

Translation from Norwegian

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**Extract of the Bankruptcy Act of 8 June 1984**

Chapter X - The Persons Representing the Bankruptcy Estate *Personer*

§ 83 - § 131

§ 83 Board of Trustees

The board of trustees shall consist of an executive trustee - as a rule a lawyer - and of a creditors' committee of from one to three trustees, who shall preferably be elected from among the creditors or their representatives. In cases as mentioned in § 84 a representative of the employees shall be appointed a member of the creditors' committee; in such case the committee may consist of up to four trustees.

The executive trustee is appointed by the bankruptcy court after the creditors in their first general meeting have had an opportunity to express their opinions. The members of the creditors' committee, except the employee representative, are elected by the same meeting of the creditors pursuant to the rules of § 96 below, except that its second sentence is not applicable. If nobody obtains a majority in the first round of voting, renewed voting shall be held where the person obtaining the largest number of votes is elected. If the votes cast fail altogether to represent at least one fifth of the total voting claims, the bankruptcy court appoints the members of the creditors' committee.

§ 84. Representative of the Employees as a Member of the Creditors' Committee

At the demand of a majority of the employees of the debtor's business, the bankruptcy court shall appoint a representative of the employees as a member of the creditors' committee. The court shall also do so when such a demand is presented by a local union comprising a majority of the employees of the business or by several local unions comprising altogether a majority of the employees.

When the court has rendered a decree to open bankruptcy proceedings, it shall as soon as possible notify the employees of the debtor's business of their rights under the rules of the preceding paragraph.

The bankruptcy court may however following an evaluation of the estate of the bankrupt debtor, the prospects of further operation and other circumstances abstain from appointing such representative. The bankruptcy court shall in that case first obtain a statement from the temporary executive trustee or from such other trustees as have been appointed by that time.

The King may by regulation or decision in individual cases make exceptions from these rules, and issue supplementary rules, including application of the rules to company groups and similar structures.

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## § 85 The Executive Trustee's Competence and Apparent Authorization

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The executive trustee shall safeguard the common interests of the creditors against the individual creditor and third parties. To the extent compatible with these interests, the executive trustee shall in cooperation with public authorities assist in safeguarding the interests of the employees involved and special community interests. The executive trustee is responsible for conducting the necessary activities to wind up the estate, in particular by:

- 1) identifying the assets of the estate, and for that purpose examining and if necessary contesting any demands for a surrender of assets existing in the estate,
- 2) collecting the accounts receivable of the estate,
- 3) ensuring the safekeeping and if possible an increase in the assets and selling them on the best possible terms,
- 4) ascertaining whether each claim should be approved as entitled to dividends and whether it has a preferential right.

The executive trustee shall in all matters of major importance adopt his decisions if possible in consultation with the other trustees composing the creditors' committee.

The executive trustee represents the estate in dealings with third parties. That the executive trustee has acted in conflict with any resolution adopted by the board of trustees, general meeting of the creditors or the bankruptcy court, or has otherwise acted beyond his competence, cannot be invoked in respect of third parties who have acted in good faith.

## § 86 Accounts of the Estate. Funds

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The executive trustee shall keep accounts for the estate according to rules issued by the Ministry.

Cash amounts belonging to the estate shall normally be deposited with a bank or on post giro account. The bankruptcy court may consent to other safe placement.

## § 87 Security for the Executive Trustee's Liability

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As soon as possible after the executive trustee has been appointed he shall deposit security for any liability he may incur as executive trustee. The amount of the security will be determined by the bankruptcy court. The decision is not subject to appeal.

## § 88 Functions of the Creditors' Committee

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The creditors' committee together with the executive trustee shall safeguard the creditors' common interests as against the individual creditor and third parties. To the extent compatible with these interests, the committee shall in cooperation with public authorities assist in safeguarding the interests of the employees involved and special community interests.

The committee shall moreover supervise the activities of the executive trustee and may at any time demand the books and documents of the estate and all necessary information. The committee members may require certain specified questions on the bankruptcy proceedings to be submitted to the board of trustees for decision.

If the committee has any major objections to the acts of the executive trustee, it shall forthwith report them to the bankruptcy court.

#### § 89. Deliberations of the Board of Trustees

The executive trustee conducts the meetings of the board of trustees and keeps minutes of the deliberations and the resolutions that are adopted. The minutes shall be signed after each meeting by all the attending trustees.

The board of trustees adopts resolutions by majority of vote. In the event of a tie the executive trustee has the casting vote.

#### § 90 Auditor

Unless an auditor has been appointed under § 77 fourth paragraph above, the bankruptcy court shall appoint an auditor for the estate after the creditors at the first general meeting in court have been invited to express their opinions.

The auditor shall:

- 1) audit the debtor's accounts and business conduct and draw up an auditor's report. The report shall contain such information as derives from the audit and as is presumably of importance to the trustees for the purpose of their report under § 120 below;
- 2) audit the estate's accounts and verify its cash in hand, in bank, securities etc. The auditing records shall be submitted to the bankruptcy court whenever so demanded, though not less than once every half year.

#### § 91 Disqualification Rules etc. for Trustees and Auditor

The rules of §§ 12 and 13 above apply similarly to the trustees and auditor.

The appointment of a new executive trustee or new auditor, or the election of new other trustees shall be made in accordance with the rules of §§ 83, 84 and 90 above.

#### § 92 When to Hold General Meetings of Creditors

Besides the meetings that are specifically required, general meetings of the creditors shall be held whenever considered necessary by the bankruptcy court or requested by a trustee or by creditors representing at least one-fifth of the total amount of the claims which carry voting rights.

#### § 93 Notice of General Meetings of Creditors

Except as otherwise provided in this Act, the bankruptcy court decides how the creditors shall be called to the meetings.

Before the final date for reporting claims, however, the notice calling the general meeting shall always be published in the Official Norwegian Gazette.

After the final date for reporting claims, the bankruptcy court may if it considers it advisable announce at a general meeting of the creditors the date of the next meeting instead of giving notice as aforesaid.

§ 94 Voting Rights in General Meetings of the Creditors.  
Representation, Disqualification

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Except as otherwise provided in this Act, voting rights in general meetings of the creditors can be exercised only by a creditor who appears personally or through a representative provided with general authorization to act on behalf of the creditor in meetings of the creditors.

Nobody may personally, as a representative or through a representative participate in votings which concern:

- 1) any agreement between himself and the debtor or the bankruptcy estate;
- 2) his own liability to the debtor or the estate;
- 3) any matter in which he has a considerable and special interest of a personal or financial nature.

Relatives etc. of the debtor, as provided in § 1-5 of the Creditors Recovery Act, may not participate in votings on the election of trustees.

§ 95 Voting Rights in General Meetings of the Creditors. Claims Secured by Lien or Prior Ranking and Conditional Claims

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Claims that are secured by lien or other security on the debtor's assets convey voting rights only for the amount which will presumably not be covered by the security.

Claims having statutory priority do not carry voting rights if it is obvious that they will be paid in full out of the assets of the bankruptcy estate. If it is obvious that the estate will cover these claims only, they alone will carry voting rights.

The provisions of the preceding paragraph will apply similarly to the relations between ordinary bankruptcy claims and lower ranking claims.

Conditional claims do not carry voting rights until the condition has been fulfilled.

§ 96 Voting Rules

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Resolutions of general meetings of creditors are adopted by ordinary majority according to the amount of the claims. The majority's total claim must however account for at least one-fifth of the total amount of the claims carrying voting rights. If the votes according to the claim amounts are equal, the number of creditors decides the issue.

In voting before the final date for reporting claims, due account shall be taken of all claims which are known to the bankruptcy court or the trustees at the time of the voting. In subsequent votings due account shall be taken of all claims that have been reported before the final date therefor, and of claims reported after the said date, but at least one week before the general meeting.

#### § 97 Voting Disputes

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Any dispute or doubt as to whether or for which amount a claim will carry voting rights will be decided by the bankruptcy court to the extent necessary in order to determine the outcome of the voting. Before the court makes the decision, it may decide to obtain additional information. The decision affects only the question of the creditor's voting rights and is not subject to appeal.

#### § 98 Competence of the General Meeting of the Creditors

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The resolutions adopted by the general meeting of the creditors are binding on the board of trustees unless set aside pursuant to § 99 below.

#### § 99 The Bankruptcy Court's Instruction and Verification Authority

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The bankruptcy court may order the board of trustees to submit specific questions concerning the proceedings to the general meeting of the creditors for their opinion or decision.

The bankruptcy court may at its own initiative or on petition from the debtor, a creditor or a trustee, void or alter by decree a decision made by the executive trustee, the board of trustees or the general meeting of the creditors, if the decision

- 1) conflicts with any right of the debtor, a creditor or a third party;
- 2) is unlawful in any other respect;
- 3) is obviously unreasonable.

The provisions of § 10 second paragraph above will similarly apply.

#### § 100 The Right of the Debtor to Dispose of the Assets of the Estate

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During the bankruptcy proceedings the debtor may not dispose of the assets of the estate, accept payment of the estate's outstanding amounts or termination or the like on behalf of the estate, or incur obligations for the estate.

The debtor's lack of rights under the preceding paragraph is however ineffective in respect of those who neither knew nor ought to have known that bankruptcy proceedings had been opened, when the transaction was made at the latest on the third day after the bankruptcy was published in the Official Norwegian Gazette. This rule applies for a maximum of ten days from the opening of bankruptcy proceedings.

The trustees cannot invoke the rule of the first paragraph of this section against any person who after the time mentioned in the preceding paragraph has performed his obligation to the debtor, or addressed a termination or similar instruction to the debtor in the event where such instruction had to be given within a certain period and who neither knew nor ought to have known that bankruptcy proceedings had been opened.

The person invoking the rules of the two preceding paragraphs has the burden of proving good faith.

The rules of this section entail no alteration in the conditions for obtaining legal protection in relation to the bankruptcy estate.

#### § 101 The Debtor's Obligation to Furnish Information etc.

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After the bankruptcy decree has been pronounced, the debtor is obliged to provide the bankruptcy court, the executive trustee, the other trustees and the auditor with all and any information about his financial conditions and his business conduct before and during the bankruptcy. The debtor shall also assist in procuring correspondence, accounting vouchers and other records of importance to the proceedings, and furnish all necessary assistance to secure the assets of the estate and determine the extent of its obligations.

The rules of § 18 second paragraph above will similarly apply.

The revenue authorities shall at the request of the bankruptcy court or executive trustee furnish information on the debtor's capital and income.

#### § 102 Travel Ban

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During the bankruptcy proceedings the debtor may not without the consent of the bankruptcy court depart from Norway or in violation of a prohibition issued by the bankruptcy court leave the jurisdiction or a specified area around it.

#### § 103 The Debtor's Obligation to Attend Meetings of the Creditors

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The debtor is obliged to attend all meetings of the creditors except when validly excused or permitted by the executive trustee to be absent.

#### § 104 Letters and Other Mail to the Debtor

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The executive trustee has the right to take delivery of letters and other mail and telegrams addressed to the debtor. The executive trustee may open all mail which is not obviously immaterial to the estate. The debtor has the right to be present when such mail is opened.

### § 105 Restrictions on the Debtor's Liberty

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The bankruptcy court may by decree impose certain restrictions on the debtor's liberty:

- 1) when there is reason to believe that the debtor will seek to withhold from the estate any of its assets or rights;
- 2) when there is reason to believe that the debtor will act in conflict with his obligations under § 102 above;
- 3) when there is otherwise reason to believe that the debtor will grossly infringe his obligations under this Act.

The deprivation of liberty may consist in the debtor being apprehended and brought before the bankruptcy court or the executive trustee, or placed in custody or subjected to other restrictions on his personal liberty as further decided by the court.

Restrictions of liberty may be decided for not more than three weeks at a time, but may be prolonged by renewed decision of the court.

When a decision to restrict the debtor's liberty has been made without oral negotiations, the bankruptcy court shall if so requested by the debtor or the board of trustees call as soon as possible oral hearings to deal with the matter. If the restriction of liberty takes the form of custody, the bankruptcy court will call the hearings at its own initiative. A decision to restrict the debtor's liberty which has been made without oral hearings may not be separately appealed.

### § 106 Support Payments

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At the request of the debtor the bankruptcy court may at the time of opening bankruptcy proceedings or later grant the debtor or his family support contributions out of the assets of the estate for the time until the first general meeting of the creditors. At the general meeting of the creditors the question of continued support shall be submitted to the creditors for their opinion. The bankruptcy court shall thereafter decide whether financial support shall be granted and if so the amount and duration thereof. The decision may be altered if it proves to have been based on incorrect assumptions or if conditions subsequently change.

For the purpose of making the decision the court shall in particular take into consideration the position of the bankruptcy estate, the needs of the debtor and his family, the extent to which the debtor's personal work will be necessary during the proceedings, and the debtor's prospects of obtaining income from other personal activities.

### § 107 Death of the Debtor

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That the debtor dies after bankruptcy proceedings have been opened against his property will not affect the conduct and conclusion of the proceedings.

The bankruptcy court may at the request of the debtor's next of kin or the executive trustee decide that all or part of the funeral expenses shall be paid out of the estate.

#### § 108 The Debtor is an Association or a Foundation

If the debtor is an association or a foundation, the provisions of §§ 101 through 107, cf. § 75 fourth paragraph, shall similarly apply to any personal partner, manager or director of the association. The obligation to attend meetings under § 103 is however effective only when the executive trustee has so ordered.

To persons who have not been in any such position later than one year before the date in question, the rules will apply only to the extent decided by the bankruptcy court.

### Chapter XII - Reporting and Examination of Claims

#### § 109 Invitation to Report. Time Limits

In the announcement of opening of bankruptcy, the bankruptcy court shall invite the debtor's creditors to report their claims in writing to the provisional executive trustee by a specified date. The report should be accompanied by the documents which serve as evidence of the claims, and information shall be given about the origin of the claims, about the liens on the property of the debtor or third party which may serve as security therefor, and whether there are any joint and several co-debtors.

If bankruptcy is opened in direct continuation of debt negotiations, see § 1-4 sixth paragraph of the Creditors Recovery Act, and the claim in the course of these negotiations has been reported to the debt committee, it is not necessary to report it again. Information to that effect should be contained in the announcement.

The period allowed for reporting shall be minimum three and maximum six weeks from the date the announcement is published in the Official Norwegian Gazette.

#### § 110 Claims List. Executive Trustee's Recommendation

The executive trustee shall keep a list of the claims that are reported, indicating the priority in which the respective creditors consider that they rank.

The executive trustee shall as soon as possible indicate in the list the amount and the priority for which he recommends that each claim should be approved.

Anybody who has a legal interest in the bankruptcy proceedings shall have access to the list and the reports of the claims.

#### § 111 General Meeting of the Creditors to examine the Claims

A general meeting of the creditors to examine the reported claims shall be called as soon as the necessary preparation for the examination has been made.



At the meeting the creditors will study the reported claims and the executive trustee's recommendation. An examination of claims where the executive trustee's recommendation has not been available at least eight days before the meeting should be postponed to a later general meeting of the creditors, unless an immediate examination is considered acceptable. The bankruptcy court shall for each claim invite the debtor and the creditors to declare whether the claim should be approved in terms of amount and priority. The study continues if necessary at later general meetings of the creditors.

The claims which are presumed to be prior ranking ones should if possible be examined first. If it is obvious that the bankruptcy estate will be able to satisfy only the prior ranking claims, the examination of other reported claims may be omitted. This provision will similarly apply to ordinary bankruptcy claims relative to lower ranking claims. The creditors who are affected by a decision to omit the examination of reported claims shall be notified by the executive trustee of the decision.

#### § 112 The Executive Trustee alters his Recommendation

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If the executive trustee as a consequence of the information or objections that appear in the general meeting of the creditors alters his recommendation concerning a claim, the examination of the claim should be postponed to a new general meeting of the creditors, unless an immediate examination of the claim is considered acceptable.

#### § 113 Claims which are approved

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If the executive trustee recommends that a claim be approved as reported, and no objection to this recommendation is raised at the meeting of the creditors, the claim will be regarded as approved in terms both of amount and priority. It cannot subsequently be contested during the bankruptcy proceedings unless information emerges which would undoubtedly have caused the approval to be denied, if the information had been available at the general meeting of the creditors. If pursuant to the preceding sentence the bankruptcy court refuses to examine a claim, its refusal shall take the form of a decree which is subject to appeal.

#### § 114 Contested Claims

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If the executive trustee recommends that a claim not be approved as reported, or if the debtor or a creditor objects to the report, the bankruptcy court shall invite the reporting creditor to explain the report by a stipulated date. If the reporting creditor is absent from the general meeting of the creditors, the executive trustee shall as soon as possible inform him of the objections that have been raised to his report and of the stipulated date.

If the reporting creditor fails to explain the claim by the stipulated date, the bankruptcy court may from the available information decide whether to approve the claim and, if approved, the amount and priority thereof.

If the explanation is submitted by the stipulated date, the question whether to approve the claim shall again be submitted to a general meeting of the creditors. If the executive trustee then recommends that the claim not be approved as reported, the dispute between the reporting creditor and the executive trustee shall be subject to continued proceedings until the bankruptcy court considers it ready for decision. If the executive trustee recommends that the claim be approved as reported, the bankruptcy court shall invite the contesting party to open a dispute against the reporting creditor by a stipulated date. If the contesting party wins the dispute, the bankruptcy court may decide that he shall recover all or part of his costs thereof from the bankruptcy estate.

#### § 115 Claims Reported after the Period Allowed therefor

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The provisions of § 110-114 will similarly apply to claims that are reported after the period allowed therefor. The bankruptcy court may order the reporting creditor to repay to the estate any special costs that accrue for the examination as a consequence of the claim having been reported after the expiry of the period.

#### § 116 Corrected or Altered Report

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Until a reported claim has been examined, the reporting creditor may make alterations and corrections of the report as regards the origin, amount and priority of the reported claim.

After the claim has been examined, such alteration or correction may be made only when due to circumstances of which the reporting creditor was not previously informed.

The altered or corrected report shall be regarded as a new report if it may cause the reported claim to be approved at a higher priority or in a substantially larger amount.

### Chapter XIII - Realization of the Estate's Assets. Report and Accounts

#### § 117 Realization of the Estate's Assets

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Subject to the limits imposed by commercial legislation, the bankruptcy estate's assets shall be realized in the manner which under the circumstances will presumably yield the highest return. Sale by public auction should not take place unless there is reason to believe that this sales method will ensure better prices than a private sale.

The rules of § 17 second paragraph above will similarly apply, except that the period commences on the date of filing with the bankruptcy court (filing date).

#### § 118 Dispute Regarding the Extent of the Estate's Right of Seizure

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If the board of trustees considers it doubtful whether it should seek to exercise a right which presumably pertains to the

estate, the board of trustees should submit the question to a general meeting of the creditors.

If the general meeting of the creditors decides that the board of trustees should not pursue the possible right of the estate, any creditor who has voted against the decision may take up the matter on behalf of the estate by a date stipulated by the bankruptcy court, unless a settlement has been concluded between the estate and the opposing party. The creditor must in such case undertake to deposit such security as may be stipulated by the bankruptcy court for any loss which he may cause to the estate by pursuing the matter.

The creditor must pay the costs of pursuing the matter, but if it leads to an increase in the assets of the estate, the creditor may recover his reasonable costs out of the increase.

The provisions of the two preceding paragraphs will similarly apply where the question arises of appealing from any decision concerning the rights of the estate.

§ 119 The Debtor's Business  
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The question whether and to what extent the debtor's business shall continue for account of the bankruptcy estate subject to the limits imposed by commercial legislation, will be decided by the board of trustees as soon as possible. Any preliminary decision under § 81 above shall be submitted to the board of trustees.

If the business is to continue, a general meeting of the creditors shall be invited to express an opinion on the matter. The business should only continue when it is probable that the continuation would prevent harmful effects to the estate or lead to higher prices for the assets of the estate. It may also be decided to continue the business if the interests of the employees or special community interests so indicate, and the estate obtains sufficient security against any loss arising from the continuation of the business.

Questions of any such reduction or alteration of the debtor's business as may substantially affect the employees and their working conditions shall be discussed with representatives of the employees, who should wherever possible be invited to express their views before any measures are implemented.

§ 120 Report by the Board of Trustees  
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At the latest three months from the final appointment of the executive trustee, the board of trustees shall submit a report to the bankruptcy court, which report shall in particular contain:

- 1) an account of the debtor's business conduct describing the bookkeeping and the circumstances which led to the bankruptcy. The account should include the debtor's last two annual financial statements (balance sheet, income statement) and a statement of sales;
- 2) an account of the position of the estate, describing the debtor's guarantee and bill-of-exchange liabilities, any

- liens on the assets of the debtor and how the assets have been valued;
- 3) information on the debtor's matrimonial property;
  - 4) information on whether any transactions of the debtor may be voided;
  - 5) information on whether the debtor has presumably been guilty of such conduct as may lead to criminal prosecution under §§ 281-286, cf. § 288 of the Criminal Code. If the debtor is an association or a foundation, the information should state whether the manager or a director has presumably been guilty of any such offence for the benefit or on behalf of the debtor;
  - 6) information on whether the debtor in recent years has presumably been guilty of other serious offences in connection with his business operations;
  - 7) an evaluation of whether the debtor's conduct comes under the interdiction rules of § 142 below.

The auditor's report shall be enclosed. The report shall moreover enclose a statement by the debtor on his word of honour that the information contained in the report on his financial circumstances is to the best of the debtor's knowledge correct and complete.

If bankruptcy is opened in direct continuation of debt negotiations, see § 1-4 sixth paragraph of the Creditors Recovery Act, and a report in accordance with § 21 above has been drawn up in the course of these negotiations, this report with the necessary additions and alterations may be employed as the bankruptcy report.

If the estate is a large or complex one or other special reasons so indicate, the bankruptcy court may prolong the period set forth in the first paragraph of this section.

The executive trustee shall send the report to each creditor and to the debtor. If the bankruptcy court or the board of trustees finds grounds for criminal prosecution for any offence as mentioned in 5) or 6) above, the report shall be sent also to the prosecuting authority. The prosecuting authority should be notified also earlier to the necessary extent of any criminal offence.

#### § 121 Annual Report on the Proceedings. The Bankruptcy Court's Control

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If the estate has not been wound up one year from the appointment of the executive trustee, the executive trustee shall send to the bankruptcy court a report on the proceedings and accounts for the estate. The accounts and report shall first be submitted to the other members of the board of trustees, who shall inscribe thereon any remarks they may have. The accounts shall also be submitted to the auditor.

The report and accounts mentioned in the preceding paragraph shall always be drawn up in connection with a change of executive trustee and whenever decided by the bankruptcy court, though at least once a year. The bankruptcy court may moreover at any time require the board of trustees and the individual trustees to furnish complete information on the proceedings.

## § 122 Final Accounts and Report

When the estate is to be wound up or the estate proceedings are to terminate for any other reason, the executive trustee shall submit a report and final accounts. The provisions of § 121 first paragraph, second and third sentences will similarly apply. The accounts with the auditor's statement and the report shall be sent to the bankruptcy court and the debtor.

When the accounts of a bankruptcy estate which is being wound up have been approved, the executive trustee shall send a copy of the accounts and the report to all the creditors.

## Chapter XIV - Compulsory Composition during Bankruptcy

### § 123 Composition Proposal

The debtor may submit a proposal for a compulsory composition after the board of trustees have presented their report and before the estate has been wound up.

The proposal, which must accord with the rules of § 30 above, is submitted in writing to the board of trustees, which sends it to the bankruptcy court with a statement as to whether the proposal is recommended for adoption, on the prospects of the debtor performing the proposed composition and the security existing therefor, and on the conditions which the board of trustees have imposed for recommending the proposal. The provisions of § 22 first paragraph second and third sentences above will similarly apply.

### § 124 Adoption of the Proposal

The bankruptcy court decides by decree whether to take the proposal up for consideration. The bankruptcy court shall refuse to do so if it finds that there is no prospect of the proposal being adopted and confirmed. A decree which refuses consideration may be appealed within three days. If the decree is in favour of considering the proposal, it is not subject to appeal.

When the court has decided to consider the proposal, the executive trustee shall forward it together with the board of trustees' opinion by registered letter to all known creditors.

A general meeting of the creditors to vote on the composition proposal shall be held at the earliest fourteen days after the proposal has been forwarded. The rules of § 40-44 above will similarly apply, the board of trustees replacing the debt committee.

### § 125 Confirming the Composition

When the vote has been taken, the bankruptcy court decides by decree whether to confirm the composition. If the estate's cash holding is insufficient to meet first ranking claims and priority claims, the composition can only be confirmed if adequate security is deposited for the shortage. The rules of

§§ 38, 47-51, 54 and 55 will similarly apply. The bankruptcy court's decree may be appealed by the debtor and by any creditor who would be bound by the composition.

If the composition is confirmed, the bankruptcy proceedings shall at the same time become final, an announcement that the composition has been confirmed and the bankruptcy proceedings discontinued shall be published as provided in § 78 third paragraph above.

When the confirming decree has become final, the executive trustee shall pay the first ranking claims and the prior ranking claims or - if they are contested - deposit with a bank the necessary amounts to pay them, § 47 second paragraph being similarly applicable.

#### § 126 Compulsory Composition after the Debtor's Death

If the debtor dies before the bankruptcy estate has been wound up, his heirs may in his place submit a proposal for compulsory composition or continue the negotiations for an already submitted proposal provided they:

- 1) declare to the bankruptcy court that they take over full, joint and several liability for performance of the composition which may be established,
- 2) would have had a right under the inheritance laws to take over the deceased debtor's property for private division.

The rules of §§ 18 and 39 above are in that case similarly applicable to the heirs, but the executive trustee may make an exception from the attendance obligation.

The rules of the first and second paragraphs of this section are similarly applicable to the debtor's spouse, provided the spouse has a right under the inheritance laws to retain undivided possession of the community property and declares to the bankruptcy court that he or she will exercise this right on condition that a composition is established. A statement as mentioned in § 16 of the Inheritance Act will in that case be issued by the bankruptcy court when its confirming decree has become final.

### Chapter XV - Allotment

#### § 127 Preliminary Allotments

When a general meeting of the creditors has examined all the claims which are presumably prior ranking ones, and which have been reported before the expiry of the reporting period, an allotment shall be made for these claims as soon as the estate has the means for full payment thereof.

When all claims which have been reported by the expiry of the reporting period have been examined, the bankruptcy court may at the request of the board of trustees decide that one or more preliminary allotments to the other creditors shall be made as and when the estate obtains the necessary means.

§ 128 Final Allotment  
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As soon as the estate's assets have been realized, its outstanding amounts collected and all disputes about the distribution of its assets decided, a general meeting of the creditors shall decide to wind up the estate. The final allotment shall thereupon be made as soon as possible.

Where special circumstances exist, the estate may be wound up and the final allotment made although certain questions regarding the estate's assets and obligations have still not been settled.

§ 129 Subsequent Allotment  
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If after the final allotment has been made, assets accrue to the estate, they shall be distributed among the creditors by subsequent allotment.

§ 130 Allotment Procedure  
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The bankruptcy court draws up the allotment in a court session. The allotment will be made on the basis of a draft prepared by the executive trustee unless the bankruptcy court itself prepares such draft.

If the amount which would fall to a creditor is disproportionately small compared with the costs and work of the allotment and payment, the bankruptcy court may decide that the claim shall be disregarded in the allotment or that its payment shall be omitted. The Ministry may issue further regulations regarding the application of this provision.

The allotment shall be published as provided in § 78 third paragraph first sentence above.

§ 131 Appeal from the Allotment. Right to make Corrections  
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An allotment may be appealed within one month from the allotment date.

If in the course of the appeal period the bankruptcy court becomes aware of any mistake in the allotment, it may make the necessary corrections provided they do not necessitate any repayment. Creditors who are adversely affected by the correction shall be notified; the appeal period for them commences on the date of the notification.

True translation certified

Lawyer and authorized translator

