



Lao People's Democratic Republic  
Peace Independence Democracy Unity Prosperity

National Assembly

No.75/NA  
Vientiane Capital, dated 26 Dec 2019

## **Law on Rehabilitation and Bankruptcy of Enterprises (revised version)**

### **Part I General Provisions**

#### **Article 1 (Improved) Objectives**

This Law defines principles, regulations and measures on the rehabilitation and bankruptcy of enterprises to enable the resolution of debtor enterprise which is in insolvency or imminent insolvency in a uniform, lawful and efficient way that protects the legitimate rights of creditors, debtor enterprises and other related persons; create confidence in the credit system with an aim to maintain stability of economic system, create a favorable environment for doing business and investment, and that contributes to the national socio-economic development.

#### **Article 2 (New) Rehabilitation and Bankruptcy of Enterprises**

Rehabilitation of an enterprise means the procedures enabling the resolution of debtor enterprise encountering financial difficulty that is unable to pay its debt, by which the debtor enterprise file a request to allow it to continue to operate its business, as agreed by the creditor's meeting and approved by the court.

Bankruptcy of an enterprise means a resolution for a debtor enterprise that is unable to pay its debt when they become due, by which debtor enterprise or creditor requests or files a petition with the court to declare the bankruptcy of enterprise.

### Article 3 (New) Definition

Terms used in this Law shall mean as follows:

1. **Enterprise** means an individual enterprise, a partnership, a limited company, a public company, a state-owned enterprise and a cooperative established according to the Law;
2. **Small Enterprise** means a business unit that is registered which is classified in business sector identifying in number of labors, value of assets and turnover as defined in specific regulation;
3. **Micro Enterprise** means a smallest enterprise in production, trade and service sectors identifying in number of labors, value of assets and turnover as defined in specific regulation;
4. **Insolvency** of an enterprise means an enterprise that is being in financial difficulty which is unable to pay its debts or meet its financial obligations when they become due;
5. **Enterprise in imminent insolvency** means an enterprise that is not yet insolvent, but the enterprise is aware of its financial difficulty which is unable to pay its debt and likely to become insolvent in the near future;
6. **Debtor enterprise** means an enterprise that is petitioned or file a Request by itself for court to consider rehabilitation or bankruptcy;
7. **Debtor** means an individual, a legal entity or organization who has an obligation to pay debt by cash, property or other obligation for creditor ;
8. **Creditor** means an individual, a legal entity or an organization who has right to claim debt payment or obligation performance from a debtor. Creditor is either a secured creditor or an unsecured creditor;
9. **Secured creditor** means a creditor who has right to claim repayment which is secured by a security interest or other types of security;
10. **Unsecured creditor** means a creditor who has right to claim repayment that is not secured by any collateral;
11. **Statement of Affairs** means a document that a debtor enterprise created during the petition or request procedure presenting to the court for considering the rehabilitation or bankruptcy of enterprise explaining, stating on the business affairs, assets and debts of its enterprise;
12. **Claim right** means the right of any party claiming other party to perform an obligation owned in accordance with a contract or the law;
13. **Debtor-in-Possession (DIP)** means a debtor enterprise who by approval of the judge based on the consent of the meeting of creditors to continue to manage its business under the supervision of an administrator;
14. **Cross-Border Bankruptcy** means a bankruptcy proceeding against an enterprise in another country, while the enterprise operates, its branch and assets are located in other country;
15. **Executive Officer** means the Deputy Director and/or Manager of a debtor enterprise;
16. **Concerned Parties** mean creditor, debtor enterprise, administrator and state organization related to rehabilitation and bankruptcy of enterprises.

#### **Article 4 (New) State Policy on the Bankruptcy of Enterprises**

The state encourages and promotes a resolution for insolvent enterprise or enterprise in imminent insolvency by creating laws, regulations and mechanisms for facilitating the rehabilitation or bankruptcy based on the law and in an efficient manner.

The state protects the legitimate rights and interests of creditors, debtor enterprises, the state's interests and other related persons in rehabilitation and bankruptcy of enterprises.

#### **Article 5 (New) Principles regarding the Bankruptcy of Enterprises**

Rehabilitation and bankruptcy of enterprises shall comply with the following principles:

1. Using the rehabilitation and bankruptcy of enterprises as an alternative resolution;
2. Ensuring fair treatment and debt repayments for creditors according to the law;
3. Ensuring the complete and correct inspection and control of property of debtor enterprises and of the transfer and sale of property at fair market value periodically based on the law;
4. Ensuring transparency, fairness, lawfulness, fast and efficiency;
5. Ensuring participation of concerned parties in the rehabilitation and bankruptcy proceedings and such proceedings are open to the public, except when involving confidential informations.

#### **Article 6 (Improved) Application Scope of the Law**

This law applies to all insolvent enterprises or enterprise in imminent insolvency established legally in Lao PDR and their assets located in Lao PDR and in foreign countries, including individuals, legal entities and organizations, both domestic and international involving the rehabilitation and bankruptcy of enterprises in Lao PDR

This law is not applicable for the rehabilitation and bankruptcy of commercial banks, deposit-taking microfinance institutions and insurance companies.

#### **Article 7 (new) International Cooperation**

The state promotes cooperation with foreign countries and regional and international communities regarding the bankruptcy of enterprises through the exchange of lessons, data, information, techniques, technologies, and development of human resources including cross-border bankruptcy procedures in order to facilitate modernization, efficiency and compliance with international treaties and agreements to which Lao PDR is a party.

## **Part II**

### **Filing of a Petition or Request for Rehabilitation or Bankruptcy**

#### **Article 8 (Improved) Persons Eligible to File a Request for Rehabilitation or Bankruptcy**

Persons who are eligible to file a request to the court for considering the rehabilitation or bankruptcy of enterprises are as follows:

1. Insolvent enterprise or enterprise in imminent insolvency;
2. Partners or shareholders of insolvent enterprise or enterprise in imminent insolvency representing at least twenty percent of the total voting shares in case that such enterprise does not file a request for the rehabilitation or bankruptcy;
3. Members of cooperative representing one fifth of the total members in case it is in financial difficulty and unable to pay its debt.

An enterprise which is petitioned for bankruptcy according to Article 10 of this law, may file a request to the court for considering the rehabilitation during the defense. In case the petitioned enterprise is micro and small enterprises, it may file a request for rehabilitation as prescribed in Part VI of this law.

#### **Article 9 (Improved) Request File for the Rehabilitation or Bankruptcy**

A request file for the rehabilitation or bankruptcy comprises:

1. An application as required in the prescribed form by the Court;
2. Minute or resolution of the partners or the shareholders' meeting approving the request for the rehabilitation or bankruptcy of enterprise, except for individual enterprise, limited company and a request by the partners or shareholders as prescribed in paragraph two under Article 8 of this law;
3. A Statement of Affairs that mainly includes the following contents:
  - Name, address and telephone number of debtor enterprise;
  - List of assets of debtor enterprise including value and location of those assets;
  - List of creditors that includes amount of debt, assets related security, and name, address and telephone number of each creditor;
  - List of employees and amount of unpaid wages;
  - List of debtor enterprise's receivables that includes amount of debt, and name, address and telephone number of each debtors;
4. Financial statements and annual reports of debtor enterprise for the last two years. In case where the enterprise has been in operation for less than two years, the report shall cover from the commencement date of the operation;
5. Other documents related to the request.

### **Article 10 (Improved) Persons Eligible to File a Petition for Enterprise Bankruptcy**

Persons who are eligible to file a petition to the court for considering the bankruptcy of enterprise include:

1. Creditor of the insolvent enterprise whose aggregate outstanding debt is not less than ten million Kip, and the creditor has served the debtor enterprise with a demand notice to repay the claim at least three times, where the interval between each notice is not less than twenty days and the debtor enterprise has acknowledged receipt of the notice but has not paid the debt;
2. Employee or Trade Union in case insolvent enterprise has not paid salary and/or wages for three consecutive months.

Any petition that is not made under paragraph 1 and 2 as stated above shall be deemed to be made in bad faith and for improper purpose caused damages for the petitioned person, the person filing such petition shall be responsible for such damages incurred and may be prosecuted based on the law.

### **Article 11 (Improved) Petition File for Bankruptcy**

Petition file for Bankruptcy comprises:

1. Application as required in the prescribed form by the court;
2. Evidences on the outstanding debt unpaid;
3. Collection letter or evidence related to debt collection;
4. Any related contracts;
5. Other documents related to petition.

### **Article 12 (Improved) Court Jurisdiction over Rehabilitation and Bankruptcy Case**

The court having jurisdiction over all rehabilitation and bankruptcy proceedings is the Commercial Chamber at the provincial and Vientiane Capital level. The Commercial Chamber of the regional People's Court has right to judge a case at appellate and final levels.

The Commercial Chamber of province, Vientiane Capital where the debtor enterprise's registered headquarter is located shall have jurisdiction over all rehabilitation and bankruptcy proceedings.

The court handling the rehabilitation and bankruptcy proceedings shall have the following rights and responsibilities:

1. To receive a petition or request for the rehabilitation or bankruptcy of enterprise;
2. To appoint, replace an administrator and approve the fees and/or other expenses of the administrator as approved by creditor's meeting;
3. To issue an adjudication order for opening the rehabilitation or bankruptcy proceedings;

4. To approve administrative expenses occurred during the rehabilitation or bankruptcy proceedings;
5. To consider any objection in regard to any action of the administrator;
6. To consider the adoption or rejection of a proposal of the Agreement for Settlement or rehabilitation plan, including giving recommendations for the improvement of such proposal or rehabilitation plan;
7. To consider issuing an order on interim measures for protection of the debtor enterprise's assets and the liquidation of the debtor enterprise's assets;
8. To declare the bankruptcy of an enterprise;
9. To use such other rights and perform duties as prescribed by laws.

### **Article 13 (New) Examination of Request or Petition File**

Upon receiving a request or petition file, the court clerk shall examine that file whether it is fully and completely compiled as defined under Article 9 or 11 of this law. If such file is fully and completely compiled, the court clerk will accept the request or petition for consideration. In the event of non-compliance, the court clerk will return and recommend to rectify such non-compliance prior to accept.

When the court clerk accepts the request or petition file, the requester or petitioner shall pay fee as defined under the Law on Court's Fee.

### **Article 14 (Improved) Notice of Request or Petition**

Within five official day from the date the request is accepted by the court, the court shall notify the creditor and debtor of requesting enterprise in writing based on the Statement of Affairs and a copy of the request file in order to submit his/her debt statement including related supporting documents to the court within fifteen days from the date of the notice by the court.

Within five official days from the date the petition is accepted by the court, the court shall issue a summons against the petitioned enterprise to acknowledge the petition and serve the petitioned enterprise with a copy of the petition. Within fifteen days of receiving the copy of the petition, the petitioned enterprise shall submit its defense statement, the Statement of Affairs, financial statement and other supporting documents including a request for the rehabilitation if needed to the court. In the event that the petitioned enterprise is unable to submit its defense statement to the court within the defined timeframe, with sufficient reasons the enterprise may request the court to extend the timeframe for submission for no more than ten days.

### **Article 15 (New) Documentation of Case and Adjudication**

After acceptance of a request for the rehabilitation or bankruptcy, the court clerk shall compile documents and issue an adjudication order to start the proceedings within three days from the date of receiving the request.

After acceptance of a petition for the bankruptcy of enterprise and a defense statement, the court clerk shall compile documents and issue an adjudication order to start the proceedings within three official days from the date of receiving the defense statement

#### **Article 16 (new) Assignment of Case to Assigned Judge**

After commencement of the proceedings, the President of the court shall assign the rehabilitation or bankruptcy case to the Head of the Commercial Chamber to consider assigning the case to a judge for hearing the case within three official days from the date of the commencement.

The assigned judge has the following rights and duties:

1. To collect information, evidence for a request for the rehabilitation, a request or petition for the bankruptcy;
2. To consider requirements for a request for the rehabilitation, a request or petition for the bankruptcy;
3. To manage and inspect activities of the administrator;
4. To examine periodic and final reports of the administrator;
5. To call for the first meeting of creditor based on the report result of the administrator;
6. To use rights and perform other duties as defined by law.

#### **Article 17 (New) Hearing of the Rehabilitation or Bankruptcy Case**

The Assigned Judge shall be responsible for examining and hearing the case, gathering information and evidence within fifteen days from the date of receiving the case.

In case of a request, the assigned judge shall examine the case. Where the case is compliant with the requirements set out in Article 8 of this law, the court shall issue an adjudication order for opening the reorganization or bankruptcy case within five official days from the date the judge receives the case.

For a petition that is compliant with the requirements defined in Article 10 of this law, with sufficient information and evidence, the court shall issue an adjudication order for opening the case of the enterprise bankruptcy within five official days from the date the judge receives the petition.

The adjudication order for opening the rehabilitation or bankruptcy case shall be final.

If a request or petition does not comply with the requirements defined in Article 8 or Article 10 of this law, or have insufficient evidence, the court shall issue an order to cancel the request or petition. The requester or petitioner, who is not satisfied with such order of the court, shall be entitled to file an appeal within seven days from the date of receiving such order.

### **Article 18 (New) Moratorium on Legal Action**

Upon issuing the adjudication order for opening case on rehabilitation or bankruptcy, creditors, parties and other related persons shall suspend legal actions which was previously performed or will be performed against the debtor enterprise or assets of the debtor enterprise, including petition, possession, confiscation of assets or other acts without approval of the court, except for activity that is nonfinancial measures by the state organization such as criminal procedures, environment, safety, social welfare.

Secured creditors are entitled to request to the court to consider commencing a legal action in any of the following cases:

1. Assets of the debtor enterprise used as security may decrease in value, damage or lose during the rehabilitation;
2. Assets of the debtor enterprise used as security are not important and necessary for the reorganization.

### **Article 19 (New) Appointment of Administrator**

Upon issuing the adjudication order for commencing the rehabilitation or bankruptcy procedure, the court shall appoint the administrator based on the list of the administrator.

The administrator that is appointed for handling the rehabilitation or bankruptcy case shall:

1. Not be husband, wife, child or relatives of the creditor or the debtor enterprise;
2. Not be liable or have a conflict of interest with the creditor or the debtor enterprise ;
3. Never have been Executive Office or have been employed by the creditor or the debtor enterprise;
4. Not be the creditor or debtor of the debtor enterprise;
5. Not be engaged in a business that is in competition with that of the debtor enterprise.

Creditors have the right to reject the appointment of the administrator if it is found that the administrator has a relationship or interest with the debtor enterprise as defined in paragraph one to five of this Article, and that such rejection shall be promptly considered by the court.

### **Article 20 (New) Notice of Commencement of Case**

Upon issuing the adjudication order for opening case on the rehabilitation or bankruptcy, the court shall notify all known creditors and debtors of the debtor enterprise on the commencement of the rehabilitation or bankruptcy case as stated in the Statement of Affairs. A notice on the commencement of the case shall be also made to other persons and society via media vehicles for at least seven consecutive days.



The notice and publication of the commencement of the case shall include:

1. The date, month, year of the adjudication order for the rehabilitation or bankruptcy proceedings ;
2. Name and address of the detor enterprise;
3. Name and address of the court;
4. Name and address of the administrator;
5. The administration and the collection of all assets of the detor enterprise;
6. Claims of creditors and submission period;
7. Schedule and venue of the initial meeting of the creditors;
8. Other contents as the judge deems necessary.

#### **Article 21 (Improved) Payment of Outstanding Unpaid Shares**

Shareholders of the detor enterprise shall fully pay their outstanding unpaid shares within fifteen days from the date of the adjudication order on opening the rehabilitation or bankruptcy case.

In the event that such shareholders do not pay the outstanding unpaid shares within the defined timeframe, the administrator may propose to the court to consider imposing interim measures, namely confiscating or seizing the assets or debiting their depositing account based on the outstanding amount or other measures as appropriate.

#### **Article 22 (New) Surrender of Information**

Within fifteen days after the adjudication order on opening the rehabilitation or bankruptcy case, the detor enterprise shall provide the administrator the following information:

1. Financial reports and copies of all financial records;
2. Copies of all contracts that the debtor enterprise is the party;
3. Any assignment, transfer of assets of the detor enterprise to creditors or any person;
4. Other related information.

In the event that the detor enterprise is unable to provide all information as defined in the paragraph one above with sufficient reason, the detor enterprise may request the court to consider extending the timeframe but no more than fifteen days for a maximum.

Other than information provided by the detor enterprise, the administrator may request the detor enterprise to explain, clarify about its assets, liabilities and financial transactions and others.

#### **Article 23 (New) Examination of Business Operation and Assets of Detor Enterprise**

Upon issuance of the adjudication order on opening the rehabilitation or bankruptcy case, the administrator shall examine the business operation, financial status and assets of the detor

enterprise and evaluate and report to the court and to the meeting of creditors on the viability of the rehabilitation and liquidation of debts to distribute to creditors.

The administrator shall be responsible for collecting and listing all the assets of the detor enterprise, based on information provided by the detor enterprise and inspection, audit and searches conducted by the administrator.

The administrator may require Executive Officers, family members of the enterprise owner or other related persons to appear and provide information regarding their possession of assets suspected to be owned by the detor enterprise or other information regarding the assets of the detor enterprise.

#### **Article 24 (Improved) Administration of Assets of Detor Enterprise**

All the assets that are under the ownership or under the control of the detor enterprise obtained prior or during the rehabilitation or bankruptcy proceedings including assets of individual enterprise and general partners of partnership shall be under the administration of the administrator where there is Debtor-In-Possession or be under the custody of the administrator where is no Debtor-In-Possession.

The assets of the detor enterprise include:

1. Immovable and movable assets including leased assets, repurchased or lent assets;
2. Cash, bank account;
3. Shares in other enterprises, debentures, government bond;
4. Account receivables;
5. Intellectual property;
6. Other assets.

#### **Article 25 (Improved) Assets Excepted from the Administration**

Assets that are exempted from the administration mean the assets that are under ownership of individual enterprise or of the general partners in the partnership including:

1. Necessary household items having a value not exceeding two million Kip/item;
2. Clothes and personal items that have value not over three million Kip/person;
3. Bibles, religious items, pictures that have a value not exceeding one million Kip/book;
4. Food for personal consumption for thirty days;
5. Pets and plants that have a value not exceeding three million Kip;
6. Tools and equipment necessary for personal work that have value not exceeding five million Kip/item, including necessary animal foods for three days.

The owner or general partners shall request and deliver a list of assets for exemption to the court conducting the rehabilitation or bankruptcy procedures not later than seven days prior to the initial meeting of the creditors. Creditors may object to the request for such exemptions

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and the court shall rule on the exemption within seven days from the date of receiving such objection.

#### **Article 26 (New) Examination of Documents and Information by Creditors**

Creditors may examine documents or related information including the following copies of the documents:

1. The Statement of Affaires;
2. Records of accounting activities;
3. Evidence of proved debts;
4. Minutes of the meeting of creditors;
5. Other relevant documents.

The creditor shall also receive documents and other information on the rehabilitation or bankruptcy procedure from the administrator or the detor enterprise.

#### **Article 27 (New) Notice on Bank Account at a Bank or Financial Institution**

When a detor enterprise is under a rehabilitation or bankruptcy proceedings, a commercial bank or a deposit-taking microfinance institution where the detor enterprise holds any account with shall be responsible to notify the administrator within fifteen days from the date of receiving the notice on the case proceeding.

#### **Article 28 (New) Consolidation of Legal Actions, Disput Resolution or Other Actions**

Any ongoing civil actions or dispute resolution proceedings against a detor enterprise or assets of the detor enterprise shall be suspended during the rehabilitation or bankruptcy proceeding of enterprise.

In the case the court finds that such ongoing civil action, dispute resolution or criminal proceedings involving payment of damages, which would affect the rehabilitation or bankruptcy proceeding, the judge shall coordinate with relevant agencies and report to the President of the court for considering a final decision for whether or not consolidation of cases, dispute resolution or separating the civil damage in the criminal proceeding into the rehabilitation or bankruptcy proceeding as required under this law.

#### **Article 29 (New) Null and Void Acts**

The administrator has the right to request the court to consider ruling null and void any of the following acts made by a detor enterprise within one year to the filing date:

1. Transfer or assignment of assets of the detor enterprise to creditors or other persons;
2. Conversion of unsecured debts into secured debts;
3. Payment of debt to any creditor before the applicable due date;
4. Sale of assets of the detor enterprise at a lower price than their market price;

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5. Waiving of the claim right on account receivable;
6. Recognition of inexistent or exaggerated debts;
7. Other acts in favor of any creditors or person.

### **Article 30 (Improved) Sale of Business**

Upon issuing the adjudication order on opening the rehabilitation or bankruptcy case, whole or a part of business of the detor enterprise may be sold. Individual or legal entity who wishes to buy such business shall submit to the court, the administrator, creditor or creditor's committee.

When an offer is made to buy the business, the administrator, creditors or creditor's committee shall prepare documents, evaluation of the value, negotiate and creation of plan for payment to submit for approval by the meeting of creditors

If the meeting of creditors approves the sale of business of the detor enterprise, the administrator shall submit to the court for confirmation and issue the order for enforcing the resolution of the creditor's meeting within three days from the date of submission.

The buyer shall pay for the value of business to the administrator in accordance to the value and schedule as defined under the payment plan adopted by the meeting of creditors to pay for the expenses of the rehabilitation or payment of debts to the creditors.

For the sale of whole business, after all payments made by the buyer, the administrator shall submit to the court for issuing an order to close the case as regulated and order the buyer to amend its business registration in accordance to relevant laws.

### **Article 31 (New) Imposing Interim Measures**

During the rehabilitation or bankruptcy procedure, the administrator may impose any interim measures to protect the assets of the detor enterprise, protect rights and interests of creditors and other related persons in necessary case and urgency, such as sale of any assets that may be decreased in value or expired, storage, packaging of assets, but shall report to the court.

In any necessary case, the administrator may request to the court to consider issuing any interim measures for the protection of the assets of the detor enterprise, namely searching the site, confiscating or seizing assets, sale of the assets.

In the event that the creditors or detor enterprise objects or opposes on the use of such interim measures, they may file with the court within seven days from the date of receiving the interim order for termination of such measures.

The decision of the appellate court on such interim measures shall be final.

## **Part III Administrator**

### **Article 32 (New) Administrator**

An administrator shall be a person who is a duly licensed professional who shall serve in the control, administration and/or management of the assets of the detor enterprise and liquidation as defined under this law.

Any enterprise may provide service of the administration of assets on the condition that there is licensed administrator employed.

### **Article 33 (Improved) Qualifications of Administrator**

An Administrator shall have the following qualifications:

1. Having obtained at a minimum a bachelor degree in law, accounting, audit or business administration with at least three years relevant working experiences;
2. Having completed training course on the administration of assets;
3. Not being a civil servant, military personnel or police officer;
4. Having not been removed from civil service, been disciplined, or convicted with imprisonment due to intentional wrongdoing;
5. Having good health.

### **Article 34 (New) Licensing and Listing of Administrator**

A Person who wishes to serve as an administrator shall submit an application and documents required under Article 13 of this law to the Ministry of Justice for consideration to be appointed as an Administrator.

The Ministry of Justice shall maintain a list of registered administrators which shall be available for public access and information to the court for consideration of appointing an Administrator to be responsible for a case on rehabilitation or bankruptcy of enterprise.

### **Article 35 (Improved) Rights and Duties of Administrator**

An administrator shall have the following rights and duties:

1. To inspect, gather and list of all assets of the detor enterprise;
2. To summary all account payables and receivables of the detor enterprise and maintain list of all creditors, debtors and the amounts payables and receivables of the enterprise;
3. To examine the financial status of the detor enterprise and make a report to the court and the meeting of creditors;

4. To assist the debtor enterprise in coordination, drafting and negotiation on the proposal for settlement of debts with creditors for the rehabilitation of small and micro enterprises;
5. To give opinions on the rehabilitation plan or prepare the rehabilitation plan as requested by the debtor enterprise or creditors including assistance in finding funding sources used for the rehabilitation;
6. To monitor and inspect business operation of the debtor enterprise or undertake the administration, management of the debtor enterprise in the case of no trust on the Executive Officer of the debtor enterprise until any new Executive Office replaced;
7. To decide on the use of assets and expenses of the debtor enterprise based on the plan approved by the court;
8. To examine of claim rights of creditors and value of such claims;
9. To create a plan for liquidation of assets and debts of the debtor enterprise in the bankruptcy case;
10. To propose to the court for issuing interim measures for protection of assets of the debtor enterprise;
11. To call and prepare the creditor's meeting;
12. To make periodic report of its activities to the court and to the creditor's meeting;
13. To perform other rights and duties as prescribed by law.

The administrator shall perform its work in diligent, good faith, under the guidance and control of the court and be responsible for its activities that violate this law and other laws causing damages including being subject to a lawsuit.

#### **Article 36 (New) Wages and/or Expenses of Administrator**

Wages and/or expenses of an Administrator are under responsibility of the debtor enterprise base on the determination of the court on the basis of agreement of the creditor's meeting.

## **Part IV The Meeting of Creditors**

#### **Article 37 (Improved) Calling the Meeting of Creditors**

The assigned judge shall call the initial meeting of creditors within thirty days after its assignment to approve the appointment of an administrator including its wages and/or expenses, deciding whether to bring the debtor enterprise into the rehabilitation or bankruptcy proceedings, deciding on Debtor-in-Possession, examining the claims rights, amount of debts claims and other important matters.

The next meeting of creditors may be called at any time if necessary by the administrator, the creditor's committee or creditors representing one fourth of all debts to consider the plan of rehabilitation, liquidation plan and other important matters.

The notice and the meeting agenda including all relevant documents shall be sent to the entitled creditors and persons having obligation to attend the meeting of creditors at least three days in advance of the meeting.

The meeting of creditors shall be convened only if there are creditors more than half representing two third in value of all debts.

### **Article 38 (New) Persons Eligible and Obligated to attend the Meeting of Creditors**

The persons eligible to attend the meeting of creditors include:

1. Entitled petitioners as defined under Article 10 of this law;
2. The assigned judge;
3. Representative of employees or Trade Union.

Persons having obligation to attend the meeting of creditors include:

1. The Administrator;
2. The owner or representative of the detor enterprise as notified by the administrator or creditors.

### **Article 39 (Improved) Rights and Duties of the Meeting of Creditors**

The meeting of creditors shall have the following rights and duties:

1. To approve the appointment or removal of the administrator including the administrator's wages and/or expenses;
2. To examine the claim's rights of creditors and amounts of debts;
3. To confirm the classification of creditors and amounts of debts, namely, the secured and unsecured creditors, employees;
4. To adopt the list of assets and debts of the detor enterprise;
5. To hear on the report of the administrator and representative of the detor enterprise on the financial status and business operation;
6. To consider on whether to bring the detor enterprise into the reorganization or bankruptcy proceedings, including decision on the Debtor-in-Possession;
7. To decide on whether to sell the business of the detor enterprise in part or in whole;
8. To monitor and inspect the business activities of the detor enterprise and activities of the administrator;
9. To adopt the proposal for settlement of debt, plan for rehabilitation or liquidation;
10. To object on any disposal of assets of the detor enterprise;

11. To perform other rights and duties as defined by law

#### **Article 40 (Improved) The Resolution of the Meeting of Creditors**

A resolution of the meeting of creditors shall be effective when decided by a majority in number of those creditors present and representing at least two third in value of all debts.

Where any creditors do not agree with the resolution of the meeting of creditors shall be entitled to submit to the court for cancelation of such resolution and propose to the meeting of creditors for reconsideration on such matters.

The resolution of the meeting of creditors shall be effective on all creditors.

#### **Article 41 (Improved) Forms of Solutions by the Meeting of Creditors**

The meeting of creditors may be decided on the detor enterprise to any following solutions:

1. Rehabilitation of the enterprise;
2. Bankruptcy;
3. Sale of a portion or entirety of business.

Any solutions by the meeting of creditors shall submit to the court for approval.

#### **Article 42 (New) The Committee of Creditors**

In the event that the detor enterprise is a large enterprise or has many creditors, the meeting of creditors may create the Creditor's Committee which may consist of three to five members who are the creditors or other delegate persons to represent the creditors in protecting rights and interests of the creditors, encouraging, monitoring, inspection on the implementation of the resolution of the meeting of creditors.

#### **Article 43 (new) Rights and Duties of the Creditor's Committee**

The Committee of Creditors shall have the following rights and duties:

1. To inspect assets, liabilities, financial condition and ability to continue business operation of the detor enterprise;
2. To monitor and inspect business activities of the detor enterprise and activities of the administrator;
3. To monitor and inspect the administration and use of assets of the detor enterprise;
4. To monitor and inspect the liquidation process;
5. To call the meeting of creditors;
6. To provide opinions on the formulation of a plan of rehabilitation or liquidation proposed by the detor enterprise and/or the administrator, and to propose its plan for rehabilitation of enterprise;
7. To perform rights and other duties as assigned by the meeting of creditors;



## **Part V Rehabilitation**

### **Article 44 (New) Continuation of Business of Deter Enterprise**

Upon issuing the adjudication order on opening the rehabilitation case or the meeting of creditors deciding a resolution on the rehabilitation, the detor enterprise may continue its business operation in a form of Debtor-in-Possession or control and managed by the administrator or other person assigned by the court as proposed by the Creditor's Committee or the meeting of creditors in case creditors do not trust the management by the detor enterprise.

In case of the Debtor-in-Possession, any business activities of the detor enterprise that are considered important affecting the ability on payment of debts or reduction in value, shall be approved by the administrator and report to the court.

The detor enterprise shall not be allowed to perform the following acts:

1. Concealing any assets of the detor enterprise in any forms;
2. Payment of unsecured debts, except for the debts occurred after the administration of assets, payment of employee's salary or wages, wages and/or expenses of the administrator
3. Waive or do not claim any account receivable;
4. Conversion of unsecured debts to secured debts in whole or in part.

In the event that creditors, the administrator find that the Executive Officer of the detor enterprise lacks capacity to continue the business operation or perform actions as defined in paragraph one to four above, they shall be entitled to propose to the court for the termination and replace with the new management including being liable for damages incurred or prosecuted on a case-by-case basis.

### **Article 45 (New) Termination or Continuation of Contracts**

Any contracts made between the detor enterprise and other partners before the date of adjudication order that have not been fully implemented, the administrator shall consider whether to terminate or continue the implementation of such contracts and shall notify the other party of such decision.

In the case of notifying termination of the contracts, if the counterparty to the contract have not agreed to the termination, it shall file with the court within fifteen days from the date of receiving of the notification for considering of continuation of the contracts. Where the contracts have been terminated, if the counterparty to the contract in whose favor obligations have not been performed suffers losses, the counterparty shall be considered as a creditor in the rehabilitation proceedings.

Any debts incurred from the continuation of contracts shall be settled during the rehabilitation proceeding or have priority of the settlement.

#### **Article 46 (New) Mobilization of New Finance**

The debtor enterprise and/or the administrator may obtain new finance for the rehabilitation through loan by giving as security any asset of the company that it is not otherwise encumbered or by giving priority in the order for distributing of assets as security.

Any sources of finance used for the rehabilitation of the enterprise shall be defined in the rehabilitation plan, proposed to and adopted by the meeting of creditors.

The principles and interests of the loan shall receive first priority payment immediately after payment of salary or wages of employees.

#### **Article 47 (New) Proposed Plan for the Rehabilitation**

The debtor enterprise and/or the administrator shall formulate and submit a rehabilitation plan within ninety days from the date the court has adopted the resolution of the meeting of creditors on the rehabilitation.

The creditors or the Creditor's Committee may propose its own rehabilitation plan.

#### **Article 48 (New) Contents of the Rehabilitation Plan**

The rehabilitation plan shall include the following main contents:

1. Business plan of the debtor enterprise, especially, sources of finance to be used for the rehabilitation, restructuring of organization and management, sale, transferring of the assets or part of business of the debtor enterprise;
2. Classification of creditors;
3. Change of the debt structure;
4. Debt repayment plan;
5. Implementation timeframes for the rehabilitation plan.

#### **Article 49 (New) Consideration of the Rehabilitation Plan in the Creditor's Meeting**

The administrator shall convene the meeting of creditors to discuss the proposed plan for rehabilitation within seven days from the date of such rehabilitation plan is accepted by the court, and chair the meeting of creditors, except for the meeting of creditors elects its own chair.

The debtor enterprise or person proposing the rehabilitation plan shall be responsible for presenting such plan to the meeting of creditors including explaining and answering

questions by any creditors, the administrator or other petitioners raised during the meetings of creditors.

The rehabilitation plan will be adopted by the meeting of creditors only if there is majority votes representing more than half of the creditors or representatives attending the meeting which account for two third of total amount of the debts. Such adoption shall be approved by both secured and unsecured creditors.

For the creditors who do not attend the meeting may send their opinions in writing clearly specifying on the accepting or not accepting the rehabilitation plan, shall be considered these creditors attending the meeting.

The case the meeting of creditors has passed the resolution for accepting the rehabilitation plan, any creditors find that they are negatively affected considering that the terms are not in compliance with requirements defined in paragraph two under Article 50 of this law, they shall have rights to propose to the court for canceling such resolution.

If the rehabilitation plan is not accepted by the meeting of creditors and it requires to amend, modify, the debtor enterprise or the person proposing such plan shall amend or modify within specifying timeframe and submit for consideration in the next meeting of creditors. If the rehabilitation plan is rejected or not accepted, the debtor enterprise shall be converted to bankruptcy procedure.

#### **Article 50 (New) Confirmation of the Rehabilitation Plan by the Court**

Upon adoption of the rehabilitation plan in the meeting of creditors, the administrator shall report to the court within three days from the date of closing the meeting of creditors to confirm such plan and to issue the order for the implementation of the rehabilitation plan.

The court may confirm the rehabilitation plan if the following requirements are satisfied:

1. That all creditors without classifying will receive benefits from the rehabilitation proceeding in fair amount and will receive at least or more as such creditor would have received in the bankruptcy of the debtor;
2. All classes of creditors accept the rehabilitation plan;
3. The rehabilitation plan is feasible to complete and the debtor enterprise is trust worthy for the successful implementation.

#### **Article 51 (New) Notice of the Order for Implementation of the Rehabilitation Plan**

After issuing the order for the implementation of the rehabilitation plan, the court shall notify the debtor enterprise, creditors, the administrator and other related persons of such order within three days from the date of issuing such order to implement the rehabilitation plan.

**Article 52 (Improved) Implementation of the Rehabilitation Plan**

The detor enterprise is responsible for implementing the rehabilitation plan as per the order of the court and the rehabilitation plan that is confirmed by the court.

For the implementation of the rehabilitation plan in case the detor enterprise is trusted by creditors to manage the business, all assets of the detor enterprise under the control of the administrator shall be reassigned to the detor enterprise including rights in the management of its business operation.

**Article 53 (Improved) Timeframe for the Implementation the Rehabilitation Plan**

The timeframe for the implementation of the rehabilitation plan shall be as prescribed in the approved rehabilitation plan but shall not exceed three years from the date the court issues the order for the implementation of the rehabilitation plan.

**Article 54 (New) Modification of the Rehabilitation Plan**

The confirmed rehabilitation plan may be modified at any time during the implementation process. Where the detor enterprise has the intention to modify such rehabilitation plan, it shall propose the modification to the administrator and/or the Creditor's Committee to consider presenting to the meeting of creditors.

The consideration, confirmation and notification of order on modification of the reorganization plan shall follow Articles 49, 50 and 51 of this law.

**Article 55 (New) Monitoring and Inspection of the Rehabilitation Plan**

The administrator and the Creditor's Committee shall monitor and inspect the implementation of the rehabilitation plan of the detor enterprise at regular basis.

During the implementation period of the rehabilitation plan, the detor enterprise shall report regarding the implementation of the rehabilitation plan and financial position to the administrator and Creditor's Committee on monthly, quarterly, six-months and yearly basis.

The administrator and the Creditor's Committee are responsible for reporting the implementation of the rehabilitation plan to the court and the meeting of creditors every six-months.

### **Article 56 (New) Termination of the Rehabilitation Plan**

The implementation of the rehabilitation plan shall be terminated in the following cases:

1. The debtor enterprise successfully complies with the terms of the rehabilitation plan, has sufficient financial capacity to continue its business operations and to satisfy its ongoing debt repayment obligations and that no creditors raise any objections after the end of the implementation period of the rehabilitation plan;
2. the debtor enterprise does not operate efficiently and not able to satisfy its ongoing debt repayment obligations after the end of the implementation period of the rehabilitation plan;
3. The debtor enterprise fails to comply with requirements for the implementation of the rehabilitation plan or the court's order during the rehabilitation process;
4. Other reasonable cases.

### **Article 57 (Improved) Effect of the Termination of the Rehabilitation Plan**

In the event that the implementation of the rehabilitation plan is terminated according to paragraph one under of Article 56 of this law, the court may order the debtor enterprise to continue its business operation. The implementation of rights and duties of the administrator will also end.

In case the implementation of the rehabilitation plan is terminated according to paragraph two and three under Article 56 of this law, the court may declare the bankruptcy of the debtor enterprise or may provide for the amendment or continuation of the rehabilitation plan as requested by creditors, the Creditor's Committee or the administrator.

During the rehabilitation period, the court may declare the bankruptcy of the debtor enterprise at any time if it considers that the debtor enterprise may not be rehabilitated as proposed by creditors, the Creditor's Committee or the administrator.

## **Part VI Rehabilitation for Small and Micro Enterprises**

### **Article 58 (New) Rehabilitation for Small and Micro Enterprises**

The rehabilitation for small and micro enterprises is a simplified, speedier and less expensive rehabilitation procedure through an Agreement for Settlement to enable the small or micro enterprise that is insolvent or in imminent insolvency to negotiate with its creditors that is approved by the court.

### **Article 59 (New) Request for Rehabilitation for Small and Micro Enterprises**

A small or micro enterprise that is insolvent or in a state of imminent insolvency may file a request to the court for considering its rehabilitation.

The small or micro enterprise that is petitioned for the bankruptcy under Article 10 of this law may file a request to the court for considering its rehabilitation.

### **Article 60 (New) Request file**

A request file for the rehabilitation of small and micro enterprises comprises:

1. The request as in the form defined by the court;
2. Proof of small or micro enterprise status;
3. The Statement of Affairs that include contents as prescribed in paragraph three under Article 9 of this law;
4. Other related documents.

### **Article 61 (New) Examination of Request File**

Upon receiving of the request file, the court clerk shall examine that request file whether it is fully and completely compiled as defined under Article 60 of this law, and if such request file is fully and completely compiled, the court clerk will accept the request and prepare the documents for proceeding within three official days. In the event of insufficient documents, the court clerk will return the request file to the requester and recommend such person for amending the request.

### **Article 62 (New) Assignment of the Case to an Assigned Judge**

Upon receive of the request file, the President of the court shall assign the case to the Head of Commercial Chamber to assign a judge within three official days from the date of accepting the request.

In the case of petition for the bankruptcy, the assigned judge for considering such bankruptcy case shall automatically become the assigned judge for the rehabilitation for small and micro enterprises.

### **Article 63 (New) Hearing of Request File and Commcement of Rehabilitation Case**

The assigned judge shall be responsible for examining the supporting documents of the file, the eligibility of the detor enterprise within five official days from the date of the assignment. If conditions are met, the assigned judge shall rule on the commencement of the rehabilitation case for small and micro enterprise, including proposal for appointment of the administrator as prescribed under Article 19 of this law.

The ruling on the commencement of the rehabilitation case for small and micro enterprise shall be final.

**Article 64 (New) Publication and Notification of the Adjudication Order for Commencement of Rehabilitation Case**

Upon issuance of the adjudication order for commencing the rehabilitation case for small and micro enterprises, within three days the court shall notify all creditors listed in the Statement of Affairs, other creditors and society of such order through media vehicles for at least five consecutive days.

For all other creditors that are not on the list attached to the Statement of Affairs shall notify to the administrator or the court within thirty days from the date of notification or publication of the notice.

**Article 65 (New) Moratorium on Legal Actions and Suspension of Payments**

Upon issuing the adjudication order for the commencement of the rehabilitation case for small and micro enterprises, a moratorium on all legal actions against the debtor enterprise or assets of the debtor enterprise shall apply to all creditors. Secured and unsecured creditors shall not sue, collect claims, take possession, seize, or commence other actions against the debtor enterprise without permission from the court.

The debtor enterprise's payments of principals and interests to unsecured creditors shall be suspended from the date of the commencement of the rehabilitation case. The payment of interests to any secured creditor shall continue until the amount of such payments reaches the value of secured property.

**Article 66 (New) Proposed Documents for Rehabilitation for Small and Micro Enterprises**

The debtor enterprise shall prepare and compile the documents to submit to the court within thirty days from the date of the commencement of the rehabilitation case.

The proposed documents for the rehabilitation are as follows:

1. The Agreement for Settlement;
2. The Statement of Affairs;
3. Documents on the Agreement for Settlement with secured creditors or where the secured creditor refuse to sign, a certified document of unsigned agreement with reasons and counter proposals shall be provided;
4. The administrator's report;
5. Other documents as recommended by the administrator.

In the event that the debtor enterprise is unable to submit the documents within the defined timeframe, with sufficient reason it may request to the court for extension of the timeframe for up to thirty days, for an overall maximum duration not exceed sixty days.

### **Article 67 (New) Approval of Offer on the Agreement for Settlement**

Upon receiving the offer on the Agreement for Settlement and documents as defined under Article 66 of this law, the assigned judge shall examine all supporting materials and other documents, and shall approve the offer within five official days, if:

1. The administrator's report illustrates that:
  - The debtor enterprise is trustworthy;
  - The terms of the offer provide each creditor with payment at least equal to the amount that such creditor would receive in the debtor's bankruptcy;
  - The terms of the offer are fair and reasonable;
  - The terms of the offer are implementable and likely to succeed.
2. Secured creditors all agree or the offer on the Agreement for Settlement provides protection for the secured creditors that do not agree.

### **Article 68 (New) Notice of Offer on Agreement for Settlement to Creditors**

Upon the offer on the Agreement for Settlement is approved by the assigned judge, the court shall notify all creditors including copy of the offer on the Agreement for Settlement and other related documents to such creditors.

### **Article 69 (New) Meeting of Creditors to Approve the Offer on the Agreement for Settlement**

The administrator shall call a meeting of creditors to vote on the offer on the Agreement for Settlement within ten days from the date of the approval of the offer by the judge.

Only the unsecured creditors are entitled to vote in the meeting of creditors. Any secured creditors attending the meeting have right to vote only on any unsecured balance of its debt.

The resolution of the meeting of creditors accepting the offer on the Agreement for Settlement shall be decided by a majority of creditors who have rights to vote or representatives attending the meeting and represent two third in value of total unsecured debts.

All unsecured creditors shall vote in one class. Where the economic interests of unsecured creditors are, in the opinion of the administrator, sufficiently divergent, unsecured creditors may be divided into different classes for the purpose of voting on the resolution to accept the offer.

Where the meeting of creditors accept or do not accept the offer on the Agreement for Settlement, the chairperson of the creditor's meeting shall submit the accepted and not accepted resolution of the meeting to the court for consideration within three days from the date of closing the meeting.



**Article 70 (New) Court Approval of Resolution of Creditor’s Meeting**

Where the offer on the Agreement for Settlement is accepted by the meeting of creditors and there is no objection, the court shall approve the offer on the Agreement for Settlement including issuing the order for implementing such offer on the Agreement of Settlement that shall be binding on all creditors

Any unsecured creditor who voted against the offer on the Agreement for Settlement may file an objection to the court within three official days from the date of closing of the meeting of creditors and the court shall promptly consider the objection. Creditors who do not participate in the meeting of creditors are not entitled to file an objection.

Where the meeting of creditors do not approve the offer on the Agreement for Settlement, the court shall consider to convert the Agreement for Settlement procedure to bankruptcy procedure.

**Article 71 (New) Implementation of the Offer on the Agreement for Settlement**

After the court issues the order to implement the offer on the Agreement for Settlement, the detor enterprise shall immediately implement.

The administrator shall take control of the assets that are targeted, administer, dispose and distribute the assets of the detor enterprise according to the terms of the offer on the Agreement for Settlement.

The administrator shall encourage, monitor the detor enterprise in the implementation of the offer on the Agreement for Settlement and make report to the court on the implementation regularly.

**Article 72 (New) Duration of the Implementation of the Offer on the Agreement for Settlement**

The duration of the implementation of the offer on the Agreement for Settlement shall be as proposed in the offer on the Agreement for Settlement approved by the court and shall not exceed two years from the date the court orders to implement such offer on the Agreement for Settlement.

**Article 73 (new) Modification of the Offer on the Agreement for Settlement**

After the implementation of the offer on the Agreement for Settlement, if the detor enterprise or the administrator finds necessity to modify any content in such offer, the proposal shall be filed with the court for consideration.

The court may consider the modification if:

1. There is a report explaining the necessary reasons for the modification to the offer on

- the Agreement for Settlement;
- 2. The meeting of creditors votes on the modification by majority.

#### **Article 74 (New) Cancellation of the Approved Offer of the Agreement for Settlement**

The offer on the Agreement for Settlement may be cancelled anytime based on the proposal of the administrator, creditors or the debtor enterprise in the following cases:

1. The debtor's Statement of Affairs accompanying the offer do not accurately state the debtor's true position, and it is unlikely that the offer on the Agreement for Settlement may not be accepted if creditors know the true facts;
2. The debtor enterprise fails to comply with the terms of the offer on the Agreement for Settlement;
3. The debtor Enterprise demonstrates that it is or will be unable to comply with the terms of the offer on the Agreement for Settlement;
4. The meeting of creditors fails to approve the modification to the offer on the Agreement for Settlement;

On cancellation of the offer on the Agreement for Settlement, unless the court orders otherwise, the court shall issue an order to cancel such offer on the Agreement for Settlement and convert such case to the bankruptcy procedure. The administrator for the rehabilitation of small and micro enterprises shall become the administrator for the bankruptcy procedure. All assets of the debtor enterprise under the custody and control of the debtor enterprise shall be surrendered to the custody and control of the administrator.

The order for cancellation of the offer on the Agreement for Settlement shall not prejudice or affect the validity of any agreement, disposal of property or transactions duly made or anything done during the rehabilitation period.

## **Part VII Bankruptcy**

#### **Article 75 (Improved) Grounds for Bankruptcy Declaration Decision**

The court may declare bankruptcy of the debtor enterprise on following grounds:

1. The debtor enterprise is voluntary request for declaring bankruptcy of its enterprise;
2. The debtor enterprise does not propose a plan for rehabilitation when there is a petition for a bankruptcy;
3. Where the debtor enterprise is unable to reach the offer on the Agreement for Settlement with the creditors;

4. Where the creditor's meeting rejects or does not approve the offer on the Agreement for Settlement or the rehabilitation plan;
5. Where the debtor enterprise is unable to implement the requirements of the offer on the Agreement for Settlement or rehabilitation plan;
6. Where the debtor enterprise does not implement the requirements of the offer on the Agreement for Settlement, rehabilitation plan or has violated the court's order during the rehabilitation period;
7. Owner of an individual enterprise or sole limited company dies without leaving a successor in case of a petition for bankruptcy.

#### **Article 76 (New) Responsibility of Debtor Enterprise**

Upon the meeting of creditors passes a resolution to decide on the bankruptcy of the debtor enterprise, the debtor enterprise including the owner of individual enterprise and general partners of partnership enterprise, shall transfer all their assets as prescribed under Article 24 of this law to the administrator, except for the assets exempted from the administration as prescribed under article 25 of this Law.

#### **Article 77 (Improved) Bankruptcy Declaration Decision**

The judge shall examine the case and documents and other information and propose to the court for issue a decision declaring the bankruptcy of the debtor enterprise as follows:

1. Within forty-five days from the date of the adjudication order for opening the bankruptcy procedure for cases under paragraph one to two of Article 75 of this law;
2. Within twenty days from the date of receiving report from the administrator or resolution of the meeting of creditors for the case under paragraph three to seven under Article 75 of this law;

In the case of individual enterprise and partnership enterprise that are declared bankruptcy, the owner of the individual enterprise and general partners of the partnership enterprise shall also be considered as bankrupt persons.

#### **Article 78 (Improved) Appeal of the Court Decision**

Creditors, owner or representatives of the debtor enterprise have the right to request an appeal against any court decision on bankruptcy of enterprise within twenty days from the date of acknowledgement of such decision.

The appeal proceeding shall only consider legal aspects without any further rehabilitation or bankruptcy proceedings. If the appellate court finds that the rehabilitation or bankruptcy proceedings are carried out unlawfully, the case shall be submitted to the Provincial Court, Vientiane Capital that decided such case for reconsideration.

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The hearing of the appellet court shall be completed within sixty days from the date of the judge's receipt of the case.

#### **Article 79 (Improved) Declaration of the Bankruptcy**

Within ten days from the date of the final court decision on the bankruptcy of enterprise, the court shall publish through the media vehicles at least three consecutive days and send copies of the decision to:

1. Judgment Enforcement Office;
2. Creditors and other petitioners;
3. The detor enterprise whose bankruptcy is declared;
4. The administrator;
5. The Industry and Commerce authority where the detor enterprise is registered;
6. Tax authority
7. Trade Union of provincial level;
8. Other concerned organizations.

### **Part VIII**

#### **Enforcement of the Declaration on Bankruptcy**

#### **Article 80 (New) Agencies Implementing the Decision on Bankruptcy of Enterprise**

The agency authorized to enforce the bankruptcy's decision is the agency enforcing the judgment as defined under the Law on the Judgment Enforcement.

Upon receiving the bankruptcy's decision, the Judgment Enforcement Agency considers, prepares and coordinates with relevant authorities for the enforcement of such decision.

#### **Article 81 (New) Surrender of the Information on the Bankruptcy**

The administrator is responsible for providing all information related to the bankruptcy of the detor enterprise and assets of the detor enterprise related to the enforcement of the decision to the Judgment Enforcement Agency, such as the list of the assets, list of creditors, types of creditors and debt amounts, list of debtors and receivable amounts of the detor enterprise.

### **Article 82 (Improved) Collection of Assets of the Bankrupt Enterprise**

After the bankruptcy's decision becomes final, all assets of the debtor enterprise will be liquidated to repay debt to its creditors and other related persons for which the Judgment Enforcement Agency is responsible for collection in accordance to the list of assets and amount of debts confirmed by the meeting of creditors in coordination with the administrator.

### **Article 83 (Improved) Obligations of the Bankrupt Enterprise**

The debtor enterprise, partners or shareholders of the debtor enterprise have the obligation to provide information and cooperate with the Judgement Enforcement Agency in the liquidation process according to the court's decision.

The owner of individual enterprise or general partners of partnership enterprise whose bankruptcy is declared may leave the jurisdiction of the court or may exit the country only if it is necessary and subject a proper guarantee and is permitted by the court.

In the event that it is informed and found that persons specified under paragraph two above intend to escape from the jurisdiction of the court or intend to leave the country, the court has the right to order his/her arrest.

### **Article 84 (Improved) Order of Priority in the Liquidation**

The order of priority in the liquidation shall be as follows:

1. Salaries or wages of employees up to the commencement date of the bankruptcy proceeding, including unpaid contributions for social security excluding the board of directors;
2. Principle and interests of the loan used for the rehabilitation;
3. Secured debts;
4. Debts to the state, such as taxes but not to be calculated for more than two years at the rate due before the commencement date of the bankruptcy proceeding;
5. Unsecured debts.

The payment of debts shall be made in full to the creditors of higher rank before the lower rank creditors receiving payment.

For creditors of the same rank of debts, if assets used for the debt repayment is not sufficient, the debt shall be settled in proportion to their debts.

### **Article 85 (Improved) Distribution of Remaining Assets**

After liquidation of the debtor enterprise according to the order of priority prescribed under Article 84 of this law, any remaining assets of the debtor enterprise shall be distributed to its owners, partners or shareholders of the debtor enterprise on the basis of their equity contribution.

### **Article 86 (Improved) Monitoring and Inspection of the Liquidation Process**

Creditor, the creditor's committee have the right to monitor and inspect the liquidation process of the debtor enterprise. If such liquidation process does not comply with the court's decision, creditor, the creditor's committee may request to the court to consider terminating such liquidation and order renewal of the process.

The Judgment Enforcement Agency shall report on the liquidation of the debtor enterprise to the court responsible for the case and related prosecuting agency.

### **Article 87 (Improved) Closing of the Liquidation**

After the Judgment Enforcement Agency has completed the liquidation of all debts of the debtor enterprise to creditors and other related persons or the debtor enterprise has no more assets for liquidation, it shall issue an order to close the liquidation.

The Judgment Enforcement Agency shall inform such order to organizations and persons as prescribed in Article 79 of this law and announce the same through media vehicles.

### **Article 88 (Improved) Request for Re-opening of the Liquidation**

Creditors, the creditor's committee or the debtor enterprise have the rights to request the Judgment Enforcement Agency to consider the closing of the liquidation within fifteen days from the date the announcement of closing the liquidation is issued. If the Judgment Enforcement Agency considers that the request has sufficient reasons, it will re-open the liquidation.

### **Article 89 (New) Discharge from the Bankruptcy**

The owner of individual enterprise and general partners in the partnership enterprise may request to the court for considering discharge from the bankruptcy in the following cases:

1. Fulfill its payment of debts as prescribed in the court's decision;
2. Such owner of individual enterprise or general partners cooperate fully on the enforcement of the court's decision within three years from the date of the court declaring the bankruptcy. If there is an objection by creditors to the discharge from the bankruptcy, the court shall consider the objection and suspend the release but shall not exceed five years.

**Part IX**  
**Administration of the Rehabilitation and Bankruptcy of Enterprise**  
**Section 1**  
**The Rehabilitation and Bankruptcy of Enterprise**

**Article 90 (New) Supervisory Authority of the Rehabilitation and Bankruptcy of Enterprise**

The supervisory authority of the rehabilitation and bankruptcy of enterprise consists of:

1. The People's Supreme Court;
2. The Ministry of Justice;

**Article 91 (New) Rights and Duties of the People's Supreme Court**

In the supervision on the rehabilitation and bankruptcy of enterprise, the People's Supreme Court shall have the following rights and duties:

1. To propose and amend policies and laws relating to the procedure of the rehabilitation and bankruptcy of enterprise to the National Assembly for adoption;
2. To issue decision, order, instruction and other legislations for the implementation of laws relating to the procedure of the rehabilitation and bankruptcy of enterprise;
3. To disseminate laws, decisions, orders, instructions and other legislations relating to the procedure of the rehabilitation and bankruptcy of enterprise, including the Agreement for Settlement to the public widely and fully;
4. To supervise, administer and monitor proceedings of the rehabilitation and bankruptcy of enterprise including the Agreement for Settlement that fall under its responsibility;
5. To study on the mechanism and coordination's system for a smooth, speedy, transparent and efficient procedure of the rehabilitation and bankruptcy of enterprise;
6. To build and upgrad knowledge, capacity of judges in the Commercial Chamber and becoming professional judges on the proceedings of the rehabilitation and bankruptcy of enterprise;
7. To collect, gathering information on the proceedings of the rehabilitation and bankruptcy of enterprise throughout the country;
8. To collaborate, encourage relevant Ministries, organizations and local administrative organizations on the implementation of the procedures of the rehabilitation and bankruptcy of enterprise;
9. To cooperate with foreign countries, regional and international organizations on the procedure of the rehabilitation and bankruptcy of enterprise including cross-border bankruptcy;
10. To use other rights and perform other obligations as defined by laws.

**Article 92 (New) Rights and Duties of the Ministry of Justice**

In the supervision on the rehabilitation and bankruptcy of enterprise, the Ministry of Justice shall have the following rights and duties:

1. To issue legislations on administration of the administrator and other legislations under its responsibility;
2. To disseminate laws, and other legislations related to the rehabilitation and bankruptcy of enterprise;
3. To build and develop professional of administration and administrator in upgrading knowledge, capacity, ethical and be able to fulfill their duties as prescribed by this law and other relevant laws;
4. To consider a license for the administrator and maintain list of the administrators throughout the country including monitor the activities of the administrators;
5. To collaborate, encourage relevant Ministries, organizations and local Administrative organizations on the administration of the administrator;
6. To cooperate with foreign countries, regional and international organizations on the rehabilitation and bankruptcy of enterprise;
7. To make summary and regularly report on its activities to the Government;
8. To use rights and perform other obligations as defined by laws.

**Article 93 (New) Rights and Duties of Other Ministries**

Ministries, organizations and other local Administrative organizations have rights and duties to collaborate and cooperate with the People's Supreme Court and the Ministry of Justice in the administration of the rehabilitation and bankruptcy of enterprise based on their roles.

**Section II**

**Inspection of the Rehabilitation and Bankruptcy of Enterprise**

**Article 94 (New) Inspection Authority of the Rehabilitation and Bankruptcy of Enterprise**

The inspection authority of the rehabilitation and bankruptcy of enterprise consists of:

1. Internal inspection authority which is the same as the supervisory authority for the rehabilitation and bankruptcy of enterprise as defined in Article 90 of this law.
2. External inspection authority consists of the National Assembly, Provincial Assembly, Office of People's Prosecutors, the Government Inspection Authority and State Audit Authority,



### **Article 95 Contents of Inspection**

The inspection of the rehabilitation and bankruptcy of enterprise has the following content:

1. Compliance with laws and regulations related to the rehabilitation and bankruptcy of enterprise;
2. Implementation of rights and duties of the supervisory authority of the rehabilitation and bankruptcy of enterprise;
3. Organization and operation of the administrator, protection of rights and interest of creditors, detor enterprise and other related persons.

### **Article 96 (New) Forms of Inspection**

Forms of inspection consist of following three forms:

1. Scheduled inspection which is conducted according to a regular plan with fixed schedule;
2. Inspection per official order or with advance notice, which is conducted outside the scheduled inspection when deemed necessary subject to advance notice at least twenty-four hours;
3. Immediate inspection which is an urgent inspection conducted without advance notice.

The inspection shall strictly comply with laws and regulations.

## **Part X**

### **Rewards for Good Performers and Measures Against Violators**

#### **Article 97 (New) Rewards for Good Performers**

Individuals, legal entities or organizations having outstanding performance in the implementation of this law will receive commendation or other rewards according to regulations.

#### **Article 98 (New) Measures against Violators**

Individuals, legal entities or organizations violating this law will be subject to re-education, warning, fine, disciplinary sanction, liability of compensation or penal prosecution depending on the law.

**Article 99 (Improved) Measures against Owners, Directors or Executive Officers of Detor enterprise**

If the administrator inspects and finds that prior to the filing of the bankruptcy petition or making of the request, the owners, directors or executive officers of the detor enterprise have concealed accounting documents, assets, moved or transferred assets, added debts unlawfully, or created security agreement for unsecured debts, revoked or reduced the right to claim for receivables of the detor enterprise owner, such directors, executive officers will be legally prosecuted.

In case the court have ordered the administration of assets but the owners, directors or executive officers of the detor enterprise still continue business operation, accepting credit or doing other acts without authorization from the court or the administrator, they shall be personally liable for damages incurred, deprived of their rights of management or subject to other measures.

Where the bankruptcy cause of the detor enterprise is due to their grossly negligent or reckless management, the owners, directors or executive officers may be banned from serving as director or executive officer in any enterprise for a period of three years from the date of the court decision of bankruptcy.

**Article 100 (Improved) Measures against Administrator**

Where an administrator violates this law during the discharge of his or her duties, the court has the right to remove him or her and hold him or her liable for damages incurred or pursue penal prosecution depending on the law.

**Article 101 (Improved) Measures against Individuals, Legal Entities or Organizations**

Any Individual, legal entity or organization pretending to be a creditor of an enterprise that file a request or be petitioned for bankruptcy without true facts or filing petition in bad faith or for an improper purpose of causing damages to an enterprise, will be legally prosecuted.

**Part XI  
Final Provisions**

**Article 102 (Improved) Implementation**

The Government of Lao People's Democratic Republic and the People's Supreme Court are to implement this law.

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**Article 103 (Improved) Effectiveness**

This law is effective from the date the President of Lao People's Democratic Republic issues its promulgation Decree and after fifteen days upon its publication on the Official Gazette.

This law replaces the Law on the Bankruptcy of Enterprise No. 06/94, dated 14 October 1994.

**President of National Assembly**

Pany YATHOTOU