

1 Who may insolvency proceedings be brought against?

There is no separate law governing insolvency proceedings in Bulgaria. The general provisions governing insolvency are laid down in the Insolvency Chapter of the Commerce Act. The insolvency of banks and insurance companies is governed by the special provisions laid down in the Bank Insolvency Act and the Insurance Code.

Insolvency proceedings are opened against insolvent traders. In addition, insolvency proceedings are opened against limited liability companies, joint-stock companies or limited partnerships that are overindebted.

Insolvency proceedings may also be opened against a person trading covertly through an insolvent debtor. Upon the commencement of insolvency proceedings against a commercial undertaking, proceedings are deemed to have been concurrently opened against a partner with unlimited liability.

Insolvency proceedings are also opened against sole proprietors who have died or been struck off the Commercial Register if they were insolvent when they died or were struck off. Insolvency proceedings are also opened against partners with unlimited liability, even if the partner has died or been struck off the Commercial Register. An application to open insolvency proceedings may be filed within a period of one year from the date on which the debtor died or was struck off the Commercial Register.

Insolvency proceedings are also opened against insolvent companies in liquidation. Insolvency proceedings against banks and insurance companies are governed by the rules and procedure laid down in a separate law.

Matters relating to the insolvency of a trader that is a public undertaking exercising a State monopoly or established under a special law are governed by a separate law. No insolvency proceedings can be opened against a trader that is a public undertaking exercising a State monopoly or established under a special law.

There is no provision in national law for insolvency proceedings against natural persons other than sole traders.

A Bulgarian court may open ancillary insolvency proceedings against a trader that has been declared insolvent by a foreign court, if it possesses significant assets in Bulgaria.

2 What are the conditions for opening insolvency proceedings?

The following prerequisites for opening insolvency proceedings apply to all traders:

(1) The debtor must be a trader.

Insolvency proceedings may be opened not just against a trader but against a person who trades covertly through an insolvent debtor, a partner with unlimited liability, even if they have died or been struck off, and a sole trader who has died or been struck off.

Under Article 612 of the Commerce Act, insolvency proceedings cannot be opened against a public undertaking that exercises a State-mandated monopoly or has been established under a special law.

(2) The application must be submitted by one of the persons referred to in Articles 625 and 742(2) of the Commerce Act, notably: the debtor, the liquidator or a creditor of the debtor in the case of a business transaction, the National Revenue Agency (in the case of a public debt to the central government or municipalities arising from the debtor's business activity or a debt in the form of a private government claim) or by a member of the governing body of the company.

Upon becoming insolvent or overindebted, a debtor must file an application seeking permission to open insolvency proceedings within a period of 30 days. In the case of a sole trader, the application may be filed by the sole trader or their successor. Where the debtor is a company, the application is filed by the governing body, a partner with unlimited liability or a company representative or by a court-appointed liquidator. In this case, the following should be annexed to the application:

a copy of the latest annual financial report certified by a registered auditor and balance sheet as at the date of the application, if the trader has a legal obligation to produce financial reports and balance sheets;

an inventory and description of the assets and liabilities as at the date of the application;

a list of creditors, which contains their addresses, the type and amount of their claims, and the collateral for their claims;

a list of the personal and matrimonial property of sole traders and partners with unlimited liability;

evidence that the National Revenue Agency has been notified of the opening of insolvency proceedings;

an express power of attorney, if the application is filed by a proxy.

Where the application is filed by a creditor, all available evidence supporting the creditor's claim and the debtor's purported insolvency must be annexed to the application, along with a stamp duty receipt and evidence that the National Revenue Agency has been notified of the filing.

(3) Conditions for enforceability:

a monetary obligation of the debtor relating to or arising from a commercial transaction, including the validity, performance, non-performance, termination, annulment and avoidance of that transaction or the consequences of its termination;

a debt under public law to the central government and municipalities arising from the commercial activities of the debtor;

or a debt arising from a private government claim.

'Commercial transaction' means a transaction concluded by a trader in the exercise of their occupation, including transactions expressly specified in Article 1

(1) of the Commerce Act (purchase of goods or other articles for resale in their original, processed or finished form, sale of own manufactured goods, purchase of securities for resale, commercial agency and brokerage, commission, forwarding and transport transactions, insurance transactions, banking and foreign-exchange transactions, bills of exchange, promissory notes and cheques, warehousing transactions, licensing transactions, supervision of goods, transactions in intellectual property, hotel operation, tourist, advertising, information, stage and entertainment industry production and other services, purchase, construction or furnishing of real property for the purpose of sale and leasing), regardless of the capacity of the persons conducting those transactions. In the event of doubt, a trader is deemed to have concluded a transaction in the exercise of their occupation.

The different types of claims of the central government and municipalities under public law are stipulated in Article 162(2) of the Tax and Social Insurance Procedure Code. They are as follows:

taxes, including excise and customs duties, compulsory social insurance contributions and other contributions payable to the State budget;
other payables for which the base and amount is established by law;
stamp duty and municipal fees established by law;
social insurance expenditure effected in a manner that does not conform to the requirements laid down by law;
the monetary equivalent of items of property forfeited to the government, fines and pecuniary penalties, and cash confiscated and forfeited to the government;
debts arising from money awarded to the central government or municipalities in court sentences, judgements and rulings that have entered into force and from decisions on the recovery of unlawfully granted State aid of the European Commission;
debts arising from penalty orders;
unduly paid or overpaid amounts and unlawfully received or unlawfully disbursed amounts under projects co-financed by the pre-accession financial instruments, operational programmes, Structural Funds and Cohesion Fund of the European Union, the European Agricultural Funds, the European Fisheries Fund, the Schengen Facility and the Transition Facility, including the related national co-financing, recoverable on the basis of an adopted administrative decision and other fines and pecuniary sanctions provided for in national and European Union law;
the interest due on the above receivables.

Public receivables include receivables to be paid into the budget of the European Union pursuant to decisions of the European Commission, the Council of the European Union, the European Court of Justice and the European Central Bank imposing monetary obligations subject to enforcement on the grounds of Article 256 of the Treaty establishing the European Community and the receivables of Member States of the European Union enforceable on the grounds of final decisions on the confiscation or forfeiture of cash or the cash equivalent of confiscated or forfeited property as well as decisions on the application of financial sanctions imposed in other Member States of the European Union, when recognised and enforceable in Bulgaria.

Regardless of whether the claim has arisen from a commercial transaction or under public law, it must be ascertained as valid and existing as at the date of the court's ruling on the application to open insolvency proceedings.

(4) Insolvency proceedings are opened against insolvent traders. Insolvency proceedings are also opened against a limited liability company (*дружество с ограничена отговорност*), joint-stock company (*акционерно дружество*), or limited joint-stock partnership (*командитно дружество с акции*) that is overindebted. Insolvency and overindebtedness are objective factual conditions, which have legal definitions in the Commerce Act.

A trader is insolvent when unable to pay:

a monetary obligation that has fallen due, arising from or in relation to a commercial transaction, including the validity, performance, non-performance, termination, annulment and avoidance of that transaction or the consequences of its termination;

a debt under public law to the central government and municipalities arising in relation to the commercial activities of the trader;

an obligation in the form of private State receivables.

A trader is presumed to be unable to pay a debt that has fallen due under the first hypothesis if, prior to the filing of an application to open insolvency proceedings, that trader has failed to submit financial reports for the last three years for publication in the Commercial Register.

A debtor is deemed to be insolvent if they have suspended payments. A debtor is deemed to have suspended payments even if they have fully or partially paid their debts to certain creditors. Insolvency is also presumed if, under enforcement proceedings instituted on the grounds of a final ruling obtained by the creditor who lodged the application to open insolvency proceedings, the debt has not been paid, either in part or in full, within 6 months from the receipt by the debtor of a request or notice for voluntary payment.

A company is deemed to be overindebted when its assets are insufficient to cover its liabilities.

(5) The debtor is not experiencing temporary difficulties but is in a state of objective and permanent insolvency and overindebtedness.

The competent insolvency court is the provincial court with jurisdiction over the area in which the trader has its head office at the time of the application to open insolvency proceedings. An application to open insolvency proceedings filed by a debtor or liquidator is heard by the court without delay in a closed-court hearing and a notice is published in the Commercial Register. An application to open insolvency proceedings filed by a creditor is heard in a closed-court hearing in which the creditor and the applicant must appear on a notice from the court, not later than 14 days from the date of the application. The court stays the proceedings instituted on an insolvency application lodged by a debtor or liquidator if, by the time it enters a ruling on the application, an insolvency filing has been made by a creditor. Until the end of the first hearing in the proceedings instituted on an application lodged by a creditor, other creditors may be constituted as parties, raise objections and present written evidence. The court assigns a case number to the filing on the date when the application is lodged and sets a date by which it must decide on the application. The period in question may not exceed three months.

Before ruling on the application the insolvency court, on a motion from the creditor or acting on its own motion, may order the following anticipatory and precautionary measures, if necessary to preserve the assets of the debtor:

that a receiver be appointed;

that a security by way of garnishment, foreclosure or other precautionary measures be allowed;

that enforcement proceedings against the debtor's property be stayed, except in the case of enforcement proceedings instituted pursuant to the Tax and Social Insurance Procedure Code;

that the measures envisaged by law in order to protect the available assets of the debtor be allowed;

that premises, equipment, transport vehicles, etc., where personal property and effects of the debtor are stored be sealed, except for living premises and other spaces necessary for the debtor to continue to operate or store perishable goods.

When the measures are sought by a creditor, the court admits them, if the creditor's motion is supported by compelling written evidence and/or if a security in an amount determined by the court is provided to compensate the debtor for any damages in the event that the debtor is subsequently found not to be insolvent or overindebted. The precautionary measures are to the benefit of all creditors of the insolvency estate and may be lifted by the court, if they are no longer necessary in order to preserve the estate and secure the rights of creditors.

The ruling is notified to the party subject to the measures and to the party that sought their imposition. It is subject to immediate enforcement and may be appealed within a period of 7 days from the date of receipt of the notice. Appeals do not have a suspensive effect. Precautionary measures are deemed to have been lifted from the date on which a ruling to dismiss the application to open insolvency proceedings is entered. The precautionary measures apply until the date of the ruling opening insolvency proceedings.

When insolvency or overindebtedness is ascertained, the court, by the ruling referred to in Article 630(1) of the Commerce Act, declares the insolvency or overindebtedness, determines its commencement date, opens insolvency proceedings, appoints a provisional receiver, admits a security by means of garnishment, foreclosure or other precautionary measures, and sets a date for the first meeting of creditors within a period of one month from the date of the ruling at the latest.

When it is evident that continued operation will harm the insolvency estate, the court may, on a motion from the debtor or the receiver, the National Revenue Agency or a creditor, declare the debtor insolvent by the ruling envisaged in Article 630(2) of the Commerce Act and order that it cease trading, either from the date of the ruling opening insolvency proceedings or from a later date preceding the time-limit for proposing a recovery plan. When ruling opening

insolvency proceedings against a water and sewerage operator, the court may not order it to cease operating before a new water and sewerage operator has been designated in the area.

The ruling opening insolvency proceedings is binding on all parties.

After the court has instituted insolvency proceedings or imposed anticipatory and precautionary measures, the debtor continues to trade under the supervision of the receiver and may conclude new contracts only with the prior consent of the receiver and on condition that it continues to comply with the measures ordered in the ruling opening insolvency proceedings. The court may strip the debtor of the right to manage and dispose of its property and grant that right to the receiver, if it finds that the actions of the debtor are detrimental to the interests of creditors.

By the ruling envisaged in Article 631 of the Commerce Act the court rejects the application to open insolvency proceedings if it ascertains that the debtor's difficulties are temporary or that its assets are sufficient to cover its debts without prejudicing creditors' interests.

When available assets are insufficient to cover the initial expenses of the insolvency procedure and the expenses have not been prepaid, the court adopts a ruling pursuant to Article 632(1) of the Commerce Act declaring insolvency or overindebtedness, opens insolvency proceedings, admits a security by means of garnishment, foreclosure or other precautionary measures, orders that the company cease trading, declares the debtor insolvent and stays proceedings, without ordering that the trader be struck off the Commercial Register. Stayed proceedings may be reopened on a petition from the debtor or the creditor within a period of one year from the entry of the ruling in the Commercial Register. Proceedings may be reopened if the petitioner is able to demonstrate that sufficient assets are available or deposits the sum necessary to cover initial expenses. If none of the parties requests that proceedings be reopened, the court terminates proceedings and orders that the trader be struck off the Commercial Register. The same rules apply if the debtor's available assets are found during the proceedings to be insufficient to cover the costs of the insolvency procedure.

Rulings under Articles 630 and 632 of the Commerce Act are subject to appeal within a period of 7 days from their entry in the Commercial Register and the ruling by which an application to open insolvency proceedings is rejected is subject to appeal within a period of 7 days from the date of its communication in accordance with the procedure stipulated in the Civil Procedure Code. A ruling pursuant to Article 630 is subject to enforcement with immediate effect.

Insolvency proceedings are deemed to have been opened from the date of entry of the ruling pursuant to Article 630(1) of the Commerce Act. When the ruling opening insolvency proceedings is annulled, garnishment and foreclosure are deemed to have been lifted, the rights of the debtor are restored and the powers of the receiver are terminated as from the date of entry of the final judgment in the Commercial Register.

The court approves or rejects the recovery plan of the undertaking by a dedicated ruling. Where the recovery plan is approved, the court terminates the insolvency proceedings and appoints the supervisory body proposed in the plan or elected by the creditor meeting. The ruling is subject to appeal within 7 days from the date of entry into the Commercial Register.

By the ruling provided for in Article 710 of the Commerce Act the court declares the debtor insolvent if no recovery plan is proposed within the relevant statutory period or the plan proposed fails to be adopted or approved. The same rules apply in the cases provided for in Articles 630(2), 632(1) and 709(1) of the Commerce Act (reopening of proceedings in the event of the debtor's failure to perform its obligations under the recovery plan). By the same ruling the court declares the debtor insolvent, orders that the insolvent enterprise cease trading, admits general garnishments and foreclosure in respect of the debtor's property, terminates the powers of the governing bodies of a debtor that is a legal person, strips the debtor of the right to manage and dispose of the insolvency estate, and orders conversion into money of the insolvency estate assets and distribution of the proceeds. The ruling proclaiming insolvency applies to all parties and is subject to entry in the Commercial Register. It is enforceable with immediate effect and may be appealed within 7 days from the date of entry.

From the time of entry of the ruling proclaiming insolvency in the Commercial Register, the debtor's immovable property, moveable property and receivables from *bona fide* third parties are deemed to be attached. The general attachment on the real property and vessels owned by the debtor is entered in the notarial registers or shipping registers on the grounds of the ruling proclaiming the debtor insolvent that has been entered in the Commercial Register. All the debtor's monetary and non-monetary obligations become enforceable against him from the date of the ruling proclaiming insolvency. The market value in money of non-monetary claims is determined at the date of the ruling. Non-monetary obligations are converted into money on the basis of their market value on the date of the ruling opening insolvency proceedings.

Foreign court judgments declaring insolvency are recognised in Bulgaria on the basis of reciprocity, if they are issued by a body of the State in which the debtor has its registered office. At the request of a debtor, the receiver appointed by a foreign court or a creditor, the Bulgarian court may open ancillary insolvency proceedings against a trader declared insolvent by a foreign court, if the trader possesses significant assets in Bulgaria. In this case, the decision applies only to the debtor's assets in Bulgaria.

3 Which assets form part of the insolvency estate? How are the assets treated which are acquired by or which devolve on the debtor after the opening of the insolvency proceedings?

From the date of the ruling opening insolvency proceedings, the debtor's property becomes the insolvency estate from which all creditors' claims arising from commercial and noncommercial debts are to be satisfied.

Under national law the insolvency estate comprises:

the assets owned by the debtor as at the date of the ruling opening insolvency proceedings;

the assets acquired by the debtor after the date of the ruling opening insolvency proceedings;

the assets of a debtor that is a sole proprietor include half of the personal property, rights in personal property and cash deposits owned as marital property;

the assets of a debtor that is a partner with unlimited liability include half of the personal property, rights in personal property and cash deposits owned as marital property;

A share or contribution not paid or contributed by a partner who has limited liability are collected by the receiver in order to be included in the insolvency estate. Any additional newly collected claims of the debtor, the proceeds from the sale of its assets and the amounts receivable by creditors which have been abandoned are included in the insolvency estate.

When the sale price of an item of property pledged or secured exceeds the secured claim, including the interest accrued, the residual amount is included in the insolvency estate. The same rule applies to creditors to whom the right to retain a security has been granted.

Where the court has invalidated a transaction in respect of the creditors of the insolvency estate, the assets provided by a third party are returned, and if such assets are not included in the insolvency estate or money is owned, the third party is constituted as creditor in the proceedings.

If the proceeds from the realisation of assets subject to precautionary measures imposed before the commencement of insolvency to secure public debts or against which enforcement proceedings for the collection of public debts are ongoing exceed the amount of the claim, including the interest accrued and the enforcement expenses incurred, the public bailiff remits the residual amount to the insolvency estate bank account. If the public bailiff fails to realise the assets within a period of 6 months from the commencement of insolvency proceedings, the asset passes from the public bailiff to the receiver and is realised in the insolvency proceedings. Where a payment in favour of a claimant is made between the date on which enforcement proceedings were stayed and the entry of the ruling opening insolvency proceedings, the amount paid is returned to the insolvency estate. If steps are taken to realise the security in favour of a secured creditor, the portion of the proceeds that exceeds the security amount is added to the insolvency estate.

The insolvency estate does not include the following:

the non-seizable assets of the debtor and the unlimited partner;

the financial securities referred to in Articles 22h and 63a(2) of the Underground Natural Resources Act;

the assets of water and sewerage operators required for their primary operations until a new water and sewerage operator in the respective area has been designated;

the amounts deposited in the bank account referred to in Article 60(2) of the Waste Management Act.

According to national law (Articles 444 to 447 of the Civil Procedure Code) enforcement may not be directed against the following items of personal property of a debtor that is a natural person:

objects intended for ordinary use by the debtor and their family as specified in a list adopted by the Council of Ministers;

the food necessary for the sustenance of the debtor and their family for a period of one month or, in the case of agricultural producers, until the new harvest or its equivalent in other agricultural products;

the fuel necessary for heating, cooking and lighting for three months;

the machines, tools, devices and books considered essential personal property and enabling a freelance professional or craftsman to continue practising their profession;

the land of a debtor that is agricultural producer, and in particular: gardens and vineyards with an area of up to 0.5 ha or fields with an area of up to 3 ha, including the necessary farming machines, tools, fertilisers, plant protection substances and seeds for sowing for a period of one year;

a team of draft animals, a cow and five small farm animals, ten beehives and the domestic fowl, including the necessary feed until the new harvest or until they can be put out to pasture;

the home of the debtor, if neither they nor any members of their family sharing the same living space, have another home, regardless of whether or the debtor lives in it. If the home exceeds the housing needs of the debtor and the members of their family, as determined by a Decree the Council of Ministers, the surplus is put up for sale if the conditions stipulated in Article 39(2) of the Ownership Act have been satisfied;

other non-seizable property items and receivables protected against enforcement by another law.

The above prohibitions do not apply to debtors with regard to property that has been pledged or mortgaged, when the claimant is the creditor under the pledge or mortgage. With regard to the debtor's land and home, the prohibitions do not apply to:

debtors owing maintenance payments, compensations awarded under tort law and financial deficits to be repaired;

debtors in other cases expressly stipulated by law.

Where enforcement is directed against the debtor's salary or other remuneration for work received, or against a pension that exceeds the minimum wage, the following deductions can be made:

if the income of the person ordered to pay the above costs does not exceed BGN 300 per month — one-quarter of the amount if they do not have any children and one-fifth of the amount if they have dependent children;

if the income of the person ordered to pay the above costs is between BGN 300 and BGN 600 per month — one-third of the amount, if they do not have any children, and one-quarter of the amount, if they have dependent children;

if the income of the person ordered to pay the above costs is between BGN 600 and BGN 1200 per month — one-half of the amount, if they do not have any children, and one-third of the amount, if they have dependent children;

if the income of the person ordered to pay the above costs exceeds BGN 1200 per month — the amount in excess of BGN 600, if they do not have any children, and the amount in excess of BGN 800, if they have dependent children.

In these cases, the monthly salary or remuneration is calculated after tax and mandatory social insurance payments have been deducted. However these limitations do not apply to claims arising from maintenance payments. In this case, the amount awarded in maintenance is deducted in full and the deductions from the salary or any other remuneration for work or a pension for other liabilities of the person ordered to pay maintenance arrears are made from the remainder of their total income. Enforcement against maintenance claims is not allowed. Enforcement against scholarships is allowed solely in respect of claims arising from maintenance payments.

Any waiver by a debtor that is a natural person of the protections granted to their personal property, salary or other remuneration for work or pension, is invalid.

Articles 22h and 63a(2) of the Underground Natural Resources Act lay down the requirements for the financial securities, which the operator, permit holder or concessionaire must provide to the Minister of Energy prior to commencing operations under the licence, and in particular: an irrevocable bank guarantee issued in favour of the Minister of Energy; a fiduciary account in a bank indicated by the operator and acceptable to the Minister of Energy; an insurance policy naming the Minister of Energy as beneficiary; a documentary letter of credit under which funds may only be drawn in order to perform the activities specified or another statutory security consulted with the Minister of Energy.

Article 60(2) of the Waste Management Act lays down the requirements for the securities to be provided in order to cover future costs for landfill closure and aftercare as follows: monthly deductions paid into a fiduciary account of the Regional Environment and Water Inspection Service (RIOSV) responsible for the area in which the landfill is situated; monthly deductions paid into a special-purpose account blocked until all measures relating to landfill closure and aftercare have been completed and approved, except when the use of the deposited funds is expressly permitted, or a bank guarantee issued in favour of the competent RIOSV responsible for the area in which the landfill is situated.

The final meeting of creditors adopts a resolution on the unsellable personal property in the insolvency estate and may decide that personal property of negligible value or claims that would be unreasonably difficult to collect be restored to the debtor.

After all debts have been paid in full the remainder of the insolvency estate is restored to the debtor.

4 What powers do the debtor and the insolvency practitioner have, respectively?

The debtor and the receiver have the following rights in insolvency proceedings:

to raise objections against the balance sheet and report drawn up by the liquidator, where proceedings have been opened against a company in liquidation.

The court rules on the objection within a period of 14 days by a ruling that is not subject to appeal;

to request that the court proclaim the debtor insolvent and order it to cease trading either from the date of the ruling opening insolvency proceedings or from a later date, which, must, however, be before the time-limit for proposing a recovery plan has elapsed, when it is evident that continued operation would harm the insolvency estate;

to request that the court admit the precautionary measures envisaged by law in order to secure the available assets of the debtor;

to propose a recovery plan;

to request that the court call a meeting of the creditors.

The actions of the debtor and the receiver are documented in a public register that may be kept in electronic form and is available at the registry of the insolvency court.

The debtor, their representative and the receiver may not take part, either directly or through a stand-in or another related party, in bidding sessions or take part as purchasers in auctions for the sale of personal property or property rights included in the insolvency estate. When a property right is acquired by an ineligible bidder, the sale is null and void and the money paid by the purchaser is retained and used to satisfy creditors' claims.

After the court has opened insolvency proceedings or imposed anticipatory and precautionary measures, the debtor continues to trade under the supervision of the receiver and may conclude new contracts only with the prior consent of the receiver and on condition that they continue to comply with the measures ordered in the ruling opening insolvency proceedings.

The court may strip the debtor of the right to manage and dispose of their property and grant that right to the receiver, if it finds that the actions of the debtor are detrimental to the interests of creditors.

Debtor

Upon becoming insolvent or overindebted, a debtor, must apply to the court for permission to open insolvency proceedings within a period of 30 days. The application is filed by the debtor, the debtor's heir, a governing body or proxy or liquidator of the commercial undertaking or by a partner with unlimited liability. When the application is filed by a proxy, an express power of attorney is required. In the application, the debtor may propose a recovery plan and designate a person who satisfies the requirements laid down for receivers to be appointed, if the court orders that insolvency proceedings be opened. The debtor, acting in person or through an authorised representative, may take any necessary procedural actions in the insolvency proceedings, and in proceedings instituted in respect of declaratory judgment actions and convalidation claims, except those strictly within the remit of competence of the receiver. Under certain conditions the debtor and their family are entitled to maintenance payments. The amount of the payment is determined by the court and constitutes an expense of the insolvency procedure.

A debtor may participate in the creditors' meetings if they consider it necessary.

Acting on a motion from the debtor, the court may cancel a resolution of the meeting of creditors, if it is unlawful or highly detrimental to the interests of some of the creditors.

The debtor may file a written objection, with a copy to the receiver, against any claim admitted or rejected by the receiver within 7 days of publication of the lists of admitted and rejected claims in the Commercial Register. The debtor may bring a declaratory action pursuant to Article 694 of the Commerce Act within 14 days of the publication of the court order approving the list in the Commercial Register, if the court dismisses the debtor's objection against a claim approved by the creditor or has included a claim in the list of list of approved claims.

The debtor may ask the court to remove the appointed receiver if the receiver fails to discharge their duties or acts in a manner that harms the interests of the creditor or the debtor.

The debtor may contest the writ of award issued by the court in the sale of personal property and property rights in the insolvency estate.

The debtor may file a written objection with the court against the distribution account and contest the injunction by which the account was approved.

The debtor may request that the court, at the time of approving the recovery plan by a dedicated ruling or at a later date, with a view to ensuring asset preservation and enabling the implementation of the plan, designate assets that the debtor may dispose of with the prior consent of the supervisory body or, if there is no supervisory body, with the prior consent of the court or replace one or more members of the supervisory board.

Under Article 740 of the Commerce Act, a debtor may at any stage in the proceedings conclude an agreement with all creditors with admitted claims to settle their monetary claims. In this case, the receiver does not represent the debtor as a party. If the debtor defaults on its obligations under the agreement, creditors whose claims account for at least 15 percent of the total amount of claims may request that insolvency proceedings be resumed.

The debtor may request that insolvency proceedings be resumed within one year from the date of entry of the ruling to stay proceedings in the Commercial Register, having ascertained that sufficient assets are available or having deposited the amount necessary to prepay initial litigation expenses.

The debtor may ask the court to resume stayed proceedings within one year from the date of the order to stay proceedings, if during that period amounts set aside for contested claims are released or assets unknown during the insolvency proceedings are discovered.

The debtor may apply to the court to be granted *restitutio in integrum* in respect of its restorable rights, if it has paid all debts admitted in the proceedings in full, including the interest and expenses incurred. The debtor's rights are restored without all debts being paid in full if the insolvency was caused by adverse business and economic developments. The rights of partners with unlimited liability are restored under the same conditions. The court ruling by which *restitutio in integrum* is granted is not open to appeal. The debtor has 7 days in which to contest a ruling rejecting their application. The final ruling is entered in the case-file of the insolvent trader kept by the Commercial Register.

The debtor may object to the final report of the receiver drawn up prior to the termination of their appointment within 7 days from the date on which the report is presented to the court. The court rules on the report within 14 days and its ruling is not open to appeal.

The debtor may receive the remainder of the insolvency estate, if any, after full and final settlement of their debts.

When a creditor's insolvency application is rejected by a final judgment, the debtor, whether a natural or a legal person, is entitled to compensation if the creditor acted with intent or gross negligence. Compensation is due for all material and immaterial damage suffered as a direct consequence of the wrongful act. If the debtor's actions had a contributory effect to the damages, the compensation may be reduced. If the application seeking permission to open insolvency proceedings was filed by several creditors, they are jointly and severally liable.

Not later than 14 days from the opening of insolvency proceedings the debtor must provide the following to the court and the receiver:

the necessary information about the business of the company and the debtor's property;

a list of the payments in cash or by bank transfer in an amount exceeding BGN 1200 made in the last 6 months before the commencement of insolvency;

a list of the payments made by the debtor to related parties during the last twelve-month period before the commencement of insolvency;

a notarised statement listing all items of personal property, property rights and receivables, and the names and addresses of their debtors.

The debtor provides the court or the receiver with information about its assets and business, including all relevant documents, within a period of 7 days from the date of the written request to do so. The information must be up-to-date as at the date of the request. Otherwise the court imposes a fine.

Not later than one month from the date of the ruling to stay insolvency proceedings due to non-payment of the initial expenses of the insolvency procedure, the debtor must terminate the employment contracts of its workers and employees, notify the competent local directorate of the National Revenue Agency, issue the requisite documents attesting to the work experience and length of service for social insurance purposes of said workers and employees, compile a reference document listing all persons with guaranteed claims under the Guaranteed Claims of Workers and Employees in the Event of Employer Insolvency Act and the bylaws laying down the rules for its implementation, and hand over the company records to the competent local office of the National Insurance Institute.

The debtor submits at least one quarterly report on its activities and the actions taken to implement the recovery plan to the supervisory body specified in the plan and notifies it of any circumstances that may have a material impact on recovery.

The debtor's governing bodies must obtain the prior consent of the supervisory bodies before deciding on the following:

the restructuring of the debtor;

the closure or transfer of undertakings or substantial parts thereof;

property transactions other than routine actions and transactions relating to the management of the debtor's business;
a substantial change in the debtor's business;
substantial organisational changes;
establishing long-term cooperation that is essential for recovery plan implementation or discontinuing such cooperation;
opening or closing branches.

The court-approved recovery plan is mandatory for the debtor, which should implement the structural changes provided for without delay.

The debtor must refrain from the actions and transactions listed in Articles 645, 646 and 647 of the Commerce Act within the time periods and upon the conditions specified therein, otherwise these actions and transactions may be declared invalid in respect of the creditors of the insolvency estate.

Receiver

Under Bulgarian legislation a receiver is a natural person who satisfies the following requirements:

has not been convicted as an adult of a deliberate indictable offence, unless full judicial rehabilitation has been granted;

is not married to and is not a blood relative of the debtor or creditor in the direct line of descent; is not a relative of the debtor or creditor in the collateral line up to six times removed and by affinity up to three times removed;

is not a creditor in the insolvency proceedings;

is not an insolvent debtor who has not been granted *restitutio in integrum*;

does not have any relations with the debtor or with a creditor that may give rise to reasonable suspicion as to their impartiality;

has a university degree in economy or law and at least 3 years of relevant professional experience;

has successfully passed a competence examination in accordance with the rules and procedure laid down in a dedicated regulation and has been included in a list of professionals who meet the criteria for appointment as receivers, approved by the Minister for Justice and published in the State Gazette;

has not been removed as receiver due to a breach of their duties or actions that have harmed the interests of creditors or the debtor; has not been struck off the register kept by the Central Bank or removed at the discretion of the Fund or on a proposal from the Minister of Finance for a breach of duty or action detrimental to the interests of creditors;

has not been subject to the measures envisaged in Article 65(2)(11) of the Banks Act or Article 103(2)(16) of the Credit Institutions Act.

The Minister of Justice strikes a receiver off the list when a breach of the powers and duties vested in a receiver's office has been ascertained, regardless of whether or not the breach was established by the insolvency court, and arranges for the amended list to be published in the State Gazette.

The powers vested in the receiver may be exercised by several persons. In this case, decisions are adopted unanimously and actions are performed jointly, unless the creditors or, in the event of a dispute between the parties exercising the receiver's duties, the court decide otherwise. Where the powers vested in the receiver are exercised by several persons, who take decisions unanimously and act jointly, their liability is joint and several.

The receiver must pay an annual fee in respect of continual professional training. A receiver who fails to pay the requisite fee in a timely manner is struck off the register. Not later than three days after the designation of a receiver and before they have been confirmed, the receiver must obtain professional liability insurance for the entire duration of the insolvency proceedings in order to be protected against claims for damages arising from a breach of the duties of their office.

The Minister of Justice, acting jointly with the Minister of Economy, must organise annual training courses for receivers.

According to the Commerce Act receivers fall into the following categories:

provisional receivers appointed by the ruling opening insolvency proceedings;

provisional receivers appointed as a precautionary measure;

permanent receivers, who may be elected by the meeting of creditors or, where the meeting of creditors is unable to agree on an appointment, by the court;

assistant receivers;

ex officio receivers, appointed at the time of discharge of a permanent receiver, who perform their functions until a new permanent receiver has been appointed.

The powers of the provisional receiver are identical to those of the permanent receiver. In addition, the provisional receiver draws up the following documents within 14 days of the date on which insolvency proceedings are instituted:

a list of creditors based on the debtor's books, indicating the amount of their claims and which creditors are or were related to the debtor in the last three years prior to the opening of insolvency proceedings on the basis of the information available in the Commercial Register and in the debtor's books;

a certified copy of the debtor's books;

a written report on the reasons for the insolvency, the current assets of the debtor, the measures taken to preserve them and the possibilities for rescuing the company.

The provisional receiver must attend the first meeting of creditors.

The insolvency court appoints the receiver elected at the first meeting of creditors, if they satisfy the stated requirements and have provided their prior written consent in the form of a notarised statement, and determines the date on which the receiver is to take up their duties. At the time of their appointment, the receiver files a notarised statement attesting to the presence or absence of certain legal impediments to performing the duties of their office set out in the Commerce Act, such as being a shareholder in a limited liability or joint-stock company, concurrently performing the duties of a liquidator and receiver and holding other paid offices. The receiver must notify the insolvency court immediately if any of these circumstances occur. The receiver must take office on the date set by the court. Where they fail to do so, the court replaces the appointed receiver within 7 days with another person selected from those nominated by the first meeting of creditors. If no alternative nominations were put forward, a receiver from the relevant list is appointed and a new creditors' meeting is called. If the creditors' meeting is unable to reach an agreement on the appointment of a receiver or unable to decide on their remuneration, the receiver's remuneration is determined by the court.

The court removes the receiver in the following cases:

at the written request of the receiver;

upon the receiver becoming legally incapacitated;

if the receiver no longer satisfies the requirements laid down by law;

at the request of the creditors holding more than half of the total sum of all claims;

by a decision adopted by the creditors' meeting;

in cases where the receiver is no longer capable of exercising their powers;

in the event of death.

The court, acting on its own motion or on a proposal from the debtor, the creditors' committee or a creditor, may remove the receiver at any time, if they fail to perform their duties or act in a matter that harms the interests of the creditor or debtor. A receiver discharged at their request must continue to perform their duties until a new receiver has been appointed. The order by which the receiver is discharged is subject to immediate enforcement and an appeal

against it does not have a suspensive effect. The annulment of the discharge order does not reinstate the party discharged as receiver in the insolvency proceedings. The court calls a creditors' meeting tasked with nominating a new receiver. Until a replacement has been selected, the functions of a receiver are performed by an *ex officio* receiver appointed by the court.

The receiver, not later than 3 days after taking office, requests that the property of the debtor placed under seal be released and compiles an inventory of the debtor's real and personal property, cash, valuables, securities, contracts, claims, etc., including items of personal property in possession of third parties. The receiver compiles the inventory and, if other assets are found at a later date, an additional inventory is compiled. From the moment of compiling an inventory the receiver is responsible for the assets detailed therein, unless they are handed over to the debtor or to a third party for safekeeping.

The receiver has the following rights:

to represent the undertaking;

to manage its current affairs;

to supervise the debtor's business, if its right to conduct the business has been restricted;

to obtain and keep the books and handle the business correspondence of the undertaking;

to make enquiries and identify the debtor's assets;

in the cases provided for by law, to request that contracts to which the debtor is a party be terminated, cancelled or annulled;

to participate in lawsuits to which the enterprise is a party and file lawsuits on its behalf;

to collect money owed to the debtor and deposit the proceeds in a special account;

with the permission of the court, to dispose of the debtor's money deposited in bank accounts, when necessary for the administration and preservation of the debtor's assets;

to make enquiries in order to identify the debtor's creditors;

acting on a court order, to call and organise the creditors' meetings;

to propose a recovery plan;

to perform the actions necessary to terminate the debtor's ownership interests in other companies;

to convert the insolvency estate into money;

to perform other actions prescribed by law and ordered by the court.

All government bodies and institutions have an obligation to assist the receiver in the performance of their duties.

As of the date on which the ruling opening insolvency proceedings becomes final, money paid in settlement of the debtor's claims is accepted by the receiver.

The receiver arranges for the lists of admitted and rejected claims, along with the financial reports of the debtor, to be published into the Commercial Register as soon as they are finalised and makes them available to the creditors and the debtor at the registry of the court.

In order to augment the size of the insolvency estate, the receiver collects unpaid shares and contributions from partners in limited liability companies and may file a claim under Articles 645, 646 and 647 of the Commerce Act and Article 135 of the Obligations and Contracts Act in connection with the insolvency proceedings, bringing corresponding actions for performance in connection with that claim. When the claim is filed by a creditor, the court constitutes the receiver as co-plaintiff *sua sponte*. The receiver must participate in proceedings instituted in respect of a declaratory action brought by the debtor or a creditor under Article 694 of the Commerce Act.

The receiver arranges the sale of property rights included in the insolvency estate after obtaining permission from the court, draws up a distribution chart of the available amounts to be distributed between the creditors holding claims under Article 722(1) of the Commerce Act depending on their rank, privileges and collateral, arranges for the chart to be entered in the Commercial Register and makes payments in accordance with the chart. The receiver, acting on a court order, deposits with a bank the amounts set aside at the time of final distribution for uncollected or contested claims.

If the debtor agrees settlements with all creditors with admitted claims, the receiver does not represent the debtor as a party.

The receiver must exercise the powers of their office in a prudent and diligent manner. The receiver may not delegate their powers to a third party without the explicit permission of the court. The receiver may not negotiate on behalf of the debtor either in person or through a related party. The receiver may not acquire in any way whatsoever, either directly or through another person, personal property or property rights from the insolvency estate. This limitation applies to the spouse of the receiver, their relatives in the direct line of descent, and their relatives in the collateral line up to six times removed and by affinity up to three times removed. The receiver may not disclose any facts, data and information that have come to their knowledge in connection with the discharge of the powers and duties vested in their office.

If a receiver fails to perform their duties or performs them, the court may fine the receiver up to one month's remuneration. The receiver is liable to pay compensation in an amount equal to the interest determined by operation of law for any delay in depositing amounts received in a bank. The receiver is liable to compensate the debtor and creditors for any damage wrongfully caused in the performance of their duties.

Upon termination of their mandate, the receiver must immediately hand over the books, ledgers and accounts, along with any property received for safekeeping, to the new receiver or to a person designated by the court and, if the recovery plan is accepted for consideration [by the creditors' meeting], to the debtor. The powers of the receiver end with the closure of the insolvency proceedings. The receiver hands over the books and the remainder of the debtor's property to its governing body. The rights of the receiver are reinstated if it is decided to reopen insolvency proceedings.

In 2017, the figure of the assistant receiver was introduced. An assistant receiver is a natural person who satisfies all the requirements laid down for receivers, except for the requirement to have: relevant professional experience of at least two years; to have passed a competence examination in accordance with the procedure laid down in a dedicated regulation; and to be included in a list of professionals who may be appointed as receivers, adopted by the Minister for Justice and published in the State Gazette. Assistant receivers must not at any time have been subject to the measures envisaged in Article 65(2)(11) of the Banks Act or Article 103(2)(16) of the Credit Institutions Act.

In order to be appointed as an assistant receiver, applicants must pass a competence examination in accordance with a procedure stipulated in a regulation. The Minister of Justice issues an order on the inclusion of assistant receivers who satisfy the requisite competence requirements in a dedicated list.

Assistant receivers may take certain actions within the remit of competence of the receiver, acting on instructions from the receiver and in accordance with the relevant procedure (on the grounds of authorisation with the express permission of the court). The assistant receiver may sign certain documents relating to the work of the receiver, adding the word 'assistant' to their signature. The assistant receiver is jointly and severally liable with the receiver for any damage wrongfully caused in the performance of their duties. The relations between a receiver and assistant receiver are governed by a contract. In the absence of special rules, the activity of assistant receivers is governed by the rules applicable to receivers.

The receiver appointed by a judgment delivered by a foreign court exercises the rights vested in their office in the country where insolvency proceedings were opened as long as their conduct is not in breach of public order in the Republic of Bulgaria. At the request of the receiver appointed by the foreign court the Bulgarian court may open ancillary insolvency proceedings against a trader proclaimed insolvent by a foreign court, if the trader possesses significant assets in Bulgaria. The approval of the recovery plan in the ancillary insolvency proceedings requires the consent of the receiver in the main proceedings. A motion to set aside a transaction brought by the receiver in the main or ancillary insolvency proceedings is deemed to have been brought in both proceedings.

5 Under which conditions may set-offs be invoked?

In insolvency proceedings, a creditor's claim may be set off against the creditor's liability to the debtor, if prior to the date of the ruling opening insolvency proceedings both debts existed, were mutually enforceable and of the same kind, and the creditor's claim had fallen due. If the creditor's claim falls due during the insolvency proceedings or as a consequence of the ruling proclaiming the debtor's insolvency, provided that as a result of the ruling both debts are ranked in the same class, the creditor may set off its debt only after the debt has fallen due or the two debts have acquired the same rank. The set-off declaration must be notified to the receiver.

A set-off may be invalidated in respect of the creditors of the insolvency estate, if the creditor acquired the claim and incurred the debt before the date of the ruling opening insolvency proceedings, knowing at the time of acquiring the claim or incurring the debt that the debtor is insolvent or overindebted or that an application to open insolvency proceedings has been filed. Regardless of the time when the mutual debts were incurred, a set-off effected by the debtor after the declaration of insolvency or overindebtedness, but not earlier than one year before the date on which the application was filed, is invalid with respect to the creditors of the insolvency estate, except for the part of the debt which the creditor would receive at the time of distribution following asset conversion into money.

The action to invalidate a set-off may be brought by the receiver or, if no action is brought by the receiver, by any creditor of the insolvency estate within a period of one year from the date on which insolvency proceedings were opened or the date of the ruling reopening stayed insolvency proceedings. Where the debt was set off after the date of the ruling opening insolvency proceedings, the time period for bringing an action to invalidate the set-off commences from the set-off date.

The opening of insolvency proceedings has a suspensive effect on all lawsuits and arbitration proceedings in respect of property, civil and commercial disputes to which the debtor is a party (except for employment disputes in respect of monetary claims of the debtor). This provision does not apply if, at the date of opening insolvency proceedings in another case in which the debtor is a respondent, the court has agreed to examine an objection raised by the debtor against a set-off.

6 What effect do insolvency proceedings have on current contracts the debtor is a party to?

Not later than one month from the date of the ruling to stay insolvency proceedings due to non-payment of the initial expenses of the insolvency procedure (ruling pursuant to Article 632(1) of the Commerce Act), the debtor must terminate the employment contracts of its workers and employees, notify the competent local directorate of the National Revenue Agency, issue the requisite documents attesting to the work experience and length of service for social insurance purposes of said workers and employees, compile a reference document listing all persons with guaranteed claims under the Guaranteed Claims of Workers and Employees in the Event of Employer Insolvency Act and the bylaws laying down the rules for its implementation, and hand over the company records to the competent local office of the National Insurance Institute.

The receiver may terminate any contract to which the debtor is a party on the grounds of partial or fundamental contract non-performance. The receiver gives a notice of contract termination 15 days in advance and must respond to requests for information received from the other party as to whether the contract will be terminated or remain valid within the same period. Where the receiver does not respond to a request, the contract is deemed to have been terminated. If a contract is terminated, the other party is entitled to compensation for damages. No obligation arises for the receiver, when a contract under which the debtor makes payments at regular intervals remains valid, to settle any arrears thereunder that predate the ruling opening insolvency proceedings.

As from the date on which the ruling opening insolvency proceedings becomes final, money paid in settlement of the debtor's claims is accepted by the receiver. The settlement of a debtor's claim after the date of the ruling opening insolvency proceedings, but before the date of entry of said ruling, is valid if the party that settled the claim was unaware that insolvency proceedings had been opened or, if they were aware of the proceedings, the economic benefit by which the claim was settled was included in the insolvency estate. Good faith is presumed until proven otherwise.

According to Article 646 of the Commerce Act the following are invalid with respect to creditors, if effected after the date of the ruling opening insolvency proceedings in breach of the established rules of procedure:

- the settlement of a debt incurred before the ruling opening insolvency proceedings;
- a pledge or mortgage created on a right or an asset of personal property from the insolvency estate;
- a transaction involving a right or an asset from the insolvency estate.

7 What effect does an insolvency proceeding have on proceedings brought by individual creditors (with the exception of pending lawsuits)?

Before ruling on the application to open insolvency proceedings the court may order, at the request of a creditor or on its own motion and if necessary to preserve the debtor's assets, that enforcement proceedings against the debtor's assets, except for enforcement proceedings instituted pursuant to the Tax and Social Insurance Procedure Code, be stayed. When the measures are sought by a creditor, the court admits them, if the creditor's motion is supported by compelling written evidence and/or if a security in an amount determined by the court is provided to compensate the debtor for any damages in the event that the debtor is subsequently found not to be insolvent or overindebted. The court may lift the precautionary measure imposed, if it is no longer necessary for estate preservation.

The ruling is notified to the party subject to the measures and to the party that sought their imposition. It is subject to immediate enforcement and may be appealed within a period of 7 days from the date of receipt of the notice. Appeals do not have a suspensive effect. Precautionary measures are deemed to have been lifted from the date on which a ruling to reject the application to open insolvency proceedings is entered. The precautionary measure imposed remains effective until the date of the ruling opening insolvency proceedings. From this date its effect is cancelled by the effect of the ruling opening insolvency proceedings.

The ruling opening insolvency proceedings has a suspensive effect on enforcement proceedings against the assets included in the insolvency estate, except for the assets envisaged in Article 193 of the Tax and Social Insurance Procedure Code. Where a payment in favour of a claimant is made between the date on which enforcement proceedings were stayed and the entry of the ruling opening insolvency proceedings, the amount paid is returned to the insolvency estate. Where there is a danger of creditors' interests being harmed and steps are taken to realise the security in favour of a secured creditor, the court may allow the continuation of proceedings on condition that the portion of the proceeds that exceeds the security amount is added to the insolvency estate. If a claim is brought and admitted to the insolvency proceedings, stayed proceedings are terminated. The garnishments and foreclosures imposed in the enforcement proceedings are unenforceable against the claims of the creditors of the insolvency estate. The imposition of precautionary measures pursuant to the Civil Procedure Code or the Tax and Social Insurance Procedure Code on the debtor's property after insolvency proceedings have been opened is not allowed.

The assets referred to in Article 193 of the Tax and Social Insurance Procedure Code are the assets subject to precautionary measures already imposed in enforcement proceedings for the recovery of public debt which commenced prior to the opening of insolvency proceedings. The assets in question are realised by the public bailiff in accordance with the rules and procedure laid down in the Tax and Social Insurance Procedure Code. When the proceeds of asset realisation are insufficient to cover the full amount of the claim, the interest accrued and charges incurred in the public enforcement proceedings, the remainder of the claim of the central government or municipality is satisfied in accordance with the general rules. When the proceeds of asset realisation exceed the full amount of the claim, the interest accrued and charges incurred in the public enforcement proceedings, the public bailiff pays the remainder of

the proceeds into the account of the insolvency estate. If the public bailiff fails to realise the assets within a period of 6 months from the commencement of insolvency proceedings, the asset passes from the public bailiff to the receiver and is realised in the insolvency proceedings.

Once insolvency proceedings have been opened, no lawsuits in respect of property disputes under civil or commercial law may be brought before courts of law or arbitration tribunals other than in the following cases:

to protect the rights of third parties who own assets included in the insolvency estate;

employment disputes;

monetary claims secured by assets owned by third parties.

The following parties may bring declaratory actions under Article 694 of the Commerce Act seeking the validation of an existing claim that has not been admitted in the insolvency proceedings or challenging the existence of an admitted claim:

the debtor, if the court rejects an objection against a claim admitted by the receiver or includes that claim in the list of admitted claims;

a creditor with an unadmitted claim, if the court leaves the objection without consideration or excludes the claim from the list of admitted claims;

a creditor, if the court rejects its objection against the admission of another creditor's claim or includes another creditor's claim in the list of admitted claims.

The convalidation claim may be filed within a period of 14 days from the date on which the ruling on approval of the list of admitted claims is published in the Commercial Register. The receiver must participate in the proceedings. The final ruling has determinative effect for the debtor, receiver and all creditors in the insolvency proceedings.

The validity of a sale of assets included in the insolvency estate in order to convert them into money may be challenged by civil action, if the asset was acquired by a party that did not have the right to place bids in the auction or if the sale price is not paid. In the latter case, the purchaser may counter the action by paying the amount due, together with the interest accrued from the day on which they were declared purchaser of the asset sold.

When a party is no longer in possession of a property right after the sale of an asset in order to convert it into money and the acquisition of that asset and the purchaser's entry into possession, it may seek remedy solely by bringing an action in respect of ownership.

8 What effect does an insolvency proceeding have on the continuation of lawsuits pending at the moment of the opening of the insolvency proceeding?

The commencement of insolvency proceedings has a suspensive effect on all lawsuits and arbitration proceedings in respect of property disputes under civil or commercial law to which the debtor is a party, except for employment disputes in respect of monetary claims of the debtor. This provision does not apply if, at the date of opening insolvency proceedings in another case in which the debtor is the defendant, the court has admitted to hearing an objection against a set-off raised by the debtor. Stayed proceedings are reopened if the claim is admitted to the insolvency proceedings, i.e. it is included in the court-approved list of admitted claims.

Stayed proceedings are resumed with the participation of: (1) the receiver and creditor, if the claim is not included in the list of claims admitted by the receiver or in the court-approved list of claims or (2) the receiver, creditor and the party that raised an objection, if the claim is included in the list of claims admitted by the receiver but a challenge has been raised against its inclusion. In this case, the ruling has a determinative effect for the debtor, the receiver and all creditors with claims against the insolvency estate.

Ongoing proceedings against the debtor in respect of monetary claims secured by third-party property may not be stayed.

9 What are the main features of the participation of the creditors in the insolvency proceeding?

A creditor with a claim against the debtor under a commercial transaction may file an insolvency application and join the proceedings instituted on an insolvency application filed by another creditor. In the application, the debtor may also propose a recovery plan and designate a person who satisfies the stated requirements for receivers and may be appointed, if the court orders that insolvency proceedings be instituted. The creditor may ask the court to order anticipatory and precautionary measures before it has ruled on the insolvency petition, if necessary in order to preserve the property of the debtor.

When it is evident that the continued operation of the enterprise would be detrimental to the insolvency estate, the court may, on a motion from a creditor, order that operations be discontinued, either from the date of the ruling opening insolvency proceedings or from a later date, but before the period in which a recovery plan must be proposed has elapsed.

When the available assets of the debtor are insufficient to cover the initial expenses of the insolvency procedure, the court determines an amount to be prepaid within a certain period by a creditor in order to open insolvency proceedings. If the debtor's assets are insufficient or initial expenses have not been prepaid, the creditor may seek the reopening of stayed insolvency proceedings within one year from the entry of the order granting a stay of proceedings. Creditors may contest the court orders and rulings given in the insolvency proceedings and the actions and decisions of the governing bodies of the debtor, if the preconditions envisaged in the Commerce Act have been satisfied.

In insolvency proceedings appearance notices and summons are served on creditors constituted as parties in the proceedings at their respective address in Bulgaria. If a creditor has changed its address without notifying the court, all summons and papers are appended to the case-file and considered to have been duly served. When a creditor does not have an address in Bulgaria and its head office is in another country, it must provide an address for service in Bulgaria. Where no address for service in Bulgaria is provided, the summons is published in the Commercial Register. Following the commencement of insolvency proceedings, the incontestable acts of the court not subject to entry into the Commercial Register or notification to the parties in accordance with the Civil Procedure Code are deemed to have been notified to the parties through their entry into the register kept by the court. Where the Commerce Act provides for summons to be served on the parties by means of notices published in the Commercial Register, the invitation, notice or summons must be published at least 7 days before the scheduled date of the meeting or hearing.

The first meeting of creditors is attended by the creditors included in the list compiled by the provisional receiver on the basis of the debtor's books and excerpts from those books and presented at the first meeting. The creditors attend the meeting in person or by proxy authorised to represent the creditor by an express power of attorney. When the creditor is a natural person, the grantor's signature on the power attorney must be notarised. Resolutions are adopted with ordinary majority of the votes of creditors on the list, excluding the votes of creditors currently affiliated with the debtor, creditors who were affiliated with the debtor in the three-year period preceding the opening of insolvency proceedings, and the creditors who acquired claims from parties affiliated with the debtor in the three-year period preceding the opening of insolvency proceedings. The first meeting of the creditors:

hears the report drawn up by the provisional receiver;

nominates a permanent receiver and puts forth the nomination to the court;

elects a creditors' committee.

No meeting of creditors will be called in the following cases:

prior to filing an insolvency application, the debtor had not filed its annual financial reports in the Commercial Register for three years;

the debtor does not fulfil its obligation to cooperate with the receiver and refuses to hand over its books or its books have been kept in a manner that is manifestly improper.

In this case, the provisional court-appointed receiver performs their duties until a permanent receiver is appointed by the meeting of creditors after the court has approved the claims admitted by the receiver.

The meeting of creditors may be called at the request of the debtor, receiver, the creditors' committee or the creditors holding one-fifth of the total amount of admitted claims. The meeting of creditors is conducted regardless of the number of creditors in attendance and chaired by the judge presiding over the proceedings. For the purpose of adopting resolutions, each creditor has a number of votes corresponding to the share of its claim from the total sum of admitted claims with voting rights granted by the court. Voting rights may also be granted to creditors in resumed lawsuits or arbitration proceedings against the debtor in respect of property disputes under civil or commercial law, if the claim is supported by cogent written evidence; creditors with unadmitted claims who have brought declaratory actions pursuant to Article 694 of the Commerce Act; and creditors with admitted claims against whom an action challenging the existence of the claim has been brought pursuant to Article 694 of the Commerce Act. No voting rights are granted to creditors with unsecured claims in respect of interest arising by operation of law or under a contract and payable after the date of the ruling opening insolvency proceedings, creditors with claims in respect of loans provided to the debtor by a partner or shareholder, and creditors with claims arising from donations or expenses incurred by the creditor in the proceedings, except in the case of prepaid expenses, when the debtor's assets are insufficient to cover the expenses paid. Resolutions are adopted by an ordinary majority, unless otherwise provided in the Commerce Act.

The meeting of creditors:

hears the report on activities of the receiver;

hears the report of the creditors' committee;

elects a receiver, if no receiver has been elected;

adopts decisions on the discharge of the receiver and their replacement;

determines the current remuneration, modifies the remuneration and determines the final remuneration of the receiver;

elects a creditors' committee, where no committee has been elected, or makes changes to its composition;

proposes to the court the amount of the maintenance payment to be granted to the debtor and their family;

determines the manner in which the debtor's assets will be converted into money, the method and conditions for property valuation, the selection of valuers and their remuneration.

If the meeting of creditors is unable to decide on the appointment of a receiver, the appointment is made by the court and if it is unable to decide on the manner and rules for the conversion of the debtor's property into money, the decision is made by the receiver. The court discharges the receiver on a motion from the creditors holding more than half of the total amount of all claims. The court, acting on a motion from a creditor, may discharge the receiver at any time, if they fail to perform the duties of their office or act in a matter that harms the interests of the creditor or debtor.

The meeting of creditors may adopt a decision on the appointment of a supervisory body with powers to exercise control over the activities of the debtor for the effective period of the recovery plan or a shorter period, including when this is not expressly envisaged in the recovery plan.

With the agreement of the meeting of creditors, the court may permit the receiver to sell personal property of the debtor prior to authorising the conversion of the insolvency estate into money, if the cost of storage of such personal property until estate conversion is ordered in accordance with the general procedure exceeds its value. Other assets included in the insolvency estate may be sold with the agreement of the meeting of creditors, if necessary to cover the cost of the insolvency proceedings and if none of the creditors has agreed to prepay the expenses after being invited to do so.

Acting on a proposal from the receiver and in line with the resolution adopted by the meeting of creditors, the insolvency court authorises the sale of the debtor's assets through direct negotiation or through an intermediary, when the personal property and property rights, having been put on sale in their entirety, as separate parts or individual items and rights, failed to be sold because of a lack of buyers or the withdrawal of a buyer.

The resolutions of the meeting of creditors are binding on all creditors, including those not present at the meeting. Acting on a motion from the creditor, the court may cancel a resolution of the meeting of creditors, if it is unlawful or highly detrimental to the interests of some of the creditors.

The meeting of creditors may elect a creditors' committee comprising at least three and not more than nine members. The creditors' committee must comprise members who represent the secured and non-secured creditors, except those referred to in Article 616(2) of the Commerce Act (the creditors whose claims are satisfied after the claims of all other creditors have been satisfied in full). The creditors' committee assists and supervises the actions of the receiver in relation to the management of the debtor's assets, conducts checks on the commercial records of the debtor and available cash funds, gives opinions on the continuation of the business of the debtor's enterprise and on the remuneration of the provisional and *ex officio* receiver, the actions taken in relation to estate conversion into cash and on the liability of the receiver in other cases. The members of the creditors' committee are entitled to remuneration for the account of the creditors in an amount determined at the time of their election.

A member of the creditors' committee may not acquire in any way whatsoever, either directly or through another person, personal property or property rights from the insolvency estate. This limitation applies to the spouse of a member of the creditors' committee, their relatives in the direct line of descent, and their relatives in the collateral line up to six times removed and by affinity up to three times removed.

Stayed lawsuits and arbitration proceedings in respect of property disputes under civil and commercial law to which the debtor is a party are resumed and proceedings continue with the participation of the receiver and creditor, if the claim is not included in the list of claims admitted by the receiver or in the list of claims approved by the court or the receiver, creditor and the party that raised the objection, if the claim is included in the list of claims admitted by the receiver but a challenge has been raised against its inclusion.

The insolvency court, acting on a motion from the creditor, may admit the precautionary measures prescribed by law in order to secure the available assets of the debtor.

The creditor may set off a debt it owes to the debtor if the conditions stipulated in Article 645 of the Commerce Act have been satisfied. In order to augment the size of the insolvency estate, the receiver may file a lawsuit pursuant to Article 645, 646 and 647 of the Commerce Act and Article 135 of the Obligations and Contracts Act in connection with the insolvency proceedings and bring actions for performance in connection with those claims. When a claim has been filed by creditor, a second filing in respect of the same claim will not be allowed. However, the second creditor may ask the court to constitute it as co-plaintiff before the first hearing in the case.

The creditor may ask the receiver to provide the register and the report for consultation and draw up a special report on matters of interest not discussed in the report for the respective period. The creditor may enter an objection against the written report of the receiver in connection with their discharge within 7 days from the date on which the report is presented.

Creditors may submit their claims to the insolvency court in writing. They may submit written objections to the court against claims, either admitted or unadmitted by the receiver, within 7 days from the date on which the list is published in the Commercial Register and bring declaratory actions pursuant to Article 694 of the Commerce Act within 14 days from the date on which the court ruling approving the list is published in the Commercial Register.

Creditors may submit their claims to the insolvency court in writing. They may submit written objections to the court against claims, either admitted or unadmitted by the receiver, within 7 days from the date on which the list is published in the Commercial Register and subsequently file declaratory actions seeking the validation of unadmitted claims or challenging the existence of admitted claims within 7 days from the date on which the court ruling approving the list is published in the Commercial Register.

A recovery plan may be proposed by the creditors holding at least one-third of secured claims and the creditors holding at least one-third of unsecured claims, except for the following creditors: those holding claims arising from statutory or contractual interest on unsecured debts, which became due after the date of the ruling opening insolvency proceedings; creditors holding claims arising from loans granted to the debtor by a business partner or shareholder; creditors holding claims arising from donations and from the expenses incurred by a creditor in the insolvency proceedings, except for prepaid expenses, when the debtor's property is insufficient to cover them.

A creditor with an admitted claim or a voting right recognised by the court may propose and vote on (including in *absentia*, through a notarised letter bearing his signature) a recovery plan for the business operators of the insolvent enterprise of the debtor. Creditors, including those with unadmitted claims for which a declaratory action pursuant to Article 694 of the Commerce Act has been brought before the court, may file an objection to the adopted plan within 7 days from the day on which the plan was adopted.

In case of failure on the part of the debtor to perform its obligations under the plan, the creditors holding at least 15 percent of the total amount of claims converted under the plan may request that insolvency proceedings be reopened.

The creditor may file a written objection against the distribution chart and subsequently appeal the ruling by which the chart was approved by the court. If the debtor defaults on the extra-judicial agreement concluded with the creditors on the grounds of Article 740 of the Commerce Act, the creditors holding at least 15 percent of the total amount of all claims may ask the court to reopen insolvency proceedings.

The debtor or a creditor holding an admitted claim or a claim validated by civil action may apply for the reopening of stayed insolvency proceedings within one year from the date of the court order to stay proceedings, if during that period amounts set aside for contested claims are released or assets, the existence of which was unknown during the insolvency proceedings, are discovered.

Within a period of one month from the date on which the debtor's application to be granted *restitutio in integrum* is published in the Commercial Register each creditor holding an admitted claim or a claim validated by civil action may file an objection against it.

At the request of a creditor, the Bulgarian court may institute ancillary insolvency proceedings against a trader proclaimed insolvent by a foreign court, if the trader possesses significant assets in Bulgaria. A creditor who has received partial payment in the main proceedings, participates in the distribution of property in the ancillary proceedings, if the share it would receive exceeds that to be distributed to the other creditors in the ancillary proceedings.

10 In which manner may the insolvency practitioner use or dispose of assets of the estate?

The powers of the receiver are as follows: making enquiries and identifying property that belongs to the debtor; participating in lawsuits against the debtor or filing lawsuits on behalf of the debtor; in the cases envisaged by law, requesting that contracts to which the debtor is a party to be terminated, cancelled or annulled; collecting money owed to the debtor and depositing it in a special account; with the permission of the court, disposing of the debtor's money deposited in bank accounts, when necessary for the administration and preservation of the debtor's assets; and converting the assets included in the insolvency estate into cash.

The receiver sells the personal property and property rights included in the insolvency estate in their entirety, as separate parts or individual items and rights after obtaining permission from the court and in line with the decision adopted by the meeting of creditors. Where no such decision has been made, the manner and procedure for the conversion of assets into cash and the rules for their valuation by the selected valuers are decided by the receiver.

The receiver draws up a notice of sale, which contains information about the debtor, a description of the property on sale, the rules and procedure for the sale, the date, time and place of the sale, the deadline for submitting bids during the day and the valuation of the property on sale. The receiver displays the notice prominently on the premises of the municipality in which the head office of the debtor's enterprise is situated and those of the debtor's head office at least 14 days prior to the date of the sale indicated in the notice. In addition, the receiver draws up a protocol detailing the above actions and arranges that the protocol be published in a special bulletin of the Ministry of Economy 14 days prior to the date of the sale specified in the notice.

The sale takes place in the receiver's office or at the address of the head office of the enterprise of the debtor on the date specified in the notice. Bidders who wish to participate in the sale must deposit an advance in the amount of 10 percent of the valuation. Each bidder must indicate the price offered in numbers and words and submit the offer, along with the receipt for the deposit paid, in a sealed envelope. The offers are submitted to the receiver on the day of the sale by the set deadline and entered into the order in which they were received in a dedicated register. Upon expiration of the deadline set the receiver announces the bids received in the presence of the attending bidders and draws up a dedicated record of the proceedings. Bids received from ineligible bidders and those offering a price lower than the valuation, if any, are null and void. The property is sold to the highest bidder. If the highest price was offered by more than one bidder, the purchaser is determined by an auction, which the receiver conducts without delay in the presence of the bidders in attendance. The winning bidder is noted in the record drawn up by the receiver, which is then signed by the receiver and all bidders. The buyer must pay the price offered, having deducted the deposit of 10 percent paid in advance, within 7 days from the date of the sale. When the buyer is a creditor holding an admitted claim or a secured creditor, the receiver draws up a distribution account, indicating the share of the price to be paid by the buyer and retained to satisfy other creditors' claims and the share of the price to be set off against the creditor's claim. In this case, the buyer must pay the amounts to be retained in order to satisfy other creditors' claims as provided for in the distribution account within 7 days from the date on which the account becomes effective or, if there are no other creditors, the amount by which the price to be paid exceeds his claim. If the price fails to be paid within 7 days, the receiver offers the property to the bidder who offered the second highest price, unless he has withdrawn his deposit. With the consent of that bidder, the receiver then declares him purchaser. The receiver repeats the process, if necessary, until the property has been offered to all bidders who offered a price not lower than the valuation.

In the absence of any bidders or if no valid bids are received, or if the buyer fails to pay the price, a new sale notice is published and an auction with open bidding is arranged with an opening price equal to 80 percent of the assessment. The bids are noted in a bidding list and the step is determined by the receiver and indicated in the notice.

When the declared buyer pays the amount due in a timely manner, the court issues an order for entry into possession to the buyer on the day following the payment. The other bidders in the auction and the debtor may contest the order before the court of appeal. If the order for entry into possession is invalidated or the sale is declared null and void, another auction is arranged after a new notice has been published.

The buyer is entered into possession of the property right by the receiver on the basis of an effective order for entry into possession and a receipt attesting to the payment of the requisite property transfer and conveyancing fees. The risk of loss of the property right is borne by the buyer and the expenses for its preservation until the buyer's entry into possession are covered from the insolvency estate.

When enforcement proceedings have been instituted against a jointly owned property right in respect of a debt of some of the owners, a description of the property right as a whole is provided but only the non-corporeal part owed by the debtor is sold. The property may be sold in its entirety with the consent of the other joint owners expressed in writing.

In the event of the sale of property which the debtor has mortgaged or pledged to secure the debt of another party or acquired encumbered by a mortgage or pledge, the receiver sends a notice to the secured creditor notifying it of the time of the sale. A separate distribution account is drawn up in which the sums to be paid to the secured creditor from the sale of such property are indicated. The receiver reserves the sum payable to the secured creditor under that distribution account and handed over upon presentation of a writ of execution in respect of the debt or a certificate that the claim has been admitted to the insolvency proceedings. The receiver reserves the amount payable to a secured creditor holding a claim in respect of a debt secured by a lien upon

presentation of a certificate from the register attesting to entry of a lien and a notarised statement signed by the creditor and attesting to the current amount of the secured loan.

Acting on a proposal from the receiver and in line with the resolution adopted by the meeting of creditors, the insolvency court authorises the sale of the debtor's assets through direct negotiation or through an intermediary, when the personal property and property rights, having been put on sale in their entirety, as separate parts or individual items and rights, failed to be sold because of a lack of buyers or the withdrawal of a buyer. The sale price may not be lower than 80 percent of the assessment. An offer for the acquisition of shares owed by the debtor in other companies must first be made to the other partners. If the offer is not accepted within a period of one month, the shares are sold. In this case the share acquisition price must be paid within a period that does not exceed 60 months from the date on which a buyer is selected and a contract is concluded after the price has been paid in full.

If housing units owned by the debtor are rented out to workers and employees of the debtor as at the date of the resolution of the meeting of creditors on the rules and procedure for their conversion into cash, the receiver must first offer the housing units for sale to the workers and employees or to other persons holding claims arising from employment relations with the debtor, except in the case of pending lawsuits in respect of the properties in question. The receiver sends a written invitation to each person, containing a description of the property, its valuation, the time period for payment, which may not be shorter than 30 days and longer than 60 days, and the bank account to which the money must be remitted. The parties must respond to the notice within a period of 14 days and notify the receiver whether they wish to purchase the property at a price equal to that stated in the valuation within the time period specified. Upon payment of the price, workers and employees may set off their claims in respect of unpaid salaries owed to them by the debtor. The sale contract is drawn up in the form of a title deed signed by the receiver in the capacity as vendor. The expenses relating to the sale are borne by the vendor.

The receiver demands that a pledged item of personal property held by a creditor or a third party be handed over and sells it in accordance with the procedure laid down in Chapter Forty-six of the Commerce Act, unless the law allows the sale to be arranged by the creditor without judicial intervention.

11 Which claims are to be lodged against the debtor's insolvency estate and how are claims arising after the opening of insolvency proceedings treated?

The following claims may be lodged in insolvency proceedings:

- claims in respect of debts secured by a pledge or mortgage, or claims in respect of debts that have been attached or garnished, registered in accordance with the Liens Act;
- claims in respect of which the right of lien is exercised;
- expenses incurred in the insolvency proceedings (stamp duty payable upon filing and all other expenses incurred until the entry into force of the ruling opening insolvency proceedings; the receiver's remuneration; the claims of workers and employees when the debtor's enterprise has not ceased trading; the costs incurred on augmentation, administration, valuation and distribution of the insolvency estate; and the maintenance payments in favour of the debtor and their family);
- claims arising from employment contracts that existed before insolvency proceedings were opened;
- statutory compensation payable to third parties by the debtor;
- public-law debts to the central government or municipalities, including but not limited to those arising from taxes, customs duties, fees and mandatory social security contributions, if they arose before the date on which insolvency proceedings were opened;
- claims that arose after the commencement of insolvency and unpaid by the respective due date;
- any remaining unsecured claims that arose before insolvency proceedings were opened;
- statutory or contractual interest on unsecured debts due after the date on which insolvency proceedings were opened;
- loans granted to the debtor by a business partner or shareholder;
- donations;
- the expenses incurred by the creditors in connection with the insolvency proceedings, except for the expenses under Article 629b of the Commerce Act (prepaid initial litigation expenses).

Creditors with claims that arose after the date of the ruling opening insolvency proceedings receive payment on the respective due date and, if no payment is received, their claims are satisfied in accordance with the procedure laid down in Article 722(1) of the Commerce Act.

12 What are the rules governing the lodging, verification and admission of claims?

Creditors must lodge their claims with the insolvency court in writing within one month from the entry of the ruling opening insolvency proceedings in the Commercial Register, indicating the grounds for and amount of the claim, privileges and securities and an address for service, and providing written evidence. Not later than 7 days after the one-month period has elapsed, the receiver draws up:

- a list of the claims lodged, arranged in the order of their receipt, indicating the grounds for and amount of the claim, privileges and securities and the date of lodgment;
- a list of the claims subject to entry into the list by the receiver on an *ex officio* basis, notably: the claims of workers or employees arising from their employment relations with the debtor and public debts assessed and set out in a decision that has come into effect;
- a list of the unadmitted claims lodged.

The claims lodged after the one-month period from the entry of the ruling into the Commercial Register has elapsed, but not later than two months after the date on which it elapsed, are added to the list of lodged claims and admitted in accordance with the procedure laid down by law. After the second period has elapsed no claims in respect of debts that arose up to the commencement of insolvency proceedings may be lodged.

Upon the reopening of stayed insolvency proceedings the period for lodging claims commences from the entry of the ruling pursuant to Article 632(2) of the Commerce Act (ruling to resume stayed insolvency proceedings).

Claims in respect of debt not settled by the due date that arose after the commencement of insolvency proceedings and before the approval of a recovery plan are lodged in accordance with the same procedure and added to an additional list drawn up by the receiver.

The receiver makes arrangements for the lists to be published expeditiously in the Commercial Register and makes them available to the creditors and the debtor at the registry of the court.

The debtor, as well as any creditor, may lodge a written objection with the court, with a copy to the receiver, against an admitted or unadmitted claim within 7 days from the date of which the list is published in the Commercial Register. A claim verified by an effective judgment given after the ruling opening insolvency proceedings in which the receiver participated may not be contested.

If no objections against the lists are received, the court approves the list of the claims admitted and entered on an *ex officio* basis in closed session immediately after the seven-day period has elapsed. Where objections against the lists are lodged, the bench reviews them in an open court hearing, having summoned the receiver, the debtor, the creditor holding the admitted or unadmitted claim contested and the creditor who objected to the claim. Where possible, all objections are dealt with in a single hearing. Where an objection is found to have merit, the court approves the list, having made the necessary adjustment. Where this is not the case, the court dismisses the objections within 14 days from the date of the hearing. The court ruling on approval of the list is published in the Commercial Register and may not be appealed.

A creditor who has lodged a claim after the one-month period from the entry of the ruling in the Commercial Register, but not later than two months from the date on which that period elapsed, may not challenge the admitted or unadmitted claim or seek debt arrangement from the remainder of the insolvency estate, if estate property has been converted into money.

Subsequently lodged claims admitted in accordance with the procedure laid down by law are added to the court-approved list.

A creditor or debtor who lodged a dismissed objection against the list drawn up by the receiver and a creditor with a claim that was excluded from the list of admitted claims or a creditor and debtor in respect of a claim added to the list of admitted claims following an objection that the court sustained, may lodge a claim pursuant to Article 694 of the Commerce Act seeking the validation of the unadmitted claim or the invalidation of an admitted claim within 7 days from the date on which the court ruling on approval of the list of admitted claims is published in the Commercial Register. The entry into force of the ruling has determinative effect for the debtor, receiver and all creditors in the insolvency proceedings.

In insolvency proceedings an admitted claim is a claim included in the court-approved list of admitted claims, except for claims contested by a convalidation claim pursuant to Article 694 of the Commerce Act.

13 What are the rules governing the distribution of proceeds? How are claims and the rights of creditors ranked?

Under the Commerce Act, distribution is authorised when sufficient proceeds are available from estate conversion into money.

The receiver draws up a chart for the distribution of available money between the creditors, taking into account ranking priorities, privileges and securities.

The distribution chart remains partial until all claims have been paid in full or the entire insolvency estate has been converted into money, except for unsellable personal property. The distribution chart is displayed prominently for 14 days on a dedicated notice board on the premises of the court that are open to the public. The distribution chart is published in the Commercial Register. Within the period specified above, the creditor committee and each creditor may lodge a written objection against the distribution chart with the court. The court approves the distribution chart, having made any necessary adjustments upon ascertainment, on its own motion or another motion objecting to the legality of the chart. The ruling on approval of the distribution chart and the objections lodged against it are published in the Commercial Register, thereby notifying it to the creditors and the debtor. The ruling approving the distribution chart may be contested by the receiver, the creditor committee or by a creditor, regardless of whether or not that creditor has lodged an objection against the ruling by which the court annulled or modified the distribution chart. The distributions under the court-approved chart are made by the receiver.

The following procedure for settling claims by way of making distributions from the estate converted into money, stipulated in Article 722 of the Commerce Act, is followed:

claims secured by a pledge or mortgage, garnishment or distraint, registered in accordance with the Liens Act — from the proceeds from security realisation; claims in respect of which the right to lien is exercised — from the value of the asset subject to lien;

expenses incurred in the insolvency proceedings (stamp duty payable upon filing and all other expenses incurred until the entry into force of the ruling opening insolvency proceedings; the receiver's remuneration; the claims of workers and employees when the debtor's enterprise has not ceased trading; the costs incurred on augmentation, administration, valuation and distribution of the insolvency estate; and the maintenance payments in favour of the debtor and their family);

claims arising from employment contracts that existed before insolvency proceedings were opened;

statutory compensation payable to third parties by the debtor;

public-law debts to the central government or municipalities, including but not limited to those arising from taxes, customs duties, fees and compulsory social security contributions, if they pre-date the opening of insolvency proceedings;

receivables that arose after the insolvency proceedings were opened and not were not paid by the respective due date;

any remaining non-collateralised claims that pre-date the insolvency proceedings;

statutory or contractual interest on non-collateralised debts that became due after the date on which the insolvency proceedings were opened;

loans granted to the debtor by a business partner or shareholder;

donations;

the expenses incurred by the creditors in connection with the insolvency proceedings, except for the expenses under Article 629b of the Commerce Act (prepaid initial litigation expenses).

Where insufficient funds are available to satisfy the claims referred to in subparagraphs 3 to 12 in full, proportional distributions are made to each class of creditors. Where the central government has lodged several claims of the same class and these have been admitted, the amounts are remitted in a single payment from the asset distribution account and, upon receipt, distributed by the National Revenue Agency in accordance with the Tax and Social Insurance Procedure Code. The National Revenue Agency notifies the distribution made to the insolvency court and the receiver without delay.

Claims arising from statutory or contractual interest on unsecured debts, which became due after the date of the ruling opening insolvency proceedings;

claims in respect of debts arising from loans granted to the debtor by a business partner or shareholder; creditors holding claims arising from donations and from the expenses incurred by a creditor in the insolvency proceedings, except those envisaged in Article 629b of the Commerce Act (prepaid initial litigation expenses) may be satisfied solely after all other creditors' claims have been settled in full. A creditor who has lodged a claim after a distribution has been made is added to the list of creditors with claims to be settled from subsequent distributions without the right to have his claim settled by receiving a higher share of the converted estate in subsequent distributions as compensation for not receiving a share from earlier distributions.

Secured creditors retain their securities in the insolvency proceedings. Their claims are settled first, that privilege being solely applicable to the proceeds from the realisation of the security held. When the sale price of the personal property pledged or mortgaged is insufficient to cover the full amount of the debt, along with accrued interest, the creditor participates in the distribution as an unsecured creditor. When the sale price of an item of personal property pledged or mortgaged exceeds the secured debt, including accrued interest, the residual amount is added to the insolvency estate. This rule also applies to the settlement of claims of creditors with a right of lien.

A creditor whose claim has been partially settled in the main proceedings in which a trader has been declared insolvent by a foreign court participates in the distribution of property in the ancillary proceedings instituted before a Bulgarian court, if the trader owns significant assets in Bulgaria and the share, which the creditor would receive from property distribution in the ancillary proceedings exceeds that of the other creditors in the same proceedings. The assets remaining after property distribution in the ancillary proceedings are transferred to the assets in the main proceedings.

A claim subject to postponement is included in the initial distribution as a contested claim and a provision for its settlement is set aside in the distribution account. The claim is excluded from the final distribution if the condition for postponement is still valid. However, a claim subject to a peremptory condition is included in the distribution as settled as an unconditional claim.

Provisions for the amount of the claim contested by civil action are also set aside in the distribution account. Where only the security or privilege is contested, the claim is provisionally included in the distribution as an unsecured claim until dispute adjudication and a provision equal to the amount the creditor would receive for a secured claim is set aside in the distribution account. Provision must be made in the recovery plan or upon converted estate distribution for unadmitted claims contested by convalidation claims pursuant to Article 694 of the Commerce Act.

The receiver, acting on a court order, deposits with a bank the amounts set aside at the time of final distribution for uncollected or contested claims. The debtor may receive the remainder of the insolvency estate, if any, after full and final settlement of its debts.

14 What are the conditions for, and the effects of closure of insolvency proceedings (in particular by composition)?

The court orders that insolvency proceedings be closed in the following cases:

if within one year from the entry of the ruling pursuant to Article 632(1) of the Commerce Act (the ruling to stay insolvency proceedings due to available property being insufficient to cover the expenses of the insolvency procedure and non-payment of the initial expenses incurred in the proceedings) no resumption of proceedings has been requested;

depletion of the insolvency estate;

settlement of all claims;

approval of a recovery plan;

conclusion of an agreement between the debtor and all creditors holding admitted claims, if the agreement satisfies applicable statutory requirements and no declaratory judgment action pursuant to Article 694 of the Commerce Act has been filed in respect of a non-existing admitted claim.

In the first three cases, in the ruling on the closure of proceedings the insolvency court orders that the trader be struck off, unless all creditors' claims have been settled and unrealised assets remain in the insolvency estate. The ruling is subject to appeal within 7 days from its entry into the Commercial Register. Insolvency proceedings are not closed when the debtor's liabilities have been collateralised by third-party securities and enforcement proceedings against the securities are still under way or when the debtor is a party to a pending lawsuit.

Under national law restructuring with a view to rescuing the debtor's enterprise is an element of the main insolvency proceedings.

Corporate rehabilitation is an independent optional stage in the insolvency proceedings. The pursuit of rehabilitation requires a dedicated written application to the court in which a recovery plan is proposed by any of the following parties: the debtor, the receiver, the creditors holding at least one-third of secured claims, the creditors holding at least one-third of unsecured claims; the partners or shareholders who hold at least one-third of the shareholders' equity of the debtor's enterprise; an unlimited partner or twenty percent of the total number of workers and employees of the debtor's enterprise.

A recovery plan (or recovery plans) may be proposed from the time of presentation of the insolvency petition until one month has elapsed from the date of entry into the Commercial Register of the court ruling on approval of the list of admitted claims. The expenses incurred on a recovery plan proposed by the debtor or the receiver are covered from the insolvency estate and in all other cases they are covered by the party which has proposed the plan.

The content of the recovery plan must satisfy the requirements stipulated in Article 700(1) of the Commerce Act and address issues, such as the extent to which the claims included in the court-approved lists as at the date on which the plan was proposed will be satisfied; the manner and timeframe for settlement of each class of claims, the guarantees for payment of contested unadmitted claims in respect of which lawsuits are pending as at the date on which the plan is proposed; the conditions upon which partners in general or limited partnerships are totally or partially discharged of liability; the extent to which the claims held by each class of creditors would be satisfied as compared to the property they would receive under a distribution in accordance with the general procedure laid down by law; the guarantees provided to each class of creditors in connection with the implementation of the plan; the management, organisational, legal, financial, technical and other actions to be taken in order to implement the plan; and the impact of the plan on the workers and employees of the debtor's enterprise. The recovery plan may additionally set out proposed actions or transactions aiming to restore the viability of the enterprise, including a sale of the entire or part of the enterprise, the conditions for and manner in which a sale is to be effected, debt-to-equity swaps, novation of liabilities or other actions and transactions (the plan specifically excludes the option of selling the property of water and sewerage operators required for their primary operations until a new water and sewerage operator in the respective area has been designated), the appointment of a supervisory body with powers to exercise control over the activities of the debtor for the duration of the recovery plan or a shorter period, payment postponement or deferral, full or partial debt discharge, company restructuring or other actions and transactions.

If the plan satisfies the requirements laid down by law (Article 700(1) of the Commerce Act), the court issues a ruling admitting the plan to being considered by the meeting of creditors and orders that a notice setting out a date for the meeting be published in the Commercial Register. When necessary, a notice is sent to the party that proposed the plan, instructing it to remedy detected deficiencies. The ruling may be appealed within a period of 7 days.

Only creditors holding admitted or validated claims or creditors granted voting rights by the court may vote on the plan. The creditors vote separately in the individual classes laid down by law and may cast their vote without being present at the meeting through a notarised letter of authorisation bearing the creditor's signature. The plan is adopted by each class of creditors by a simple majority of claims in the relevant class. Objections against the adopted plan may be lodged with the insolvency court within 7 days from the date of the vote. Objections may also be lodged by creditors who have filed convalidation claims pursuant to Article 694 of the Commerce Act. The plan is rejected if more than half of the creditors holding admitted claims, regardless of the class of those claims, have voted against it. A notice in respect of the adoption of the plan is published in the Commercial Register.

The court approves the recovery plan if it satisfies the conditions set out in Article 705(1) of the Commerce Act, i.e. if all the requirements laid down by law for its adoption by the different classes of creditors have been met; it has been adopted by a majority of the creditors holding more than half of the admitted claims included in the court-approved lists; if the plan envisages partial payment, at least one class of the creditors that adopted the plan will receive partial payment; all creditors of the same class are treated equally, unless prejudiced creditors have waived their objections to the adoption of the plan in writing; the plan ensures that a dissenting creditor and a dissenting debtor will receive the same payment they would have received if assets were distributed in accordance with the general procedure laid down by law; no creditor will receive more than is due to them under their admitted claim; no income will be paid to partners or shareholders until the full and final settlement of the claims of the class of creditors whose interests are affected by the plan; no maintenance payments will be made in favour of sole traders, unlimited partners and their families in an amount that exceeds that set by the court until full and final settlement of the claims of the class of creditors whose interests are affected by the plan. If the creditors' meeting has adopted several plans and all plans satisfy the requirements laid down by law, the court approves the plan adopted by the creditors holding more than half of admitted claims.

The recovery plan may be admitted to the ancillary insolvency proceedings instituted by a Bulgarian court, if the trader owns significant assets in Bulgaria, with the consent of the receiver in the main proceedings in which the trader has been declared insolvent by a foreign court.

By the ruling on approval of the recovery plan the court orders the closure of proceedings and appoints the supervisory body proposed in the plan or elected by the creditor committee. The ruling on approval of the recovery plan and the ruling rejecting a plan developed with a view to rehabilitating the debtor's enterprise, which has been adopted by the creditors' meeting, are subject to appeal within 7 days from the date of entry into the Commercial Register.

The court-approved plan is mandatory for the debtor and all creditors with claims in respect of debts incurred prior to the date of the ruling opening insolvency proceedings. Each creditor may apply for a writ of enforcement in accordance with the procedure laid down in Article 405 of the Civil Procedure Code in order to seek enforcement of the converted claim, regardless of its amount.

If the debtor defaults on the implementation of the recovery plan, the creditors holding claims converted under the plan that represent at least 15 percent of the total amount of claims, or the supervisory body appointed by the court, may ask the court to resume insolvency proceedings without a requirement for proof of insolvency or overindebtedness. In this case, the conversion effect of the plan with regard to the creditors' rights and securities remains unaffected. No rehabilitation proceedings are conducted under the resumed insolvency proceedings.

If the sale of the whole or part of the undertaking is envisaged in the approved recovery plan, a sale agreement must be concluded within one month from the date on which the ruling approving the plan entered into force. If a sale agreement fails to be concluded within the period laid down in the approved recovery plan, each party may, within one month from the expiry of the one-month period for concluding a sale agreement, ask the insolvency court to declare the agreement concluded. If none of the parties requests that the agreement be declared concluded and a creditor has filed an application, the insolvency court resumes proceedings and declares the debtor insolvent.

In addition to the adoption of a recovery plan, the Commerce Act provides another possibility for an arrangement between the debtor and the creditors. The debtor may independently conclude a written debt settlement agreement with all creditors with admitted claims at any stage in the proceedings without being represented by the receiver. If the agreement satisfies the requirements laid down by law, the court grants a stay of proceedings, if declaratory judgment actions contesting the existence of admitted claims have been brought under Article 694(1) of the Commerce Act. The judgment is subject to appeal within 7 days from the date of entry into the Commercial Register.

15 What are the creditors' rights after the closure of insolvency proceedings?

The final meeting of creditors adopts a decision on the unsellable personal property included in the insolvency estate and may decide that personal property of negligible value or receivables that would be unreasonably difficult to collect be released to the debtor. The receiver, acting on a court order, deposits with a bank the amounts set aside at the time of final distribution for uncollected or contested claims.

Upon the closure of insolvency proceedings the general foreclosure is lifted and the precautionary measure is deleted *ex officio* from the effective date of the ruling on the closure of insolvency proceedings.

Any claims that were not lodged and rights that were not exercised in the insolvency proceedings are extinguished. The claims that could not be satisfied in the insolvency proceedings are extinguished, except where proceedings resume in accordance with Article 744(1) of the Commerce Act (if within one year from the date on which a stay of proceedings was granted amounts set aside for contested claims are released or assets the existence of which was unknown during the insolvency proceedings are discovered).

Where the debtor has concluded a debt settlement agreement with all creditors holding admitted claims and insolvency proceedings have been closed, the creditors may seek redress in accordance with the general rules laid down in civil law, save where the Commerce Act provides otherwise. Where the debtor defaults on the debt settlement agreement, the creditors holding at least 15 percent of the total claims may request that insolvency proceedings be resumed without a requirement for proof of insolvency or overindebtedness.

Upon closure of the insolvency proceedings following the approval of the recovery plan, a new statutory limitation period under Article 110 of the Obligations and Contracts Act commences for the liabilities incurred before the date of the ruling opening insolvency proceedings as from the effective date of the ruling on approval of the recovery plan, when the liabilities in question are subject to immediate settlement or from the date on which the liabilities become due and payable, if the recovery plan provides for their deferral. According to Article 110 of the Obligations and Contracts Act all claims are extinguished upon expiry of the five-year statutory limitation period, unless otherwise provided by law. Where an application for the resumption of insolvency proceedings has been lodged, the statutory limitation period for admitted claims is suspended for the length of the resumption procedure. A creditor may apply for a writ of enforcement in respect of their converted claim, regardless of its amount, on the basis of the recovery plan approved by the court.

16 Who is to bear the costs and expenses incurred in the insolvency proceedings?

Under national law insolvency procedure expenses include:

the stamp duty payable in respect of the insolvency proceedings and all other expenses incurred until the effective date of the ruling opening insolvency proceedings;

the receiver's remuneration;

the claims of the workers and employees of the debtor's enterprise when it has not ceased trading;

the expenses incurred on the augmentation, administration, valuation and distribution of the insolvency estate;

the maintenance payment paid to the debtor and their family;

No stamp duty is payable in advance when an insolvency petition has been lodged by the debtor. The stamp duty is covered from the insolvency estate upon asset distribution. When the insolvency application is filed by a creditor, and when a co-creditor is constituted as a party to the proceedings, the stamp duty is collected from the creditor or the party constituted as co-creditor.

For the purpose of opening insolvency proceedings, when the available assets of the debtor are insufficient to cover the initial expenses of the insolvency procedure, or when a determination is made during the course of insolvency proceedings that the available assets of the debtor are insufficient to cover the expenses of the insolvency procedure, the court determines an amount to be prepaid within a period set by the court by the debtor or a creditor. The initial expenses of the insolvency procedure are assessed by the court, taking into account the current remuneration of the provisional receiver and the estimated expenses of the insolvency procedure. When the debtor is a partnership, the court rules on the prepayment of expenses, taking into account the property of the partners with unlimited liability.

Upon commencement of insolvency proceedings expenses are covered from the insolvency estate. For this purpose, the court may issue an order authorising the receiver to make the necessary disposals.

Where proceedings are at the stage of insolvency estate augmentation, the stamp duty is not payable in advance. No stamp duty is collected when circumstances relating to the insolvency are entered into the Commercial Register on the grounds of court rulings and orders and upon the entry and deletion of a garnishment or general foreclosure.

In proceedings instituted on a motion to set aside a transaction on the grounds of Articles 645, 646 and 647 of the Commerce Act and Article 135 of the Obligations and Contracts Act, stamp duty is not subject to prepayment, regardless of the level of court. If the motion is granted, the stamp duty is collected from the party that did not prevail in the lawsuit. If the motion is dismissed, the stamp duty is covered from the insolvency estate. If the motion to set aside a transaction has been filed by the receiver and dismissed, the insolvency procedure expenses incurred by third parties are covered from the insolvency estate. No stamp duty is payable in advance in respect of a declaratory judgment action brought by a creditor or a debtor pursuant to Article 694 of the Commerce Act. If the action is dismissed, the expenses must be paid by the plaintiff.

A creditor's claim lodged after the statutory filing period has elapsed, but not later than two months after the date on which it elapsed, are added to the list of lodged claims and admitted in accordance with the procedure laid down by law. The additional expenses incurred on admission are paid by the creditor who filed the claim.

The expenses incurred on a recovery plan proposed by the debtor or the receiver are covered from the insolvency estate and in all other cases they are covered by the party which proposed the plan. Unless otherwise provided in the recovery plan, the court orders the debtor to pay the stamp duty and the expenses incurred.

The expenses incurred on the preservation of property subject to conversion into money until the buyer enters into possession are covered from the insolvency estate. The expenses incurred on the sale of housing stock owned by the debtor and rented to their workers and employees are borne by the vendor.

Upon distribution of the converted assets the claims arising from expenses incurred in the insolvency proceedings are paid after the settlement of secured claims and claims in respect of which the right of retention is exercised.

17 What are the rules relating to the voidness, voidability or unenforceability of legal acts detrimental to the general body of creditors?

The Commerce Act provides for safeguards that protect creditors of the insolvency estate against actions taken and transactions entered into by the debtor with a view to depleting the insolvency estate and harming creditors' interests. The law introduces the concept of a 'suspect period' — an irrefutable presumption that creditors' interests have been harmed, if certain actions have been taken or certain transactions have been entered into during this period. The length of the suspect period differs depending on the type of transaction to which the statutory presumption of harmfulness applies. For certain transactions and actions, the suspect period commences from the date of insolvency or overindebtedness, but not earlier than one year before the petition for opening insolvency proceedings was filed, and ends on the date of the ruling opening insolvency proceedings. In other cases, it extends to three years, two years or one year before the date on which the petition to open insolvency proceedings was filed and includes the period between the date on which the petition to open insolvency proceedings was filed and the date of the ruling opening insolvency proceedings. Certain actions taken and transactions entered into after the date of the ruling opening insolvency proceedings in breach of established procedure, i.e. without the prior consent of the receiver, are also considered harmful.

The types of actions and transactions presumed as harmful under the Commerce Act are exhaustively defined and fall into two categories: null and void and unenforceable in respect of the creditors of the insolvency estate.

Void transactions are governed by Article 646(1) of the Commerce Act. That Article stipulates that the following actions and transactions are void in respect to creditors, if taken/entered into after the date of the ruling opening insolvency proceedings in breach of the established rules of procedure:

the settlement of a debt incurred before the date of the ruling opening insolvency proceedings;
creating a pledge or mortgage on a property right or an item of personal property from the insolvency estate;
a transaction involving a right or an asset from the insolvency estate.

Other types of harmful actions and transactions that may be declared unenforceable are governed by the provisions of Articles 645(3), 646(2) and 647 of the Commerce Act and Article 135 of the Obligations and Contracts Act. In order to be unenforceable in respect of the creditors of the insolvency estate, the actions and transactions in question must be declared unenforceable by a judgment that has become final.

According to Article 646(2) of the Commerce Act the following actions taken or transactions entered into by the debtor after the commencement of insolvency or overindebtedness may be declared unenforceable in respect of creditors within the respective time periods:

the early settlement of a liability, regardless of the manner of settlement, within a period of one year before the petition to open insolvency proceedings was filed;
creating a mortgage or a pledge to secure a previously unsecured claim against the debtor within a period of one year before the petition to open insolvency proceedings was filed;
the settlement by the debtor of a liability that has become due and payable, regardless of the manner of settlement, within a period of six months before the petition to open insolvency proceedings was filed.

Where the creditor knew the debtor to be insolvent or overindebted, the length of the suspect period in the first two cases is extended to two years and in the third case — to one year. Knowledge is presumed when the debtor and the creditor are related parties or when the creditor knew or could have known of circumstances reasonably warranting the conclusion that the debtor is insolvent or overindebted.

Unenforceability may not be invoked in the first and the third case, if the liability is settled in the course of the debtor's ordinary business and when: it conforms to the terms agreed upon between the parties and is effected contemporaneously to the provision of goods or services of equivalent value to the debtor or within 30 days from the date on which the payable liability came due, or after the payment, the creditor provided goods or services of equivalent value to the debtor.

Unenforceability may not be invoked in the second case, when the pledge or mortgage was created:

before or simultaneously with the grant of a loan to the debtor;
to replace another security *in rem*, which may not be declared unenforceable pursuant to the rules laid down in Section I, Chapter 41 of the Commerce Act;
to secure a loan granted for the purpose of acquiring the asset pledged or mortgaged.

The invalidity under Article 646(2) of the Commerce Act is without prejudice to the rights acquired in good faith by third parties before the entry of the application by which an action to set aside a transaction was brought. Bad faith is presumed until the contrary is proven, if the third party is related to the debtor or to the person with whom the debtor negotiated.

The public and private claims of the government subject to private enforcement, which the debtor has paid, may not be invalidated in respect of the creditors of the insolvency estate in accordance with the rules and procedure set out above.

According to Article 647(1) of the Commerce Act the following actions and transactions of the debtor, if performed within the time periods specified, may be invalidated in respect of the creditors of the insolvency estate:

transactions for no consideration, except for ordinary donations, concluded with a party related to the debtor within a period of three years before the date on which the application to open insolvency proceedings is filed;
transactions for no consideration concluded within a period of two years before the date on which the application to open insolvency proceedings was filed;
transactions at undervalue concluded within a period of two years before the application to open insolvency proceedings is filed, but not before the commencement of insolvency or overindebtedness.

mortgages, pledges or personal securities created in respect of third-party liabilities within a period of one year before the application to open insolvency proceedings is filed, but not before the commencement of insolvency or overindebtedness;

mortgages, pledges or personal securities created in respect of third-party liabilities in favour of a creditor related to the debtor within a period of two years before the application to open insolvency proceedings is filed, but not before the commencement of insolvency or overindebtedness;

transactions that are harmful to creditors concluded with a party related to the debtor within a period of two years before the application to open insolvency proceedings is filed.

Article 647(1) of the Company Act also applies to actions taken and transactions entered into by the debtor in the period between the application to open insolvency proceedings is filed and the date of the ruling opening insolvency proceedings. The invalidation is without prejudice to the rights acquired in good faith by third parties for consideration before the entry of the application.

A set-off may also be invalidated in respect of the creditors of the insolvency estate, if a creditor acquired the claim and incurred the liability to the debtor before the date of the ruling opening insolvency proceedings, knowing at the time of acquiring the claim or incurring the liability that the debtor is insolvent or overindebted or that an application to open insolvency proceedings has been filed.

Regardless of the time when the mutual debts were incurred, a set-off effected by the debtor after the declaration of insolvency or overindebtedness, but not earlier than one year before the date of the application to open insolvency proceedings was filed, is invalid with respect to the creditors of the insolvency estate, except for the part of the debt which the creditor would receive at the time of distribution following asset conversion into money.

Article 135 of the Obligations and Contracts Act governs the actions which the receiver or creditor may bring seeking the invalidation of harmful actions of the debtor, if the harmful effect of those actions was known to the debtor. When the action is motivated by profit, the party with which the debtor negotiates is also presumed to have knowledge of the harm. The invalidity is without prejudice to the rights acquired in good faith by third parties for consideration before the entry of the application by which an action to set aside a transaction was brought. Knowledge is presumed until the contrary is proven, if the third party is the spouse, ascendant, descendant or sibling of the debtor. Where the action is performed before a claim has arisen, it is invalid solely if taken by the debtor or the party with which the debtor negotiated with the intent of harming the creditor.

An action seeking the avoidance or invalidation of actions or transactions in respect of the creditors of the insolvency estate and the attending actions for performance in order to augment the insolvency estate may be brought by the receiver or, upon failure of the receiver to do so, by any creditor of the insolvency estate. When the claim is filed by a creditor, the court constitutes the receiver as co-plaintiff *sua sponte*. When a claim has been filed by creditor, a second filing in respect of the same claim will not be allowed. However, the second creditor may ask the court to constitute it as co-plaintiff before the first hearing in the case. effective final judgment is valid and enforceable for the debtor, the receiver and all creditors.

Where the court has declared a transaction null and void in respect of the creditors of the insolvency estate, the assets provided by a third party are returned, and if such assets are not included in the insolvency estate or money is owed, the third party is constituted as creditor in the proceedings.

An action to set aside a transaction brought by the receiver in the main or ancillary insolvency proceedings in which a trader has been declared insolvent by a foreign court or in ancillary proceedings instituted by a Bulgarian court, if the trader owns significant assets in Bulgaria, is deemed to have been brought in both proceedings.

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