creditors' claims before the occurrence of the circumstances.

The court's ruling on taking measures to secure creditors' claims may be appealed (protested) by persons involved in the insolvency case.

i. The Debtor's Written Opinion.

The debtor, within 5 (five) days from the date of receipt of the court's ruling on acceptance of the creditor's claim, the government tax service body or other authorized body to initiate an insolvency case, unless other rules are established by this Law, has the right to send a written opinion to the court, the claimant and other persons participating in the insolvency case, as well as to notify on the initiation of insolvency proceedings against him against all creditors not specified in a claim.

The written opinion sent by the debtor to the court must be accompanied by evidence of sending a copy of it to the claimant and other persons involved in the insolvency case.

The written opinion on the claim for the initiation of insolvency proceedings against the debtor must contain the information provided for by the Economic Procedural Code of the Republic of Uzbekistan. The absence of a written opinion of the debtor does not prevent the consideration of the insolvency case.

j. Preparation of Insolvency Case for Trial and Consideration Period.

The preparation of an insolvency case for trial is carried out by a judge in accordance with the procedure provided for by the Economic Procedural Code of the Republic of Uzbekistan, with the specifics established by this Law.

No later than 5 (five) days from the date of receipt of the claim for initiation of insolvency proceedings against the debtor, the judge decides on the introduction of an observation (monitoring) procedure.

If there are objections to creditors' claims from the debtor or the temporary manager (court trustee), or the government tax service or other authorized body, the judge checks the validity of their objections.

The judge's verification of the validity of the objections of the debtor or the temporary manager (court trustee), or the government tax service or other authorized body, is carried out no later than 1 (one) month before the end of the established period for consideration of the insolvency case.

Based on the results of consideration of the validity of the objections of the debtor or the temporary manager (court trustee), or the government tax service or other authorized body, the court issues a ruling on the inclusion or refusal to include creditors' claims in the register of creditors' claims.

The court's ruling based on the results of consideration of objections to creditors' claims may be appealed (protested). The appeal (protest) of the specified definition does not suspend its validity.

To determine the financial condition of the debtor when preparing an insolvency case for trial, as well as when considering an insolvency case, the court has the right to appoint an expert examination.

The insolvency case must be considered at a court hearing within a period not exceeding 2 (two) months from the date of the ruling on the acceptance of a claim for the initiation of a debtor's insolvency case. In exceptional cases, the insolvency proceedings may be extended for a period of no more than 1 (one) month.

k. Types of Judicial Acts on Insolvency Cases.

Based on the results of the consideration of the insolvency case, the court shall adopt one of the following judicial acts:

- the decision to declare the debtor bankrupt and the commencement of liquidation proceedings;
- the decision to refuse to declare the debtor bankrupt;
- determination on the introduction of the judicial rehabilitation (Sanation) procedure and the extension of its term;
- determination on the introduction of an external management procedure and the extension of its term;
- determination on termination of insolvency proceedings;
- determination on leaving the claim for initiation of insolvency proceedings without consideration;
- the definition of the approval of the settlement agreement.

Judicial acts in the case of insolvency are subject to immediate execution, unless otherwise established by this Law. A copy of the judicial act on the insolvency case is immediately sent by the court to the government executor at the location (residence) of the debtor.

l. Grounds for Termination of Insolvency Proceedings.

The court terminates the insolvency proceedings in case of:

- restoration of the debtor's solvency during the judicial rehabilitation (Sanation) procedure;
- restoration of the debtor's solvency during the external management procedure;
- conclusion of a settlement agreement;
- refusal of all creditors involved in the insolvency case from their claims;
- satisfaction of all creditors' claims included in the register of creditors' claims during any insolvency procedure.

The court may terminate insolvency proceedings in other cases in accordance with the law. The court manager (court trustee), within 3 (three) working days from the date of the court's ruling on the termination of insolvency proceedings, notifies the government tax service body in writing about this ruling.

m. Distribution of Court Costs and Expenses for Payment of Remuneration to Court Managers (Court Trustees).

Court costs, including the costs of the state fee, the payment term of which has been postponed or by installments, the costs of publishing information in the mass media in accordance with the procedure of this Law, as well as the costs of paying remuneration to court managers (court trustees), are paid at the expense of the debtor's property out of turn.

A settlement agreement may provide for a different procedure for the allocation of expenses. If the court decides to refuse to declare the debtor bankrupt due to the failure to identify signs of insolvency, the costs provided for shall be borne by creditors who have applied to the court with an application to initiate proceedings on the debtor's insolvency, and shall be distributed among them in proportion to their claims.

The procedure for the distribution of court costs and expenses for the payment of remuneration to judicial managers (court trustees) is established in the decision or ruling of the court adopted following the results of the insolvency proceedings.

VI. Transaction Invalidation Terms.

a. Invalidity of Transactions Concluded by Debtor.

Any transaction concluded by the debtor, including before the initiation of insolvency proceedings or the introduction of external management or judicial rehabilitation

(Sanation) procedures, may be declared invalid by the court at the request of the bailiff on the grounds provided for by law.

Transactions are recognized as invalid on the grounds of the Civil Code of the Republic of Uzbekistan and provided for by this Law if they were concluded by the debtor or his representative within 3 (three) years prior to the initiation of insolvency proceedings, unless otherwise provided by Law.

Transactions concluded before the initiation of insolvency proceedings, in addition to the grounds provided, may be declared invalid when:

- low-value transactions concluded by the debtor, including transactions concluded by exchanging his goods for similar goods or donating;
- a transaction, the price and/or other conditions of which significantly worsen the debtor's position in comparison with a similarly concluded transaction, and if this transaction led to financial losses;
- a transaction on the transfer of property on a gratuitous or paid basis (including for temporary use) at a price different from the price for similar or the same property, and significantly worsening the debtor's condition, even if the interests of creditors are not infringed;
- a transaction that leads to the preferential satisfaction of the claims of one creditor over others;
- contracts for the donation of the debtor's property, with the exception of those concluded in permanent commercial transactions, if they differ significantly from contracts concluded a year before the initiation of insolvency proceedings.

A transaction made by a debtor after the initiation of an insolvency case or during the 36 (thirty-six) months preceding the filing of a claim for the initiation of an insolvency case related to the payment (allocation) of a share in the property to a debtor's participant in connection with his withdrawal from the debtor's participants, at the request of the court administrator or creditor, may be declared invalid by the court and the consequences of the invalidity of the transaction are applied, and all received property (funds) under such a transaction are returned to the debtor.

b. Invalidity of Transactions that Cause Losses to Creditors.

A transaction made by a debtor with an interested person or other business entity may be declared invalid by a court at the request of the court manager (court trustee) if losses have been caused or may be caused to the debtor and/or creditors as a result of the execution of the specified transaction.

c. Invalidity of the Debtor's Transactions Related to the Preferred Satisfaction of the Claims of Some Creditors over Others.

A transaction made by a debtor in respect of an individual creditor or another person after the acceptance of a claim for the initiation of insolvency proceedings against the debtor may be declared invalid by the court if such a transaction entails the preferred satisfaction of claims for monetary obligations of the debtor of some creditors to others, at the request of the bailiff or the creditor in the presence of one of the following conditions:

- the transaction is directed to ensure the fulfillment of the obligation of the debtor or a third party to a separate creditor before the execution of the transaction;
- the transaction has led or may lead to a change in the order of satisfaction of creditors' claims for obligations that arose before the transaction;
- the transaction has led or may lead to the satisfaction of the claims of some creditors, the deadline for which has not come by the time of the transaction, if there are obligations to other creditors that have not been fulfilled within the prescribed period;
- if an individual creditor has been granted or may be granted more advantages in terms of meeting claims, and this leads to a violation of the order of priority of settlement with creditors provided for by Law.

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If the transactions are concluded by the debtor in favor of the heirs and other legal successors interested in the disputed transaction, then these transactions may also be declared invalid.

d. Consequences of Invalidity of Transaction.

If the transaction concluded by the debtor is declared invalid by the court and the consequences of the invalidity of this transaction are applied, the party is obliged to return to the other party all receivables under the transaction, and in case of impossibility to return the receivables to reimburse its value in money unless other consequences of the invalidity of the transaction are provided for by law.

In this case, the party that concluded the transaction with the debtor has the right to file a claim against the debtor, the claims of which must be satisfied in accordance with the Law.

If it is impossible to return the value of the property, the person who made the decision to alienate the debtor's property may be held vicariously liable in accordance with the procedure established by Law.

VII. Insolvency Case Liability (Different parties).

a. *Subsidiary Liability.*

If the insolvency of a legal entity is caused by unlawful actions of a person as a founder (shareholder) who has the right to give mandatory instructions for this legal entity, or the owner of the property of the legal entity or the person managing the debtor's affairs, in case of insufficiency of the property of the legal entity, such a person may be held vicariously liable for his obligations.

Until proven otherwise, the following circumstances, as defined in the judicial act, are considered to have led to the impossibility of fully satisfying creditors' claims due to unlawful actions:

- if significant damage has been caused to creditors' property rights as a result of concluding one or more debtor transactions in favor of the person managing the debtor's affairs, or by this person (concluding such transactions at the direction of this person persons);
- if there is a court decision that has entered into force on the identification by joint actions of beneficiaries and affiliated persons of signs of false insolvency, concealment of insolvency or intentional insolvency of the debtor;
- the debt incurred in connection with the adoption of a judicial act on bringing persons managing the debtor's affairs to responsibility for violation of legislative acts exceeds 70 (seventy) percent of the total amount of claims included in the register of creditors' claims.

If the illegal actions of several persons managing the debtor's affairs make it impossible to fully satisfy creditors' claims, such persons bear subsidiary liability in solidarity.

The court may release a person from subsidiary liability or reduce the amount of liability, unless it is proved that the person brought to subsidiary liability had a decisive influence on the debtor's activities.

The amount of subsidiary liability of the person managing the debtor's affairs is equal to the difference between the amount of claims included in the register of creditors' claims and the liquidation mass.

If it is proved that the amount of subsidiary liability of the person managing the debtor's affairs is less than the amount of damage caused to the property rights of creditors through the fault of such a person, the amount of claims to be satisfied at the expense of this managing person may be reduced accordingly.

If the insolvency of a legal entity has arisen due to unlawful actions of the founder (shareholder) or the owner of the property of a legal entity who has the right to give mandatory instructions to the legal entity, these persons are not entitled to participate as the principal and/or founder (shareholder) or owner of the property in other legal entities until the debtor's obligations to creditors are repaid.

b. Claim for Subsidiary Liability.

Parties participating in the insolvency case from the date of recognition of the debtor as bankrupt and the commencement of liquidation proceedings, as well as the judicial manager (court trustee), on their own initiative or in accordance with the decision of the creditors' meeting or the creditors' committee or on the instructions of an authorized government body, have the right to apply to the court with a claim for subsidiary liability.

If there are legal grounds, employees or former employees of the debtor have the right to apply to the court with a claim for subsidiary liability of persons on the issue of uncovered debts due to insufficient property after the court's ruling on the completion of the liquidation procedure.

A party who has the right to file a claim for subsidiary liability, within 3 (three) years from the day when he learned or should have learned about the existence of appropriate grounds for subsidiary liability, but no later than 3 (three) years after the court ruling on the completion of liquidation proceedings of the debtor, may apply to the court with a claim for subsidiary liability.

c. The Rights of Party Being Held Vicariously Liable.

A party who is held vicariously liable on the basis of a claim filed with the court in the framework of an insolvency case is a party participating in an insolvency case.

The party brought to subsidiary liability has the right of reverse claim (recourse) to the debtor in the framework of the insolvency case, which is satisfied after all other creditors' claims included in the register of creditors' claims are satisfied.

d. The Right to Claim Subsidiary Liability.

The liquidation manager (court trustee), within 3 (three) days from the date of receipt of the judicial act on bringing the party's managing the debtor's affairs to subsidiary liability, which has entered into force, notifies creditors of the choice of the method of using the right to claim subsidiary liability.

Within 10 (ten) days from the date of receipt of such notification, the creditor has the right to send a statement to the liquidation manager (court trustee) on the choice of one of the following methods of using the right to claim subsidiary liability:

- debt collection in the framework of an insolvency case;
- sale of the right of claim;
- waiver of the right of claim or part of it in favor of another creditor.

Within 20 (twenty) days from the date of sending the notification, the liquidation manager (court trustee) shall send to the court a report on the results of choosing the method of using the creditors' right to claim subsidiary liability.

The report should contain information about the choice of each creditor, the size and order of claims.

If the amount of claims of creditors exceeds the amount of claims of creditors, the liquidation manager (court trustee) shall recover the debt on subsidiary liability in the framework of the insolvency case.

Otherwise, the court manager (court trustee) convenes a meeting of creditors to approve the methods of selling the right of claim and refusal in favor of another creditor.

If a writ of execution for the enforcement of a judicial act on bringing to subsidiary liability is issued in the name of the debtor as a recoveree in a case within the framework of insolvency and its execution will lead to exceeding the deadline for liquidation proceedings, the debt may be recovered by waiving the claim in favor of another person or transferring the debt to another person.

e. Execution of Judicial Acts.

Any creditor who has a judicial act on subsidiary liability has the right to demand the initiation of enforcement proceedings.

In the course of this enforcement proceedings, the claims of the claimants shall be satisfied in the order provided for by this Law.

The funds received during the execution of the judicial act on bringing to subsidiary liability are directed to satisfy creditors' claims. The liquidation manager (court trustee), in order to implement legal requirements, transfers these funds to a special deposit account of the court.

VIII. Observation (Monitoring) Procedure.

a. Implementation of Monitoring Procedure.

When initiating an insolvency case, the monitoring procedure is introduced from the date on which the court accepts a claim for the initiation of an insolvency case against a

debtor, except in cases where, another insolvency procedure must be applied to the debtor. In case of initiation of an insolvency case, the court's ruling on the acceptance of a claim for enactment indicates the implementation of a monitoring procedure.

b. Consequences of Implementation of Monitoring Procedure.

Since the implementation of the monitoring procedure:

- the execution of executive documents on property collection is suspended, with the exception of the execution of executive documents issued on the basis of judicial acts on the collection of wage arrears, payment of remuneration under copyright agreements, alimony, as well as compensation for damage caused to life or health, and compensation for moral damage, which entered into force before the court accepted for implementation claim for initiation of insolvency proceedings. The basis for suspending the execution of enforcement documents is a court ruling on the acceptance of a claim for production and the initiation of an insolvency case;
- It is prohibited to satisfy the requirements of the founders (shareholders) of the debtor on the allocation of a share in the debtor's property in connection with the withdrawal of its founders (shareholders);
- payment of dividends and other payments on equity securities is prohibited.

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Claims for receipt of funds from the debtor may be submitted only in compliance with the procedure for filing claims against the debtor established by this Law.

From the date of the court's implementation of the monitoring procedure in relation to the debtor, unilateral refusal of performance or unilateral modification of contracts by the debtor's counterparty is not allowed, even if this is allowed by agreement of the parties.

In case of disagreement on the circumstances provided, the claim of the debtor's counterparty to amend or terminate the contract is considered by the court in the framework of the insolvency case.

The court has the right to refuse to amend or terminate the contract if the debtor provides evidence that he will be able to fulfill the contract during the insolvency proceedings (as such evidence, the security of obligations by another creditor or a third party provided for by civil law may be accepted) and the elimination of delay in fulfilling obligations under the contract.

The court has the right to postpone the creditors' meeting until consideration of the claim for amendment or termination of the contract, if consideration of such an issue is

important for the approval of the judicial rehabilitation (Sanation) plan and the debt repayment schedule or the external management plan.

c. Limitation of Debtor's Rights.

The implementation of a monitoring procedure is not a reason for the removal of the principal of the debtor and other management bodies of the debtor, who continue to exercise their powers with the restrictions established by the law.

The debtor's management bodies may perform only with the written consent of the temporary manager (court trustee):

- transactions related to the transfer of real estate for rent, pledge or with the disposal of such property in another way;
- major transactions;
- transactions related to the receipt and issuance of loans (credits), the issuance of sureties and guarantees, the assignment of claims, the transfer of debt, as well as the conclusion of a trust management agreement for the debtor's property.

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The debtor's management bodies are not entitled to make decisions on:

- reorganization (merger, accession, division, separation, transformation) and liquidation of the debtor;
- on the creation of legal entities or on participation in other legal entities;
- on the opening of representative offices and the establishment of branches;
- on payment of dividends or distribution of income (profit) of the debtor between its founders (shareholders);
- on the placement of bonds and other equity securities by the debtor, except for the decision on the issue of shares; on the acquisition of previously issued shares from shareholders.

d. Appointment of Temporary Manager (Court Trustee).

The temporary manager (court trustee) is appointed by the court from among the candidates proposed by creditors or an authorized government body or a public association of judicial managers (court trustees).

The court's ruling on the appointment of a temporary manager (court trustee) must specify the amount and procedure for paying his remuneration.



The amount of remuneration of the temporary manager (court trustee) may be changed by the court on the basis of a decision of the creditors' meeting.

The temporary manager (court trustee) has the right to apply to the court with a petition for his release from the performance of his duties.

In case of satisfaction of the petition of the temporary manager (court trustee) to release him from his duties, the court appoints a new temporary manager (court trustee) from among the candidates proposed by creditors.

In the event that a candidate for a temporary manager (court trustee) is not submitted, the court appoints a temporary manager (court trustee) from among the candidates proposed by an authorized government body or a public association of judicial managers (court trustees).

Until the appointment of a new temporary manager (court trustee), the appointed temporary manager (court trustee) continues to perform his duties.

e. Notification of Implementation of Monitoring Procedure.

The temporary manager (court trustee) is obliged, within 3 (three) days from the date of his appointment, to send for publication in the mass media a message on the implementation of a monitoring procedure against the debtor.

The temporary manager (court trustee) is obliged, no later than 10 (ten) days from the date of publication of the notification on the Implementation of the monitoring procedure, to notify all identified creditors of the debtor, with the exception of creditors for the payment of wage arrears, of the court's ruling on the implementation of monitoring in relation to the debtor.

The principal of the debtor is obliged to notify the debtor's employees, founders (shareholders) or the owner of the debtor's property no later than 3 (three) working days from the date of receipt of the court's ruling on the implementation of a monitoring procedure against the debtor.

Notification of creditors on the implementation of a monitoring procedure, with the exception of creditors for the payment of wage arrears, is made by sending a message to the creditor in a way that allows setting the date of receipt by the creditor of such a message.

Notification of creditors of claims for payment of wage arrears is made by convening and holding a general meeting of employees of the debtor.

Notification of the founders (shareholders) of the debtor is made by convening a general meeting of founders (shareholders) or sending a notification to the body of a legal entity

that, in accordance with legislation or constituent documents, has the right to convene a general meeting of founders (shareholders) on the implementation of a monitoring procedure in relation to the debtor.

The notification of the implementation of the monitoring procedure in relation to the debtor must contain:

- the name (surname, first name, patronymic) of the debtor, its location (postal address), e-mail address (if available);
- the name of the court that issued a ruling on the implementation of a monitoring procedure against the debtor, the date of such a ruling and the number of the insolvency case;
- the surname, first name, patronymic of the appointed temporary manager (court trustee) and his postal address;
- the date, time and place of the court session on the consideration of the insolvency case established by the court;
- other information at the discretion of the sender of the message (temporary manager (court trustee) or principal of the debtor).

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f. Convening of First Creditors' Meeting.

The temporary manager (court trustee) determines the date of the first creditors' meeting and notifies all identified creditors, a representative of the debtor's employees, as well as other persons (bodies) entitled to participate in the first creditors' meeting.

Notification of the holding of the first creditors' meeting shall be carried out by the temporary manager (court trustee) in accordance with the procedure provided by law.

The first creditors' meeting must be held no later than 5 (five) days before the date of the court session, set out in the court's ruling on the acceptance of a claim for the initiation of insolvency proceedings against the debtor.

The participants of the first meeting of creditors with the right to vote are creditors whose claims have been submitted in accordance with the legal procedure and have been entered into the register of creditors' claims.

In the first creditors' meeting, a representative of the founders (shareholders) or the owner of the debtor's property, a representative of the debtor's employees may participate without the right to vote. The absence of these persons is not a reason for declaring the creditors' meeting invalid.

g. Decision of First Creditors' Meeting.

The decision of the first creditors' meeting to apply to the court with a petition for the implementation of a judicial rehabilitation (Sanation) procedure must contain the proposed duration of the judicial rehabilitation (Sanation) procedure and an approved repayment schedule.

The first meeting of creditors, which has decided to apply to the court with a petition for the implementation of a judicial rehabilitation (Sanation) procedure, has the right to apply to the court with a petition for the release of the temporary manager (court trustee) from his duties.

In the specified petition of the creditors' meeting, the court may be offered the candidacy of a sanitizing manager (court trustee) for appointment.

The decision of the first creditors' meeting to apply to the court with a petition for the implementation of an external management procedure must contain the proposed term of the external management procedure and the candidacy of an external manager (court trustee), as well as information about it.

The decision of the first creditors' meeting to apply to the court with a petition for declaring the debtor bankrupt and the commencement of liquidation proceedings must contain the proposed term of liquidation proceedings and the candidacy of the liquidation manager (court trustee), as well as information about him/her.

h. Termination of Monitoring Procedure.

The court, on the basis of a decision of the first creditors' meeting, decides to declare the debtor bankrupt and initiate liquidation proceedings, or issues a ruling on the implementation of judicial rehabilitation (Sanation) or external management procedures, or approves a settlement agreement and terminates insolvency proceedings.

If the first creditors' meeting has not decided to apply one of the insolvency procedures or none of its decisions has been submitted to the court within the law abiding period, the court, if there are signs of insolvency, decides to declare the debtor bankrupt and initiate liquidation proceedings.

In the absence of signs of permanent insolvency, the court returns the submitted materials for consideration at the creditors' meeting of the issue of implementing one of the restorative procedures in relation to the debtor.

If the first meeting of creditors decides to apply to the court with a petition to declare the debtor bankrupt and start liquidation proceedings, or none of its decisions is submitted to the court, the court has the right to issue a ruling on the implementation



of a judicial rehabilitation (Sanation) procedure at the request of the founders (shareholders) or the owner of the debtor's property, an authorized government body, as well as a third person (persons) provided that the applicants provide security for the fulfillment of the debtor's obligations in accordance with the debt repayment schedule.

Prior to the appointment of a rehabilitating (Sanation) or external or liquidation manager (court trustee), the performance of his duties in full is entrusted to the person who previously performed the duties of a temporary manager (court trustee).

From the moment the debtor is declared bankrupt by the court and liquidation proceedings begin, or the procedure for judicial rehabilitation (Sanation) or external management is implemented, or the approval of a settlement agreement, the monitoring procedure is terminated.

IX. Judicial Rehabilitation Procedure (Sanation).

a. Petition for Implementation of Judicial Rehabilitation Procedure.

During the monitoring procedure, the debtor, the founders (shareholders) or the owner of the debtor's property, as well as a third person (persons), have the right to apply to the first meeting of creditors or directly to the court with a request to apply to the court for the implementation of a judicial rehabilitation procedure.

The debtor's request for the implementation of a judicial rehabilitation procedure must be accompanied by a debtor's judicial rehabilitation plan indicating the proposed duration of the judicial rehabilitation procedure and a debt repayment schedule.

Persons who have applied to the creditors' meeting with a petition to apply to the court for the implementation of a judicial rehabilitation procedure are obliged to provide the said petition and the documents attached to it to the temporary manager (court trustee) no later than 2 (two) weeks before the date of the creditors' meeting in order to provide creditors with the opportunity to familiarize themselves with these documents.

The petition of the founders (shareholders) or the owner of the debtor's property for the implementation of a judicial rehabilitation procedure must be accompanied by a judicial rehabilitation plan, a debt repayment schedule, and the minutes of the general meeting of the founders (shareholders) of the debtor.

The minutes of the general meeting should contain a list of the founders (shareholders) who voted for the implementation of the judicial rehabilitation procedure, as well as documents on ensuring that these persons fulfill the debtor's repayment schedule.

The request of a third party (persons) for the implementation of a judicial rehabilitation procedure must be accompanied by a debt repayment schedule and evidence of the third party (persons) ensuring that the debtor fulfills the debt repayment schedule.

When applying to the creditors' meeting with a petition to apply to the court for the implementation of a judicial rehabilitation procedure by the persons specified in part, ensuring that the debtor fulfills the debt repayment schedule by each of them is determined by an agreement between them.

b. Enforcement of Judicial Rehabilitation Procedure.

The procedure of judicial rehabilitation is introduced by the court on the basis of a decision of the creditors' meeting.

The court's ruling on the implementation of the judicial rehabilitation procedure should specify the term of the judicial rehabilitation procedure, contain a debt repayment schedule approved by the court, information about the persons who provided security for the fulfillment of obligations, the amount and forms of such security, the appointment of a sanitizing manager (court trustee) and the amount of his remuneration.

The court's ruling on the implementation of judicial rehabilitation may be appealed (protested).

The appeal (protest) of this ruling does not suspend its execution. The procedure of judicial rehabilitation is introduced for a period of no more than 24 (twenty-four) months.

c. Consequences of Implementation of Judicial Rehabilitation Procedure.

During the judicial rehabilitation procedure, the debtor's management bodies exercise their powers with restrictions.

At the time of the implementation of the judicial rehabilitation procedure:

- previously taken measures to secure creditors' claims are canceled;
- the seizure of the debtor's property and other restrictions on the debtor's powers to dispose of the property belonging to him are imposed exclusively within the framework of the insolvency procedure;
- payment of all types of current tax payments arising in the process of insolvency (with the exception of payroll taxes and equivalent payments) is suspended and paid after the expiration of the judicial rehabilitation procedure. In this case, the specified tax debts are subject to payment in equal shares within 6 (six) months from the date of approval by the court of the report of the rehabilitating manager (court trustee) and the ruling on the termination of insolvency proceedings against the debtor;

- no penalty (fine) and other economic (financial) sanctions are accrued for non-fulfillment or improper fulfillment of monetary obligations and taxes and fees incurred at the time of the judicial reorganization procedure, as well as interest payable.

Interest is accrued on the amount of the creditor's claims for monetary obligations and (or) taxes and fees to be satisfied in accordance with the debt repayment schedule in accordance with the procedure and amount provided for in the Civil Code of the Republic of Uzbekistan.

These percentages are subject to accrual on the amount of the creditor's claims from the moment the court ruling on the implementation of judicial rehabilitation is issued until the creditor's claim is repaid, and if such repayment has not occurred, until the decision is made to declare the debtor bankrupt and the commencement of liquidation proceedings.

At the request of a meeting of creditors, persons who provided security for the fulfillment of obligations, or a sanitizing manager (court trustee), containing information about the failure or improper execution by the principal of the debtor of the judicial rehabilitation plan or about his actions (inaction) violating the rights and legitimate interests of the debtor, creditors, persons who provided security for the fulfillment of obligations, the court has the right to dismiss the principal of the debtor from execution their duties.

In these cases, the court has the right to assign the performance of the duties of the principal of the debtor to the rehabilitating manager (court trustee). The court issues a ruling on the removal of the principal of the debtor from the performance of his duties, which can be appealed (protested).

The founders (shareholders) or the owner of the debtor's property are not entitled, without the consent of the creditors' meeting or the creditors' committee, to make decisions on reorganization (merger, accession, division, separation, transformation) and liquidation of the debtor, and the debtor to make transactions:

- related to the transfer of real estate for rent, pledge, with the deposit of the specified property as a contribution to the authorized capital business entities and limited and additional liability companies or the disposal of such property in another way;
- large transactions;
- related to the receipt and issuance of loans (credits), the issuance of sureties and guarantees, the assignment of claims, the transfer of debt, as well as the conclusion of a trust management agreement for the debtor's property;

- in the commission of which there is an interest of the sanitizing manager (court trustee) or creditors in accordance with the procedure established by law.

A court ruling on the implementation of a judicial rehabilitation procedure may not be a basis for suspending or refusing to execute the debtor's contracts concluded before the initiation of insolvency proceedings.

The execution of contracts concluded before the initiation of the debtor's insolvency proceedings, which are considered important for the continuation of the debtor's activities, is continued by the debtor or the sanitizing manager (court trustee).

In this case, the agreement of the parties to terminate or refuse to execute contracts concluded by the debtor in connection with the implementation of judicial rehabilitation procedures against the debtor is considered invalid, except in cases provided for by Law. The sanitizing manager (court trustee) and creditors have the right to demand invalidation of the debtor's transactions in accordance with the procedure established by law.

The sanitizing manager (court trustee) and creditors have the right to demand the termination of contracts concluded after the implementation of insolvency proceedings or within 24 (twenty-four) months preceding the filing of a claim for the implementation of insolvency proceedings against the debtor, or a contract that has not been fulfilled in whole or in part, in the presence of one of the following circumstances:

- the execution of contracts will entail losses for the debtor and (or) violate the rights and legitimate interests of the debtor, creditors, and persons who provided security for the fulfillment of obligations, compared with similar contracts concluded under comparable circumstances;
- the contract is concluded for a period of more than 1 (one) year or is designed to obtain positive results for the debtor only in the long term;
- the agreement leads to preferential satisfaction of the claims of one creditor in comparison with the claims of other creditors.

The requirement to terminate contracts that have not been fulfilled in full or in part may also be filed in the presence of other circumstances that prevent the restoration of the debtor's solvency.

d. Judicial Rehabilitation Plan and Debt Repayment Schedule.

The judicial rehabilitation plan is prepared by the principal of the debtor, the founders (shareholders) of the debtor or the owner of the debtor's property.

The judicial rehabilitation plan should specify specific measures to restore the debtor's solvency.

The judicial rehabilitation plan should provide following:

- measures to restore the debtor's solvency, the conditions and procedure for the implementation of these measures, the costs of their implementation and other expenses of the debtor;
- debt repayment schedule;
- the amount and term of guaranteed compensation that a creditor who voted against the approval of a judicial rehabilitation plan or a creditor who does not have the right to vote for the approval of this plan but should receive in the event of liquidation of the debtor;
- the period of restoration of the debtor's solvency.

The deadline for the implementation of the judicial rehabilitation plan may not exceed the period provided for in the court's ruling on the introduction of the judicial rehabilitation procedure.

The judicial rehabilitation plan should provide ways for the debtor to obtain the funds necessary to satisfy creditors' claims in accordance with the debt repayment schedule during the judicial rehabilitation.

The judicial rehabilitation plan must be approved by the creditors' meeting. When considering the approval of the judicial rehabilitation plan, creditors of the first and second groups participate in the voting.

The decision of the creditors' meeting to approve the judicial rehabilitation plan is considered adopted if the majority of creditors in each of the first and second groups voted for it. At the same time, a creditor who has the right to vote and voted against the approval of the judicial rehabilitation plan, and a creditor who does not have the right to vote, have the right to receive guaranteed compensation, at least equal to what they could receive in the event of liquidation of the debtor.

If the creditors of each of the first and second groups have not made a decision to approve the judicial rehabilitation plan, as well as the required number of votes of creditors of one of the groups has not been submitted during the voting, a decision is made to apply to the court with a petition to declare the debtor bankrupt and start liquidation proceedings.

The judicial rehabilitation plan may provide for a reduction in the statutory capital of the debtor, the issue and placement of additional shares of the debtor, the introduction of an additional share in the statutory fund (authorized capital) and the conversion of creditors' claims into shares. The judicial rehabilitation plan may provide for the sale of an enterprise (business) or part of the debtor's property.

Creditors who voted against the approval of the judicial rehabilitation plan, in order to protect their rights, may involve experts to verify:

- the right to receive guaranteed compensation, at least equal to what they could receive in the event of liquidation of the debtor;
- availability of the possibility of successful implementation of the judicial rehabilitation plan;
- the preferential right of creditors secured by the debtor's property over other creditors.

If the debtor submitted unreliable or misleading information about the property for the judicial rehabilitation plan or concealed information related to its activities and/or work, the creditor's meeting may decide to cancel the judicial rehabilitation plan and early termination of the judicial rehabilitation procedure and submit a petition to the court for the introduction of an external management procedure or declaring the debtor bankrupt and the beginning of liquidation proceedings.

The court, on the basis of the petition of the creditors' meeting, issues a ruling on the early termination of the judicial rehabilitation procedure and, accordingly, on the introduction of an external management procedure, or decides on declaring the debtor bankrupt and initiating liquidation proceedings.

The debtor's governing body and the rehabilitation manager (court trustee) are responsible for the implementation of the approved judicial rehabilitation plan.

The creditors' meeting and/or the creditors' committee shall monitor the implementation of the judicial rehabilitation plan.

The creditor has the right to request from the rehabilitating manager any information related to the implementation of the judicial rehabilitation plan. The judicial rehabilitation plan may provide for the complete or partial release of the debtor from debts or their modification. Full or partial release of the debtor from debts or their modification is carried out with the consent of all creditors. If any creditor opposes the debtor's full or partial release from debts or their modification, the other creditors have the right to offer him to redeem the claims in accordance with the register of creditors' claims. A creditor who opposes the debtor's full or partial release from debts or their modification is obliged to accept the condition proposed by the other creditors.

The debt repayment schedule must provide for repayment of debts owed to all creditors, unless otherwise provided by Law. The repayment schedule is subject to court approval. The debtor has the right to fulfill the debt repayment schedule ahead of schedule.

In case of non-fulfillment of the judicial rehabilitation plan and/or the debt repayment schedule (non-repayment of the debt within the established time and/or in the established amounts), the debtor has the right to apply to creditors within 2 (two) weeks from the date of the date of fulfillment of the claims with a petition for approval of changes in the debt repayment schedule.

A copy of petition is sent to the rehabilitation manager. On the basis of this petition, the sanitizing manager (court trustee) convenes a creditors' meeting no later than 2 (two) weeks after receipt of the petition.

If creditors determine that it is not possible to fully or partially implement the judicial rehabilitation plan and debt repayment schedule, or consider that they can be implemented only by making changes, the court may amend the judicial rehabilitation plan and debt repayment schedule. The decision of the creditors' meeting to amend the judicial rehabilitation plan and/or the debt repayment schedule shall be adopted in accordance with the procedure established by the Law. If a decision is made to amend the debt repayment schedule, the creditors' meeting decides to apply to the court with a petition for approval of changes in the debt repayment schedule.

The claims of a creditor who was not notified in a timely manner about the initiation of an insolvency case and entered into the process of the case after the court approved the repayment schedule or for which the deadline for fulfilling the obligation came during the monitoring procedure are entered into the repayment schedule according to the court's definition. The court has the right to make a ruling on making changes to the debt repayment schedule only in respect of claims included in the register of creditors' claims.

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e. Early Completion and Early Termination of Judicial Rehabilitation Procedure.

In case of repayment by the debtor of all creditors' claims provided for by the debt repayment schedule, before the expiration of the court-established period of the judicial rehabilitation procedure, the debtor's principal submits to the court a report on the early completion of the judicial rehabilitation procedure.

The rehabilitating manager is obliged to notify all creditors whose claims were included in the debt repayment schedule about the date, time and place of the court session to review the report of the debtor's head on the early completion of the judicial rehabilitation procedure.

Based on the results of consideration of the report of the principal of the debtor on the early completion of the judicial rehabilitation procedure, as well as complaints from creditors, the court:

- approves the report of the head of the debtor and terminates the insolvency proceedings if the absence of outstanding debts is revealed, and creditors' complaints are found to be unjustified;

- refuses to approve the report of the principal of the debtor if the presence of outstanding debts is revealed and creditors' complaints are recognized as justified.

A court ruling is issued on the approval of the report of the principal of the debtor and the termination of insolvency proceedings or the refusal to approve the said report, which can be appealed (protested).

The grounds for early termination of the judicial rehabilitation procedure are:

- repeated or significant (for a period of more than 1 (one) month) violation by the debtor during the judicial rehabilitation procedure of the deadlines for repayment of creditors' claims established by the debt repayment schedule;
- the presence of circumstances indicating that the debtor is unable to fulfill the repayment schedule.

The rehabilitating manager (court trustee), on his own initiative or on the basis of a decision of the creditors' committee, is obliged to convene a creditors' meeting within 2 (two) weeks from the moment of occurrence of the grounds specified in part one of this article to consider the issue of applying to the court with a petition for early termination of the judicial rehabilitation procedure.

The principal of the debtor is obliged to submit to the creditors' meeting a report on the results of the execution of the debt repayment schedule and the judicial rehabilitation plan. The report must be accompanied by the debtor's balance sheet as of the last reporting date, a statement of income (profits) and losses of the debtor, a register of creditors' claims indicating the amount of repaid claims and documents confirming the repayment of creditors' claims.

Simultaneously with the report of the principal of the debtor, the sanitizing manager (court trustee) submits to the creditors' meeting his opinion on the report of the head of the debtor.

The creditors' meeting, based on the results of consideration of the report of the principal of the debtor, as well as the conclusion of the sanitizing manager on this report, has the right to decide to apply to the court with a request to introduce an external management procedure or to declare the debtor bankrupt and begin liquidation proceedings.

A copy of the minutes of the creditors' meeting, as well as complaints from creditors who voted against the decision adopted by the creditors' meeting or did not participate in the voting on this issue, are attached to the petition of the creditors' meeting.

Based on the petition of the creditors' meeting, the court issues a ruling on the introduction of an external management procedure or decides to declare the debtor bankrupt and initiates liquidation proceedings.

f. The End of Judicial Rehabilitation Procedure.

No later than 15 (fifteen) days before the expiration of the prescribed period of the judicial rehabilitation procedure, the principal of the debtor is obliged to submit to the court a report on the results of the judicial rehabilitation procedure.

This report must be accompanied by the debtor's balance sheet as of the last date, a report on the debtor's financial results, a register of creditors' claims indicating the amount of repaid claims and documents confirming this repayment, the conclusion of the sanitizing manager according to the report of the debtor's principal, complaints from creditors whose claims have not been repaid.

The report of the debtor's principal on the results of the judicial rehabilitation procedure and the creditors' complaints are considered by the court at the meeting.

The rehabilitating manager is obliged to notify all creditors whose claims were included in the debt repayment schedule about the date, time and place of the court session to review the report of the debtor's principal on the results of the judicial rehabilitation procedure.

Based on the results of consideration of the report of the principal of the debtor on the results of the judicial rehabilitation procedure, as well as complaints from creditors, the court:

- approves the report of the principal of the debtor and issues a ruling on the termination of insolvency proceedings, if the absence of outstanding debts is revealed, and creditors' complaints are found to be unjustified;
- refuses to approve the report of the principal of the debtor if the presence of outstanding debts is revealed and creditors' complaints are recognized as justified.

In case of refusal to approve the report of the debtor's principal, the court issues a ruling on the introduction of an external management procedure or decides to declare the debtor bankrupt and initiates liquidation proceedings.

X. External Management Procedure.

a. Implementation of External Management Procedure.

The external management procedure is introduced by the court on the basis of a petition from the creditors' meeting, an application from the authorized government body for the debtor, in the statutory fund (authorized capital) of which there is a government share, if a real possibility of restoring the debtor's solvency is determined.

The court's ruling on the introduction of an external management procedure is subject to immediate execution and may be appealed (protested).

The external management procedure is introduced for a period of (12) twelve to (24) twenty-four months.

The cumulative period of judicial rehabilitation and external management procedures may not exceed 30 (thirty) months.

If more than 18 (eighteen) months have passed from the date of the introduction of the judicial rehabilitation procedure to the date of consideration of the external management procedure, the court decides to declare the debtor bankrupt and begin liquidation proceedings.

b. Consequences of External Management Procedure.

Since the introduction of the external management procedure:

- the principal head of the debtor is suspended from his duties, and the management of the debtor's affairs is entrusted to an external manager (court trustee);
- the powers of the debtor's management bodies are terminated;
- previously taken measures to secure creditors' claims are canceled;
- the seizure of the debtor's property and other restrictions on the debtor's powers to dispose of the property belonging to him may be imposed exclusively within the framework of insolvency proceedings;
- the payment of all current tax payments (with the exception of payroll taxes and equivalent payments) incurred during the insolvency proceedings is suspended and paid after the expiration of the external management procedure. In this case, these tax debts must be paid in equal installments within 6 (six) months from the date of approval by the court of the report of the external manager and the decision to terminate the insolvency proceedings against the debtor;

- a moratorium is imposed on satisfying creditors' claims for monetary obligations and/or taxes and fees of the debtor.

At the end of the external management, the penalty (fine), as well as the amount of losses caused, which the debtor is obliged to pay to creditors for monetary obligations and /or taxes and fees, may be presented for payment in the amounts that existed at the time of the introduction of external management.

c. Moratorium on Satisfaction of Creditors' Claims.

The moratorium on satisfying creditors' claims applies to monetary obligations and/or taxes and fees, the deadline for which came before the introduction of the external management procedure, with the exception of monetary obligations and/or taxes and fees that arose after the introduction of the monitoring procedure and/or the judicial rehabilitation procedure against the debtor.

The moratorium does not apply to the claims of physical persons arising from labor relations, for the recovery of alimony and payment of remuneration under copyright agreements, as well as to the claims of physical persons to whom the debtor is responsible for causing harm to life or health.

d. External Management Plan.

The external manager (court trustee), within 1 (one) month from the date of his appointment by the court, must develop an external management plan, which he/she submits for approval to the creditors' meeting.

When considering the approval of the external management plan, creditors of the 1st (first) and 2nd (second) groups participate in the voting. The decision of the creditors' meeting to approve the external management plan is considered adopted if a majority of the votes of creditors in each of the first and second groups voted for it.

At the same time, the creditor or creditors who have the right to vote and voted against the external management plan are entitled to receive guaranteed compensation, at least equal to what they could receive in the event of liquidation of the debtor.

If the creditors of each of the first and second groups have not made a decision to approve the external management plan, as well as the required number of votes of creditors of one of the groups has not been submitted during the voting, a decision is made to apply to the court with a petition to declare the debtor bankrupt and start liquidation proceedings.

The decision of the creditors' meeting to approve amendments to the external management plan is taken by creditors of the first and second groups, if a majority of the votes for each group voted for it separately.

The external management plan should provide for:

- measures to restore the debtor's solvency, the conditions and procedure for the implementation of these measures, the costs of their implementation and other expenses of the debtor;
- the period of restoration of the debtor's solvency.

The debtor's solvency is recognized as restored in the absence of signs of insolvency and/or creditors' refusal from the declared.

Creditors who voted against the approval of the external management plan, in order to protect their rights, may involve experts to verify:

- the right to receive guaranteed compensation, at least equal to what they could receive in the event of liquidation;
- the possibility of successful implementation of the external management plan;
- the preferential right of creditors secured by the debtor's property over other creditors.

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The external manager, at the request of the creditors' meeting or the creditors' committee, reports to creditors on the progress of the external management procedure. The implementation of the external management plan should not lead to the termination of the debtor's business activities, except in cases when the buyer of the debtor's property is responsible for meeting monetary obligations and/or taxes and fees incurred after the initiation of insolvency proceedings.

e. Measures to Restore Solvency.

The external management plan may provide following measures to restore the debtor's solvency:

- re-profiling of production;
- closure of unprofitable industries;
- collection of accounts receivable;
- sale of a part of the debtor's property;
- assignment of the debtor's claims;
- fulfillment of the debtor's obligations by third parties;

- placement of additional shares of the debtor;
- sale of the debtor's enterprise (business) as a property complex;
- borrowing funds from commercial banks, financial institutions, as well as raising funds from persons interested in continuing the debtor's activities;
- the decision to increase the authorized capital of a joint—stock company;
- replacement of the debtor's assets.

The external management plan may also provide for other measures to restore the debtor's solvency.

f. Settlement of Creditors' Claims.

Settlements with creditors are made by an external manager in accordance with the register of creditors' claims starting from the day the court issues a ruling on the transition to settlements with creditors or a ruling on the beginning of settlements with creditors of a certain queue.

From the moment of fulfillment of monetary obligations and/or duties on taxes and fees of the debtor, the external manager makes an appropriate entry in the register of creditors' claims.

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XI. Liquidation Procedure.

a. Opening of Liquidation Proceedings.

Court's decision to declare the debtor bankrupt entails the commencement of liquidation proceedings.

Terms of the liquidation procedure may not exceed 12 (twelve) months. If necessary, this period may be extended by a court ruling up to 3 (three) months at the request of the person participating in the insolvency case or at the initiative of the court.

The grounds for extending the term of the liquidation procedure may be:

- the presence of a case affecting the property interests of the debtor or his creditors in judicial and enforcement proceedings;
- the presence of the debtor's unrealized property;

- the existence of a criminal case on the grounds of false insolvency, concealment and intentional insolvency, and other crimes against the interests of the debtor and its creditors committed by officials of the debtor;
- if it is necessary to eliminate violations of the legislation specified in the court ruling on refusal to approve the report of the liquidation manager on the results of the liquidation proceedings; i
- if necessary, to eliminate violations of the law identified by the authorized government body.

The court's ruling on the extension of the liquidation procedure may be appealed (protested).

Based on the specifics of the debtor's activity, the court, at the request of the creditors' meeting and/or the relevant state and economic management bodies, local government authorities, in the decision to declare the debtor bankrupt, may indicate that the liquidation procedure is carried out without stopping its activities.

At the same time, the suspension or refusal to execute the debtor's contracts concluded before the initiation of insolvency proceedings and necessary for the implementation of activities is not allowed.

The liquidation manager continues the execution of contracts concluded before the initiation of insolvency proceedings against the debtor and which are considered important for the continuation of the debtor's activities.

At the same time, the agreement of the parties to suspend or refuse to execute contracts in connection with the recognition of the debtor as bankrupt and the opening of liquidation proceedings shall be deemed invalid.

A transaction made by a debtor with a separate creditor or another person after the acceptance of an application for insolvency may be declared invalid by the court at the request of the liquidation manager or creditor, if the specified transaction entails the preferred satisfaction of claims for monetary obligations of the debtor of some creditors over others.

Carrying out liquidation proceedings of the debtor without stopping its activities is considered economically inexpedient if, according to the results of the reporting two quarters in a row, a loss from activity is received.

If the debtor's liquidation proceedings without stopping its activities are recognized as economically inexpedient, the court may issue a ruling on the termination of the debtor's liquidation proceedings without stopping its activities and the transition to the general procedure of liquidation proceedings.

b. Consequences of Liquidation Proceedings.

From the moment the court makes a decision to declare the debtor bankrupt and begin liquidation proceedings:

- transactions related to the alienation of the debtor's property or entailing the transfer of his property for use by third parties are allowed exclusively in accordance with the procedure established within liquidation process rules;
- the deadline for the fulfillment of all monetary obligations of the debtor, as well as deferred duties on taxes and fees of the debtor, is considered to have come;
- for all types of debt of the debtor, the accrual of penalties (fines, penalties) and interest is stopped;
- the accrual of property tax, land tax, as well as penalties and fines for previously accrued and uncollected obligations on taxes and fees is suspended;
- part of the proceeds from the sale of the debtor's property, aimed at paying off debts, is exempt from value added tax and income tax;
- information about the debtor's financial condition ceases to be classified as confidential, including commercial secrets;
- all restrictions on foreclosure on the debtor's property are lifted;
- the execution of executive documents is terminated.

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All claims for monetary obligations, obligations on taxes and fees, other property claims, with the exception of claims for recognition of ownership, compensation for moral damage, for the recovery of property from someone else's illegal possession, for the return of unjustified enrichment, for the invalidation of transactions and the application of the consequences of their invalidity, as well as claims for current payments may be submitted to the debtor only within the framework of liquidation proceedings.

Products and income from the use of property provided as security for the fulfillment of the debtor's obligations before the commencement of liquidation proceedings, received after the commencement of this production, are not subject to the creditor's right as security for the fulfillment of his claims.

Executive documents, the execution of which has ceased are subject to transfer by state executors to the liquidation manager in accordance with the procedure established by law.

The fulfillment of all obligations of the debtor is allowed only within the framework of liquidation proceedings.

From the moment the court makes a decision to declare the debtor bankrupt and the commencement of liquidation proceedings, the debtor's management bodies are removed from performing the functions of managing and disposing of the debtor's property if such removal was not carried out earlier, the powers of the debtor's principal are terminated (the employment contract concluded with the debtor's principal is terminated), the management of the debtor's affairs is assigned to the liquidation manager, the powers of the owner to manage and dispose of the debtor's property are also terminated.

c. Liquidation Plan.

The liquidation plan should reflect:

- information about the financial condition of the debtor;
- conditions, order, priority and proportionality of satisfaction of creditors' claims;
- consideration of the interests of the owner of the debtor's property, the labor collective;
- list of property to be sold;
- date, time, place and method of sale of the property;
- terms of payment of court costs, remuneration of the liquidation manager, activities of experts and other persons.

The liquidation plan must be coordinated with the creditors' meeting and is considered approved if it is supported by creditors representing at least two thirds of the amount of claims.

If the liquidation plan is not approved, and the creditors have not submitted their own liquidation plan within the prescribed period, the liquidation manager approves his/her plan.

If the initiator of the insolvency proceedings is the debtor himself, he has the right to submit his liquidation plan.

d. Order of Fulfillment of Creditors' Claims.

Out of order, court costs, expenses related to the payment of remuneration to court administrators, current utility and maintenance payments, expenses for insurance of the

debtor's property are covered, as well as claims for the debtor's obligations arising after the initiation of an insolvency case, and claims of citizens to whom the debtor is responsible for causing harm to life or health in accordance with legislation.

First of all, requirements are satisfied for payment (enforcement) documents providing for the issuance of funds for the payment of wages, for enforcement documents providing for the transfer or issuance of funds from a single debtor's account to meet alimony claims, for the payment of remuneration under copyright agreements, ensuring an equal degree of fulfillment of the debtor's obligations on payments and claims, arising from labor and related legal relations, as well as citizens' claims for damages, caused to their property by a crime or an administrative offense.

Secondly, the requirements for taxes and fees, compulsory insurance, bank loans and credit insurance of the bank, as well as the claims of creditors secured by collateral, in terms of uncovered debts due to insufficient amounts received from the sale of mortgaged property (collateral), and the claims of creditors not secured by collateral are satisfied.

In the third place, the requirements of the owners of shares for accrued dividends are satisfied.

In the fourth turn, all other claims are repaid.

The requirements of each subsequent queue are satisfied after the full repayment of the requirements of the previous queue.

If the amount being recovered is insufficient to fully satisfy all the requirements of one queue, these requirements are satisfied in proportion to the amount owed to each recoveree.

A special message is published in the mass media about the production of the last payment. The remaining value of the property after satisfying creditors' claims and paying the costs of conducting an insolvency case, as well as unsold property in the process of liquidation, is received by the founders (shareholders) or the owner of the property of the liquidated debtor.

e. Completion of Liquidation Proceedings.

After reviewing the report on the results of the liquidation proceedings submitted by the liquidation manager, the court issues a ruling on the completion of the liquidation proceedings and obliges the liquidation manager to submit this ruling within 10 (ten) days to the body carrying out the state registration of legal entities.

The court's ruling is the basis for making an entry in the unified state register of legal entities on the liquidation of the debtor. The corresponding entry must be entered into



the Unified State Register no later than 3 (three) working days from the date of submission of the specified court ruling.

From the moment of making an entry in the Unified State Register of Legal Entities on the liquidation of the debtor, the powers of the liquidation manager are terminated, the liquidation proceedings are considered completed, and the debtor is liquidated.

XII. Settlement Agreement Terms.

a. Settlement Agreement Conclusion Terms.

At any stage of the court's consideration of the insolvency case, the debtor and creditors have the right to conclude a settlement agreement.

The decision to conclude a settlement agreement on behalf of creditors is made by the creditors' meeting.

The decision of the creditors' meeting to conclude a settlement agreement is adopted by a majority vote of creditors of the first, second and third groups and is considered accepted provided that all creditors voted for it on obligations secured by the pledge of the debtor's property.

The powers of the creditor's representative to vote on the issue of concluding a settlement agreement must be specifically provided for in his/her power of attorney.

A settlement agreement is concluded on behalf of the debtor, respectively, by the debtor, the principal of the debtor, an external manager, a liquidation manager.

It is allowed to participate in the settlement agreement of third parties who assume the rights and obligations provided for in the settlement agreement.

The settlement agreement is subject to approval by the court, which is subject to a ruling indicating the termination of insolvency proceedings.

If the settlement agreement is concluded during the liquidation proceedings, the court issues a ruling on the approval of the settlement agreement, which indicates that the decision to declare the debtor bankrupt and start liquidation proceedings is not enforceable.

The settlement agreement enters into force for the debtor, creditors, as well as third parties participating in the settlement agreement from the date of its approval by the court and is binding on them.

Unilateral refusal to execute a settlement agreement that has entered into force is not allowed.



The creditor who voted for the conclusion of a settlement agreement, the founders (shareholders) or the owner of the debtor's property has the right to fulfill monetary obligations and/or duties on taxes and fees of the debtor to creditors who voted against the conclusion of a settlement agreement or did not participate in the voting.

In this case, the creditor is obliged to accept the performance offered for the debtor, and the rights of the creditor's claim under the obligation are transferred to the person who fulfilled the debtor's obligations.

Third parties have the right to provide guarantees of the debtor's fulfillment of monetary obligations and/or the obligation to pay taxes and fees under the settlement agreement, as well as otherwise ensure its proper execution.

If the condition of the settlement agreement is the alienation of the debtor's property in favor of a third party, then it can be concluded only on condition that the specified property is provided by a third party as collateral ensuring repayment of creditors' claims.

b. Particularities of Settlement Agreement in Insolvency Proceedings.

The decision to conclude a settlement agreement on the part of the debtor is made during the procedures of supervision and judicial rehabilitation by the principal of the debtor, and in case of his removal from his duties by the judicial manager (court trustee).

If the settlement agreement is a transaction for the debtor, which, in accordance with the legislation or the constituent documents of the debtor, is made by decision (approval) of the debtor's management bodies, the decision to conclude a settlement agreement on behalf of the debtor may be made after the appropriate decision (approval).

When concluding a settlement agreement, such a decision (approval) is not required in the procedures of external management and liquidation proceedings.

When concluding a settlement agreement with the participation of interested third parties, the bailiff or the creditor, the settlement agreement must contain information that it is a transaction in which there is an interest, indicating the nature of such interest.

The settlement agreement applies to the claims of creditors whose due date has come on the date of the introduction of the relevant insolvency procedure, with the exception of obligations arising after the initiation of insolvency proceedings.

c. Settlement Agreement Execution.

The settlement agreement is concluded in writing. On behalf of the debtor, the settlement agreement is signed respectively by the head of the debtor or the court trustee.

On behalf of creditors, the settlement agreement is signed by a person authorized by the creditors' meeting.

If third parties participate in the settlement agreement, the settlement agreement is signed on their behalf by these persons or their representatives.

d. Settlement Agreement Content.

The settlement agreement must contain provisions on the amount, procedure and timing of fulfillment of the debtor's monetary obligations and/or termination of the debtor's monetary obligations by providing compensation in return, novation of the obligation, by debt forgiveness or by other means provided for by law.

The settlement agreement may contain the following conditions:

- postponement or installment payment of monetary obligations;
- assignment of the debtor's claim rights in favor of another;
- fulfillment of the debtor's monetary obligations by third parties;
- discount from the debt;
- changing the terms and procedure for paying taxes and fees;
- on satisfaction of creditors' claims in other ways that do not contradict with legislation.

The terms of the settlement agreement for creditors who did not participate in the voting on the conclusion of a settlement agreement, as well as those who voted against its conclusion, cannot be worse than for creditors of the same queue who voted for its conclusion.

Unless otherwise provided by the settlement agreement, the pledge of the debtor's property, which ensures the fulfillment of the obligations assumed by the debtor, remains.

e. Settlement Agreement Court Approval.

A settlement agreement may be approved by the court only after repayment of expenses and satisfaction of the requirements provided by law, and requirements for the issuance of funds for the payment of wages.

The debtor, the external manager or the liquidation manager must submit to the court an application for approval of the settlement agreement within 5 (five) days from the date of signing the settlement agreement.

The application for approval of the settlement agreement must be accompanied by:

- the text of the settlement agreement;
- minutes of the creditors' meeting that decided to conclude a settlement agreement;
- register of claims of creditors of the debtor;
- documents confirming the repayment of expenses;
- written objections from creditors who did not participate in the vote on the conclusion of a settlement agreement or voted against the conclusion of a settlement agreement.

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Other documents may be attached to the application for approval of the settlement agreement in accordance with the legislation.

The court shall notify the interested parties of the date of consideration of the settlement agreement. The non-appearance of the notified persons does not prevent the consideration of the insolvency case.

f. Settlement Agreement Invalidity.

At the request of debtor, creditor, as well as persons whose rights and legitimate interests have been violated, the settlement agreement may be declared invalid by the court:

- if the settlement agreement contains conditions providing advantages for individual creditors or infringement of the rights and legitimate interests of individual creditors;
- if there are other grounds for the invalidity of transactions provided for by law.



g. Settlement Agreement Nonfulfillment Consequences.

In case of nonfulfillment of the settlement agreement by the debtor, creditors have the right to make claims to the extent provided for by the settlement agreement.

In case of initiation of a new insolvency case, the volume of creditors' claims in respect of which a settlement agreement has been concluded is determined by the terms provided for in the settlement agreement.

XIII. Simplified Insolvency Procedure.

a. Insolvency of the Liquidated Legal Entity.

If the value of the property of a legal entity in respect of which a decision has been made to liquidate due to its failure to carry out financial and economic activities and/or non-formation of its statutory fund (authorized capital) within the time limits established by law is insufficient to satisfy creditors' claims, such a legal entity shall be liquidated in accordance with the procedure provided for by this Law.

Upon discovery of the circumstances, the liquidation commission (liquidator) is obliged to apply to the court with an application for initiation of insolvency proceedings against a legal entity or to the government tax service authorities to take appropriate legal measures.

b. Particularities of Implementation.

The court decides on the recognition of the liquidated legal entity as bankrupt and the commencement of liquidation proceedings and appoints the liquidation manager (court trustee).

The procedures of supervision, judicial rehabilitation and external management in case of insolvency of a liquidated legal entity are not applied.

Creditors have the right to present their claims to the liquidated legal entity within 1 (one) month from the date of publication of the announcement of the recognition of the liquidated legal entity as bankrupt.

c. Consequences of Refusal to Liquidate.

Violation of the requirements provided by this law is the basis for refusal to make an entry in the unified state register of liquidated legal entities.

The chairman of the liquidation commission or the liquidator who has committed a violation of the requirements of this law shall bear subsidiary liability for unsatisfied claims for monetary obligations and/or taxes and fees of the liquidated legal entity.

d. Insolvency Case of an Absent Debtor.

In the event that the principal of the liquidated legal entity is absent and it is not possible to establish their location (residence), an application for recognition of the absent debtor as insolvent may be filed by a creditor, an authorized government body, a government tax service body or other authorized body, regardless of the amount of accounts payable.

The court, within 2 (two) weeks from the date of acceptance of the application for recognition of the absent debtor as bankrupt, decides on recognition of the absent debtor as bankrupt and the commencement of liquidation proceedings.

The procedures of supervision, judicial rehabilitation and external management in the case of insolvency of an absent debtor are not applied.

The court's decision is sent to the authorized government body, which, within a week from the date of receipt of this decision, submits to the court the candidacy of the liquidation manager.

The liquidation manager notifies in writing of the recognition of the absent debtor as bankrupt to all creditors known to him, who, within 1 (one) month from the date of receipt of the notification, can submit their claims to the liquidation manager.

At the request of the liquidation manager, when he discovers the property of the absent debtor, the court may issue a ruling on the termination of the simplified insolvency procedure and the transition to the general insolvency procedures provided for by this Law.

XIV. Final Provisions.

a. Illegal Actions that Led to Insolvency.

Illegal actions resulting in insolvency are understood to be violations related to intentional actions of officials or the owner of the debtor's property, or creditors or other persons who caused damage to the debtor or creditors.

Illegal actions also include:

- concealment of all or part of the debtor's property or obligations;
- concealment, destruction, distortion, falsification of any accounting document related to the debtor's business activities;
- transfer of property for the purpose of concealment (including funds) to other legal entities and individuals;
- failure to make the necessary entry in accounting documents;



- sale, destruction, deposit as collateral of all or part of the debtor's property received on credit and unpaid;
- an increase in the debtor's insolvency in the personal interests of officials or the owner of the debtor's property or in the interests of third parties;
- irrevocable diversion of working capital;
- bringing to insolvency intentionally in order to cause damage to creditors;
- preferential satisfaction of the creditor's claims to the detriment of other creditors, consent to such satisfaction;
- intentional self-liquidation of the debtor in order to avoid the fulfillment of monetary obligations and/or duties on taxes and fees.

b. Dispute Resolution.

Disputes arising in the insolvency process are resolved in accordance with the procedure established by law of the Republic of Uzbekistan.

c. Liability for Violation of Insolvency Law.

Parties guilty of violating the insolvency law are liable in accordance with the established procedure.

XV. Contact Details

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