STANDARD CONDITIONS FOR

INDIVIDUAL VOLUNTARY ARRANGEMENTS

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TABLE OF CONTENTS FOR STANDARD CONDITIONS

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TABLE OF CONTENTS 2

PART I: INTERPRETATION **5**

1 Miscellaneous definitions 5
2 The Conditions 5

PART II: COMMENCEMENT, EFFECT, AND **5**

3 Commencement of Arrangement 5
4 Nature and effect of the Arrangement 6
5 Existing proceedings against Debtor 6
6 Existing execution against Debtor's assets 7
7 Mutual credit and set-off 7
8 Duration of Arrangement 7
9 Completion of Arrangement 8
10 Substantial Compliance 8
11 Termination of Arrangement 9

PART III: SUPERVISOR'S FUNCTIONS, POWERS ETC **9**

12 Supervisor's functions 9
13 Supervisor's powers 9
14 Supervisor's powers upon completion/termination 10
15 Exercise of Supervisor's functions and powers 10
16 Restriction upon Supervisor's duty and liability 10
17 Supervisor's fees, costs and expenses 11
18 Supervisor's resignation 11
19 Removal of Supervisor from office 11
20 Vacation of Office by Supervisor 12
21 Vacancy in the office of Supervisor 12

PART IV: DEBTOR'S WARRANTY, DUTIES & OBLIGATIONS **13**

22 Debtor's warranty 13
23 Debtor's duties in relation to Supervisor 13
24 Further Documents 13
25 Debtor's acknowledgement 14

PART V: ARRANGEMENT ASSETS **14**

26 Arrangement assets 14
27 After-acquired assets 14
28 Trust of Arrangement assets 14
29 Restriction on dispositions 15

PART VI: CLAIMS **15**

30 Notice to submit claims 15
31 Submission of claims 15
32 Variation of claims 15
33 Production of documents 15
34 Affidavit substantiating claim 15

35	*Supervisor to allow inspection of claims*	*15*
36	*Admission and rejection of claims for Dividend*	*16*
37	*Appeal against decision on claim*	*16*
38	*Debts of uncertain value*	*16*
39	*Secured Creditors*	*16*
40	*Foreign currency Debts*	*17*
41	*Debts payable at future time*	*17*
42	*Interest on Debts*	*17*
43	*Cost of submitting claims*	*17*
PART VII CREDITORS WHO DO NOT HAVE NOTICE		**18**
44	*Claims arising where funds available*	*18*
45	*Claims arising where no funds available*	*18*
46	*Effect of claims on debtor*	*18*
47	*Notification of claims to Creditors*	*18*
48	*Claims arising after termination*	*19*
PART VIII: PAYMENT OF DIVIDENDS		**19**
49	*Distribution by Dividend*	*19*
50	*Notice of intended Dividend*	*19*
51	*Notice of declaration*	*19*
52	*Claim altered after payment of Dividend*	*20*
53	*Secured Creditors*	*20*
54	*Assignment of Debts or rights to Dividend*	*20*
55	*Debts payable at future time*	*21*
56	*Debts of unpaid Creditors*	*21*
PART IX: PRIORITY OF PAYMENTS AND DISTRIBUTIONS		**21**
57	*Costs and Expenses of the Arrangement*	*21*
58	*Priority of Debts and application of surplus*	*21*
PART X: THE CREDITORS COMMITTEE & MEETINGS OF CREDITORS		**22**
59	*The Creditors' Committee*	*22*
60	*Power to call/requisition meetings of Creditors*	*22*
61	*Calling Creditors' meetings*	*23*
62	*Cost of summoning meetings*	*23*
63	*Entitlement to vote*	*24*
64	*Admission and rejection of claim*	*24*
65	*Majorities required to pass resolutions*	*24*
66	*Chairman of meeting as proxy-holder*	*25*
67	*Suspension/adjournment of meeting*	*25*
68	*Record of proceedings*	*25*
69	*Postal resolutions*	*26*
PART XI: PROVISIONS FOLLOWING BREACH OF THE ARRANGEMENT		**27**
70	*Breach by the Debtor of the terms of the Arrangement*	*27*
71	*Procedure following breach*	*27*
72	*Retention of funds by Supervisor*	*28*

PART XII: CONDITIONS WHERE TAX AUTHORITIES ARE CREDITORS **28**

73 Claims by HM Revenue and Customs *28*
74 Income commencing after approval *28*
75 Post approval statutory returns and payments *28*
76 Overdue accounts and returns *28*
77 Funds to be paid to Supervisor *28*
78 Restriction on payment of dividend *29*
79 Set-off of repayments *29*

PART XIII: MISCELLANEOUS PROVISIONS **29**

80 Third Party obligations *29*
81 Variation of the Arrangement *29*
82 Tax liabilities arising on realisations *30*
83 Invalidity and/or illegality *30*

PART I: INTERPRETATION

1 Miscellaneous definitions

1 In the Arrangement, except where the context otherwise demands:

(a) "**the Act**" means the Insolvency Act 1986 as amended;

(b) "**the Arrangement**" means the Proposal and the Conditions read together;

(c) "**Associate**" shall have the meaning given to it in section 435 of the Act;

(d) "**the Conditions**" are these Conditions;

(e) "**the Court**" means any court having jurisdiction in respect of the Arrangement;

(f) "**Creditor**" is a person bound by the Arrangement to whom a Debt is owed;

(g) "**Debt**" has the meaning given to it in section 382 of the Act with the modifications necessary to refer to a voluntary arrangement;

(h) "**the Debtor**" means the person who makes the Proposal;

(i) **"Dividend"** means a distribution to Creditors;

(j) "**Excluded Assets**" are those assets identified in the Proposal as being excluded from the Arrangement;

(k) "**Paragraphs**" are Paragraphs of these Conditions; and Sub-paragraph shall be construed accordingly;

(l) **"Preferential Creditor"** is a Creditor with a Debt falling within section 386 of the Act and "**Preferential Debt**" shall be construed accordingly;

(m) "**Property**" has the meaning given to it in section 436 of the Act;

(n) "**the Proposal**" is the document annexed hereto together with modifications and documents incorporated thereto, being a proposal under Part VIII of the Act;

(o) "**the Rules**" means the Insolvency Rules 1986 as amended;

(p) "**Security**" has the meaning given to it in section 383 of the Act; and "Secured Creditor" shall be construed accordingly;

(q) "**the Supervisor**" is the person or persons for the time being appointed to supervise the implementation of the Arrangement;

2 The Conditions

2 The Conditions are an integral part of the Arrangement. In the event of any ambiguity or conflict between the Conditions and the Proposal and any modifications to it, the Proposal as modified shall prevail.

PART II: COMMENCEMENT, EFFECT, AND DURATION OF ARRANGEMENT

3 Commencement of Arrangement

3 The Arrangement shall come into effect upon the approval thereof by the Creditors pursuant to the provisions of the Act and Rules.

4 Nature and effect of the Arrangement

4(1) [Nature of Arrangement] The Arrangement is a proposal under Part VIII of the Act for a scheme of arrangement of the Debtor's affairs or a composition in full and final satisfaction of the Debtor's Debts.

4(2) [Claims against third parties] Unless the Proposal indicates to the contrary, nothing in the Arrangement shall be construed as effecting a composition or satisfaction of any Debt owed by a person other than the Debtor, whether that Debt is owed jointly by the Debtor or otherwise.

4(3) [Restriction on Creditors' rights] After the commencement of the Arrangement, no Creditor shall, in respect of any Debt which is subject to the Arrangement:

(a) have any remedy against the property or person of the Debtor;

(b) commence or continue any action or other legal proceeding against the Debtor.

4(4) [Saving for certain rights] Nothing in this Paragraph or elsewhere in the Conditions shall be construed as affecting the following rights:

(a) the right of any Secured Creditor to enforce his Security, except with the Secured Creditor's consent;

(b) the right of the Supervisor or any Creditor to present a bankruptcy petition under section 264(1)(c) of the Act for default in connection with the Arrangement

(c) the right of any Creditor to bring or continue legal proceedings against the Debtor and to obtain a judgment against the Debtor in the full amount of its Debt for the sole purpose of making a claim against an insurer of the Debtor by virtue of the Third Party (Rights Against Insurers) Act 1930.

5 Existing proceedings against Debtor

5(1) [Discontinuance of existing proceedings] Legal proceedings against the Debtor in existence at the commencement of the Arrangement in respect of Debts which are subject to the Arrangement shall, unless they are of a type contemplated by Paragraph 4(4), be discontinued by the Creditor as soon after the commencement of the Arrangement as is practicable.

5(2) [Costs of existing proceedings] Legal costs of a Creditor in proceedings other than bankruptcy referred to in Sub-paragraph (1) shall be a Debt falling within the Arrangement.

5(3) [Costs of bankruptcy proceedings] Petition costs of a Creditor who presented a bankruptcy petition against the Debtor prior to the commencement of the Arrangement shall be treated as an expense of the Arrangement to rank after the costs of the Nominee but before those of the Supervisor.

5(4) [Prior distress] Where any person has distrained on the goods or effects of the Debtor in the period of three months prior to the making of the interim order, those goods or effects, or the proceeds of their sale, shall be charged with the Preferential Debts of the Debtor to the extent that the assets of the Arrangement are insufficient for meeting those debts.

6 Existing execution against Debtor's assets

6(1) [Partly-completed execution] A Creditor who, before the commencement of the Arrangement, has issued execution against the goods or land of the Debtor in respect of a Debt which is subject to the Arrangement, or has attached a Debt due to the Debtor from another person in respect of such a Debt shall, unless the execution or attachment was completed before the commencement of the Arrangement, discontinue the execution or attachment as soon after the commencement of the Arrangement as is practicable.

6(2) [Completion of execution or attachment] For the purposes of Sub-paragraph (1):

(a) an execution against goods is completed by seizure and sale or by the making of a charging order absolute under section 1 of the Charging Orders Act 1979;

(b) an execution against land is completed by seizure, by the appointment of a receiver or by the making of a charging order absolute under section 1 of the Charging Orders Act 1979;

(c) an attachment of a Debt is completed by the receipt of the Debt.

7 Mutual credit and set-off

7(1) [Application] This Paragraph applies where before the commencement of the Arrangement there have been mutual credits, mutual Debts or other mutual dealings between the Debtor and any Creditor other than in the circumstances to which Paragraph 79 of these Conditions apply.

7(2) [Account to be taken] An account shall be taken of what is due from each party to the other in respect of the mutual dealings and the sums due from one party shall be set-off against the sums due from the other.

7(3) [No account where Creditor has notice] Sums due from the Debtor to another party shall not be included in the account taken under Sub-paragraph (2) if that other party had notice at the time they became due that a bankruptcy petition relating to the Debtor was pending or that an interim order was made in relation to the Debtor.

7(4) [Restriction on post-commencement set-off] Other than as provided for in this Paragraph, set-off shall not be available in respect of any Debt or item of Property.

7(5) [Balance provable or to be paid] Only the balance (if any) of the account taken under Sub-paragraph (2) is provable in the Arrangement or, as the case may be, to be paid to the Debtor or, if the Proposal so provides, to the Supervisor.

8 Duration of Arrangement

8(1) [General rule] Unless extended under the provisions of these Conditions, the Arrangement shall continue until the end of the period stated in the Proposal.

8(2) [Extension of duration by Supervisor] The Supervisor may, if he thinks fit for the purposes of finalising the administration of the Arrangement, extend the duration of the Arrangement by sending a notice to this effect ("an Extension Notice") to the Debtor and all Creditors. This may be done on up to 2 occasions: for a period of up to 6 months in the first instance and for a period of up to 3 months in the second instance.

8(3) [Extension Notice] An Extension Notice shall be sent not less than 7 days prior to the date upon which the Arrangement is otherwise due to complete and must state the reason or reasons for the extension.

8(4) [Effect of extension] In the event of an Extension Notice being sent, the Arrangement shall continue for the period specified therein, or for the maximum allowable period for that extension (being 6 months for a first extension and 3 months for a second extension) commencing on the date immediately after that on which the Arrangement would otherwise have been completed, whichever is sooner.

8(5) [Supervening notice calling a meeting of Creditors] In the event that a meeting of Creditors has been called by the Supervisor for a time after the Arrangement would otherwise have expired, the duration of the Arrangement shall be extended to the date of that meeting and of any adjournment thereof.

8(6) [Further extension] Any extension for a period longer than that provided for under Paragraph 8(2) shall require approval as a variation in accordance with Paragraph 81.

9 Completion of Arrangement

9(1) [The Completion Certificate] Upon the expiration of the Arrangement, the Supervisor shall, if the Debtor has complied with his obligations under the Arrangement, issue a certificate ("the Completion Certificate") stating that the Proposal has been fully implemented.

9(2) [Effect of Completion Certificate] Save to the extent provided in Paragraph 4(4), upon the issue by the Supervisor of a Completion Certificate, the Debtor shall be released from all Debts which are subject to the Arrangement.

9(3) [Notification of issue of Completion Certificate] Copies of the Completion Certificate issued under this Paragraph shall be sent by the Supervisor to the Debtor, the Creditors, the Secretary of State for Trade and Industry and the Court together with the Supervisor's report under Rule 5.34 (completion or termination of Arrangement).

10 Substantial Compliance

10(1) [Issue of certificate where substantial compliance] The Supervisor may, if he thinks fit, issue a Completion Certificate notwithstanding the fact that the Debtor has not complied with all of his obligations under the Arrangement provided that the Debtor has:

(a) made all payments required of him under the terms of the Arrangement;

(b) provided a full explanation of any breach of the terms of the Arrangement required by the Supervisor;

(c) paid to the Supervisor such sum (if any) as the Supervisor shall reasonably have required to compensate the Creditors for any reduction in Dividend caused by the Debtor's breach of the terms of the Arrangement.

10(2) [Notification to creditors] Where the Supervisor proposes to issue a Completion Certificate under Sub-paragraph 1 he shall notify the Creditors accordingly and invite them to submit any comments within 21 days from the date of notification.

10(3) [Treatment as full implementation] If the Supervisor issues a Completion Certificate under Sub-paragraph (1), the Arrangement shall be treated as fully implemented for the purposes of Rule 5.34.

11 Termination of Arrangement

11(1) [Termination in certain circumstances] The Arrangement shall terminate upon:

(a) the Supervisor issuing a Certificate of Termination under Paragraph 71;

(b) the making of a bankruptcy order against the Debtor;

(c) the Debtor's death,

none of which circumstances shall affect the trusts created under Paragraph 28.

11(2) [Notice of termination] The Supervisor shall, on discovering the occurrence of a terminating event, but in any event not more than 28 days after such discovery, give notice of such termination and the reason therefor to the Debtor (or, if the Debtor has died, his representative) and Creditors.

PART III: SUPERVISOR'S FUNCTIONS, POWERS ETC

12 Supervisor's functions

12(1) [Primary function] The Supervisor's primary function is to supervise the Debtor's performance of his obligations under the Arrangement and to administer the Arrangement.

12(2) [Other functions] The Supervisor shall also undertake such functions as are given to him in the Proposal, Act and Rules.

13 Supervisor's powers

13 Subject to those powers more particularly given to him in the Arrangement, Act and Rules, the Supervisor shall have the following powers:

(1) [*Getting in assets*] power to take possession of, collect, get in and hold any or all of the assets which, under the terms of the Arrangement, he is to hold as trustee;

(2) *[Realisation of assets*] power to sell or otherwise dispose of any asset referred to in Sub-paragraph (1) in such manner as may seem to him expedient;

(3) [*Putting funds on deposit]* power to place money coming into his hands during the course of the Arrangement on deposit with any established United Kingdom clearing bank or building society;

(4) *[Appointing agents*] power to engage legal representatives, managers, agents and other persons to assist the Supervisor in the performance of his functions under the Arrangement;

(5) [*Delegation*] power to delegate to his firm and any appropriate partner, employee or agent thereof any or all of his duties and functions under the Arrangement save those which by law he is required to perform personally;

(6) [*Insurance*] power to effect and maintain insurances in respect of any asset subject to the Arrangement;

(7) [*Power to claim*] power to prove, rank, claim and draw a Dividend in respect of such Debts owed to the Debtor as fall within the Arrangement;

(8) [*Power to direct Debtor*] power, in the event that the Supervisor is unable or it is impracticable for him to do any act or thing which he is empowered to do himself, to direct the Debtor to do that act or thing on his behalf;

(9) [*Ancillary power*] power to do any other act or thing which is necessary or expedient for the purposes of exercising the above powers or for carrying out his functions under the Arrangement.

14 Supervisor's powers upon completion/termination

14(1) [Exercise of powers after completion/termination] Completion and/or termination of the Arrangement shall not affect the Supervisor's power to carry out such of his functions and to exercise such of his powers as are necessary for him to fully carry out his duties, obligations and responsibilities under the Arrangement, Act and Rules and to resolve such matters as may have arisen during the course of the Arrangement.

14(2) [Retention of funds by Supervisor] Upon completion and/or termination of the arrangement, the Supervisor shall be entitled to retain for such period as he reasonably deems necessary from any funds under his control such moneys as he reasonably thinks fit on account of his fees, costs, charges, liabilities and expenses, and shall advise Creditors and the Debtor in writing of the quantum of the funds so retained and the reasons why.

15 Exercise of Supervisor's functions and powers

15(1) [Application of bankruptcy provisions] In the event that the Arrangement does not provide guidance to the Supervisor as to what action he should take in any given situation, the Supervisor shall apply the provisions of the Act and Rules in so far as they relate to bankruptcy with necessary modifications.

15(2) [Consultation of Creditors] If the Supervisor is uncertain as to what action he should take in any situation, or wishes to ascertain the wishes of Creditors on a matter concerning the Arrangement, he may seek the advice and/or direction of the Creditors' Committee and/or the majority or most material of the Creditors and he may act upon such advice and/or direction.

15(3) [Directions from the Court] This Paragraph is without prejudice to the Supervisor's right to refer matters concerning the Arrangement to the Court for guidance and/or directions if, in his discretion, he shall think fit.

16 Restriction upon Supervisor's duty and liability

16(1) [Supervisor's duty] The Supervisor shall be under no obligation to perform any act or carry out any function save for those expressly provided for in the Arrangement, the Act or Rules.

16(2) [Supervisor's liability] Neither the Supervisor, his firm or any of his agents or employees shall incur any personal liability in negligence or otherwise for any act or omission carried out by him or any of them in connection with the Arrangement,

unless such act or omission constitutes one of dishonesty or a breach of the Supervisor's obligations under the Act, Rules or the Arrangement.

17 Supervisor's fees, costs and expenses

17(1) [Amount of fees] The Supervisor shall be entitled to charge fees for his services in accordance with the time actually and reasonably expended by him and his staff in carrying out the Supervisor's functions under the Arrangement by reference to the ordinary hourly rates of the Supervisor and his staff as shall apply from time to time.

17(2) [Payment of fees, costs and expenses] The fees, costs, charges and expenses of the Supervisor shall be paid out of the assets of the Arrangement from time to time as the Supervisor thinks fit. The Supervisor shall provide such information to any Creditors' committee appointed in relation to the Arrangement as is reasonably necessary to explain how the fees, costs, charges and expenses were determined or incurred, as the case may be.

17(3) [Supervisor's right of recourse to Court] If the Supervisor is dissatisfied with a determination of the Creditors Committee or a meeting of Creditors on a matter involving his fees, costs, charges and/or expenses, he shall have the right to refer the matter to the Court, whose decision on the matter shall bind all parties.

18 Supervisor's resignation

18(1) [Methods of resignation] A Supervisor may resign from office with the approval of a meeting of Creditors or with the leave of the Court.

18(2) [Grounds of Supervisor's resignation] The Supervisor may only resign from office on one or more of the following grounds:

(a) ill health;
(b) cessation of practice as an insolvency practitioner;
(c) change of circumstances rendering it impracticable for him to continue in office;
(d) impracticability to have the present number of persons acting as Supervisor to the Arrangement.

18(3) [Report of Supervisor's administration] The notice to Creditors convening a meeting for the purpose of receiving his resignation shall specify the grounds upon which the Supervisor wishes to resign and shall be accompanied by a report of the Supervisor's administration of the Arrangement which includes an up to date summary of his receipts and payments.

19 Removal of Supervisor from office

19(1) [Methods of removal] On cause being shown, the Supervisor may be removed from office by the Court or by a resolution of a meeting of Creditors.

19(2) [Notice of requisitioned meeting] Any notice served by a Creditor upon the Supervisor under Paragraph 60(2) (notice requisitioning meeting) for the purpose of convening a meeting of Creditors to remove the Supervisor from office must set out the grounds upon which his removal is sought.

19(3) [Report of Supervisor's administration] The notice sent out by the Supervisor to Creditors convening such a requisitioned meeting shall specify the grounds upon which his removal is sought and shall be accompanied by a report of the Supervisor's

administration of the Arrangement including an up to date summary of his receipts and payments.

20 Vacation of Office by Supervisor

20(1) [Resignation/removal of Supervisor where more than one acting] If the Creditors resolve to accept the resignation of a Supervisor, or to remove a Supervisor from office, and there will be another person in the office of Supervisor for the time being, the Supervisor who is resigning or being removed shall vacate office immediately.

20(2) [Resignation/removal of Supervisor where no other acting] If the Creditors resolve to accept a Supervisor's resignation or to remove a Supervisor from office, and there is no other person in the office of Supervisor for the time being, that resignation and/or removal shall not take effect and the Supervisor shall not vacate office unless and until a meeting of Creditors or the Court appoints a replacement Supervisor.

20(3) [Loss of qualification] The Supervisor shall vacate office immediately if he ceases to be a person who is for the time being qualified to act as Supervisor.

20(4) [Notice of vacation of office] A Supervisor who, for any reason, vacates office shall forthwith give notice of that fact to the Court, the Debtor the Creditors and the Secretary of State for Trade and Industry.

20(5) [Duties of Supervisor upon vacation of office] A Supervisor who, for any reason, vacates office shall, as soon as practicable, deliver up to his successor Supervisor or Supervisors all books, records and papers relating to the Arrangement and his administration thereof together with all assets of which he is a trustee under the terms of the Arrangement.

20(6) [Continuing duty of former Supervisor] Former Supervisors shall be obliged to give such assistance to the Supervisor of the Arrangement from time to time as he may reasonably require for ascertaining what transpired during the tenure of office by the former Supervisor.

21 Vacancy in the office of Supervisor

21(1) [Meeting of Creditors to fill vacancy] If, for any reason, there is a vacancy in the office of Supervisor, that vacancy may be filled by a meeting of Creditors or by the Court.

21(2) [Convening a meeting where no Supervisor acting] If no Supervisor is in office, such a meeting of Creditors may be convened by the Debtor, any Creditor, any person who was in partnership with the Supervisor immediately before the vacancy occurred, or by the former Supervisor's authorising body.

21(3) [Chairman where no Supervisor acting] In the event that a meeting of Creditors is called when no Supervisor is in office, the person who convened the meeting shall act as chairman of that meeting.

PART IV: DEBTOR'S WARRANTY, DUTIES & OBLIGATIONS

22 Debtor's warranty

22(1) [Disclosure in Proposal] The Debtor warrants that he has disclosed in the Proposal full and complete particulars of all matters required of him under the Act and Rules including (without prejudice to the generality of the foregoing) particulars of all of his assets, Debts and liabilities, whether actual, contingent or prospective.

22(2) [Accuracy of Proposal] The Debtor warrants that the contents of the Proposal are true and accurate in all material respects as at the date of the commencement of the Arrangement, subject only to those qualifications that may be disclosed by the Debtor at the meeting of Creditors held to approve the arrangement, which qualifications shall be recorded by the Supervisor in his report to the Court under Rule 5.27 (report of Creditors' meeting).

22(3) [Disclosure of third party information] The Debtor authorises any creditor to disclose to the Supervisor such information relating to the Debtor, his dealings or property as may reasonably be required to assist in the implementation of the Arrangement.

23 Debtor's duties in relation to Supervisor

23(1) [Duty to co-operate with Supervisor] The Debtor undertakes and agrees that during the subsistence of the Arrangement he will:

(a) give to the Supervisor such information as to his assets, liabilities and other affairs;

(b) attend on the Supervisor, his agents, representatives or nominees at such times; and

(c) do all such other things;

as the Supervisor shall reasonably require for the purpose of carrying out his functions and duties under the Arrangement.

23(2) [Duty to submit accounts] The Debtor undertakes and agrees to furnish the Supervisor with accounts relating to his affairs of such nature, as at such date and for such period as the Supervisor may reasonably require.

23(3) [Notice of after-acquired assets and increased income] Where at any time during the subsistence of the Arrangement After-Acquired Property of a description falling within Paragraph 27 is acquired by or devolves upon the Debtor, or there is an increase in the Debtor's income if the Debtor is under an obligation to make contributions out of income, the Debtor shall forthwith give the Supervisor notice of the property or, as the case may be, of the increase.

24 Further Documents

24 Without prejudice to the generality of the Debtor's other duties under the Arrangement, the Debtor shall, at the request of the Supervisor, execute such Mortgages, Charges, Deeds, Transfers, Trusts, Powers of Attorney or other documents as may reasonably be required by the Supervisor for the protection and/or realisation of assets, to secure the Debtor's compliance with his obligations under the Arrangement, or otherwise to facilitate the implementation of the Arrangement.

25 Debtor's acknowledgement

25(1)[Agreement to be bound] The Debtor undertakes to carry out the obligations imposed upon him under the Arrangement in full and at the times provided for.

25(2)[Consequences of breach] The Debtor acknowledges that the likely consequence of his failure to comply with his obligations hereunder in full and at the times provided for is that the Arrangement will fail and he will be adjudged bankrupt on a petition presented by the Supervisor.

25(3)[Section 262A] The Debtor acknowledges that he commits an offence if he makes any false representation or commits any other fraud for the purpose of obtaining the approval of his Creditors to the Arrangement.

PART V: ARRANGEMENT ASSETS

26 Arrangement assets

26 Property other than Excluded Assets belonging to or vested in the Debtor at the date of commencement of the Arrangement which would form part of the Debtor's estate in a bankruptcy shall be subject to the Arrangement and be an asset thereof.

27 After-acquired assets

27(1) [After-acquired property subject to Arrangement] Subject to the following Sub-paragraphs, the Supervisor may claim as an asset of the Arrangement any Property acquired by the Debtor between the commencement date of the Arrangement and the date of its completion and/or termination which would have been capable of being an asset of the Arrangement if it belonged to or was vested in the Debtor at the date of commencement of the Arrangement ("After-Acquired Assets"). Any such asset shall be subject to the Arrangement and be an asset thereof.

27(2)[Limit on assets which may be claimed] Sub-paragraph (1) shall not apply to:

(a) such equipment, stock or other effects as are necessary to the debtor for use personally by him in his employment, business or vocation;

(b) such clothing, bedding, furniture, household equipment and provisions as are necessary for supplying the domestic needs of the debtor and his family.

27(3) [Proviso for excess assets] After-Acquired Assets shall only be sold or realised to the extent necessary to repay the Creditors in full together with interest, if any, to which Creditors are entitled pursuant to the Arrangement.

28 Trust of Arrangement assets

28(1)[Assets in the possession of the Debtor] Property constituting an asset of the Arrangement in the possession, custody or control of the Debtor shall be held by the Debtor upon trust for the purposes of the Arrangement until realisation thereof (if so provided) in accordance with the Arrangement.

28(2)[Assets in the possession of the Supervisor] Property constituting an asset of the Arrangement in the possession, custody or control of the Supervisor shall be held by the Supervisor upon trust for the purposes of the Arrangement.

28(3) [Trusts to survive termination of Arrangement] The trusts referred to in Sub-paragraphs (1) and (2) shall not come to an end upon termination of the Arrangement. Instead those assets shall be got in and realised by the Supervisor, and any proceeds applied and distributed in accordance with the terms of the Arrangement.

29 Restriction on dispositions

29 The Debtor shall not sell, charge or otherwise dispose of any interest he may have in any asset subject to the Arrangement without the Supervisor's written consent.

PART VI: CLAIMS

30 Notice to submit claims

30 As soon as practicable after the commencement of the Arrangement, and provided no application under Section 262 of the Act (challenge of meeting's decision) or an appeal under Rule 5.22(3) (appeal from chairman's decision) is pending, the Supervisor shall send a notice ("a Notice to Submit Claims") to every Creditor and other person to whom the Debtor may be indebted of whom he has notice requiring them to provide such details of their claims as the Supervisor thinks fit.

31 Submission of claims

31 Creditors shall submit their claims in writing to the Supervisor in the form, if any, required by the Supervisor, or one which is substantially similar.

32 Variation of claims

32A Creditor's claim may at any time be withdrawn or varied.

33 Production of documents

33 The Supervisor may call for any document or other evidence to be produced to him, where he thinks it necessary, for the purpose of substantiating the whole or any part of the claim.

34 Affidavit substantiating claim

34 The Supervisor may, if he thinks it necessary, require a claim to be verified by affidavit.

35 Supervisor to allow inspection of claims

35 The Supervisor shall, so long as claims lodged with him are in his hands, allow them to be inspected, at all reasonable times on any business day, by:

(a) any Creditor who has submitted his claim (unless that claim has been wholly rejected for the purposes of Dividend or otherwise); and

(b) the Debtor.

36 Admission and rejection of claims for Dividend

36(1) [Admission] A claim may be admitted for Dividend either for the whole of the amount claimed by the Creditor, or for part of that amount.

36(2) [Rejection] If the Supervisor rejects a claim in whole or in part, he shall prepare a written statement of his reasons for so doing and send it to the Creditor.

37 Appeal against decision on claim

337(1) [Application by Creditor] If a Creditor is dissatisfied with the Supervisor's decision with respect to his claim or its ranking he may apply to the Court, within 21 days (or such longer period as the Court shall, in the special circumstances, allow) of receiving the statement sent under Paragraph 36(2) for the decision to be reversed or varied.

37(2) [Application by Debtor or other Creditor] The Debtor or any other Creditor may, if dissatisfied with the Supervisor's decision admitting or rejecting the whole or any part of a claim, make such an application within 21 days (or such longer period as the Court shall, in the special circumstances, allow) of becoming aware of the Supervisor's decision.

37(3) [Costs of appeal] The Supervisor is not personally liable for the costs incurred by any person in respect of an appeal under this Paragraph unless the Court so orders.

38 Debts of uncertain value

38(1) [Estimation of Debt or liability] The Supervisor shall estimate the value of any Debt which, by reason of its being subject to a contingency or for any other reason, does not bear a certain value.

38(2) [Notification to Creditor] The Supervisor shall notify the Creditor in writing of any such estimate. If the Creditor is dissatisfied with the Supervisor's decision he may exercise his rights under paragraph 37.

38(3) [Claim of Debts of uncertain value] Where the value of any Debt is estimated by the Supervisor under Sub-paragraph (1), the amount provable in the Arrangement shall be the amount of the estimate.

39 Secured Creditors

39(1) [Proving for balance of Debt] A Secured Creditor may claim for the balance of his Debt (if any), after deducting the value of his Security.

39(2) [Voluntary surrender of Security] If a Secured Creditor voluntarily surrenders his Security for the general benefit of the Creditors, he may claim for his whole Debt, as if it were unsecured.

39(3) [Altering value of Security] A Secured Creditor may, with the agreement of the Supervisor or the leave of the Court, at any time alter the value which he has, in his claim, put upon his Security.

39(4) [Test of Security's value] If the Supervisor is dissatisfied with the value which a Secured Creditor puts on his Security (whether in his claim or by way of re-valuation), he may require the Security to be professionally valued by a person agreed as between the Creditor and the Supervisor, or in default of such agreement by the Court.

39(5) [Professional valuation treated as amended valuation] Where a professional valuation has been carried out under the previous Sub-paragraph, that valuation shall be treated as an amended valuation of the Creditor.

39(6) [Realisation of Security] If a Creditor who has valued his Security subsequently realises it:

(a) the Creditor shall forthwith notify the Supervisor and shall give the Supervisor such information relating thereto as he may reasonably require;

(b) the net amount realised shall be substituted for the value previously put by the Creditor on the Security, and

(c) that amount shall be treated in all respects as an amended valuation by him.

40 Foreign currency Debts

40(1) [Conversion into sterling] For the purpose of claiming for a Debt incurred or payable in a currency other than sterling, the amount of the Debt shall be converted into sterling at the official exchange rate prevailing on the date of the commencement of the Arrangement.

40(2) [The official exchange rate] The official exchange rate is the middle exchange rate on the London Foreign Exchange Market at the close of business, as published for the date in question. In the absence of any such published rate, it is such rate as the Supervisor and Creditor agree or, in default of such agreement, the Court determines.

41 Debts payable at future time

41 Subject to Paragraph 55 (adjustment of Dividend where payment made before time) a Creditor may claim for a Debt of which payment was not yet due at the date of commencement of the Arrangement.

42 Interest on Debts

42 Where a Debt bears interest, that interest may be claimed as part of the Debt except in so far as it is payable in respect of any period after the commencement of the Arrangement.

43 Cost of submitting claims

43(1) [Creditor bears cost of submitting claim] Every Creditor bears the cost of submitting his own claim, including such cost as may be incurred in obtaining valuations, providing documents, affidavits or other evidence to the Supervisor.

43(2) [Supervisor's costs] Costs incurred by the Supervisor in estimating the value of a Debt of uncertain value shall be an expense of the Arrangement.

PART VII CREDITORS WHO DO NOT HAVE NOTICE

44 Claims arising where funds available

44 If at the time the claim is notified to the Supervisor the arrangement is still in force and the Supervisor is holding sufficient funds to make a distribution or Dividend to such Creditor or Creditors, then the Supervisor will, subject to agreement of the claim, forthwith pay to the Creditor a Dividend or distribution of an amount which is on the same basis as the Dividends and distributions already paid. Such payments will be made before any further payments to any other Creditors and will be paid so as to bring about an equalisation in Dividends or distributions between Creditors who fall within section 260 (2) (b) (i) on the one hand and section 260 (2) (b) (ii) on the other hand.

45 Claims arising where no funds available

45 If the claims are notified to the Supervisor at a time when he is holding no funds available for distribution then as and when any funds are received the Supervisor will subject to agreement of the claim, out of such funds, first make such payment to such Creditors so as to bring about an equalisation as aforesaid.

46 Effect of claims on debtor

46(1)[Claim not to constitute default] The notification to the Supervisor of any such claim or claims shall not constitute an act of default unless the failure to give notice to such Creditor was a deliberate act on the part of the Debtor.

46(2)[Obligation to provide further funds] Unless the Proposal otherwise provides there shall be no obligation upon the Debtor to pay to the Supervisor any further sums of money or make any further assets available (other than already provided for in the Proposal) so as to meet the claim falling to be dealt with under Rule 5.3 (2) (g) unless the Proposal as agreed provides for a minimum Dividend to be paid to Creditors.

47 Notification of claims to Creditors

47 On receipt of any such claim the Supervisor will notify all Creditors bound of such receipt, the name of the Creditor, the amount claimed, and will provide such other information as may be relevant including particulars as to the Debtor's explanation why the Creditor was not given notice, and also the impact which such claim is likely to have on the outcome of the Arrangement. Such notification may, if the Supervisor considers it appropriate, be included in the annual report to Creditors given pursuant to Rule 5.31 provided that such report is due to be circulated within a period of 3 months from the date on which the claim is notified. Where, in the opinion of the Supervisor, the claim, whether taken alone or in conjunction with other such claims, will not materially reduce the amount of the estimated Dividend, he may defer notification and include it in his next annual report under Rule 5.31.

48 Claims arising after termination

48 If the claim is notified to the Supervisor after the date on which the Arrangement ceases to have effect, then the Creditor shall be entitled to rely upon section 260 (2A) of the Act and shall be entitled to recover from the Debtor such sum as the Creditor would have received had the claim been notified to the Supervisor prior to the date on which the Arrangement ceased to have effect and the Supervisor had been able to include the claim in the Arrangement for the purpose of payment of Dividends or distributions. The Supervisor shall be under no obligation to agree any such claim or take any action in respect thereof other than to furnish the Creditor who relies on section 260 (2A) with a certificate as to the Dividend or distribution the Creditor would have received had the claim been included in the Arrangement for Dividend or distribution purposes and on the assumption that the claim would have been agreed in the sum claimed.

PART VIII: PAYMENT OF DIVIDENDS

49 Distribution by Dividend

49(1) [Duty to declare and distribute Dividends] At the time or times specified in the Proposal or, if none, whenever the Supervisor has sufficient funds in hand for the purpose, the Supervisor shall, subject to the retention of such sums as he considers necessary for payment of the expenses of the Arrangement, declare and distribute Dividends among the Creditors in respect of those of their claims which have been admitted.

49(2) [Calculation and distribution of Dividend] In the calculation and distribution of a Dividend the Supervisor shall make provision:

(a) for any Debts which are the subject of claims which have not yet been determined; and

(b) for disputed claims.

50 Notice of intended Dividend

50(1) [Notice to Creditors who have not claimed] No more than three months before declaring a Dividend to non-preferential Creditors, the Supervisor shall give notice of his intention to do so to all such Creditors whose addresses are known to him and who have not submitted their claims.

50(2) [Last date for submitting claims] Any notice sent out to Creditors under Sub-paragraph (1) shall specify a date ("the Last Date for Submitting Claims") up to which claims may be lodged. The Last date for Submitting Claims shall be the same for all Creditors, and not less than 21 days from the date of the notice.

51 Notice of declaration

51(1)[Notice to Creditors who have claimed] The Supervisor shall give notice of the Dividend to all Creditors who have submitted their claims.

51(2)[Particulars in notice] The notice shall include the following particulars:

(a) amounts realised from the sale of assets subject to the Arrangement and/or amounts paid by the Debtor to the Supervisor under the Arrangement;

(b) payments made by the Supervisor during the course of the Arrangement;
(c) provision (if any) made for unsettled claims, and funds (if any) retained for particular purposes;
(d) the total amount to be distributed, and the rate of Dividend;
(e) whether, and if so when, any further Dividend is expected to be declared.

51(3)[Simultaneous distribution] The Dividend may be distributed simultaneously with the notice declaring it.

51(4)[Method of payment] Payment of Dividend may be made by post, or arrangements may be made with any Creditor for it to be paid in another way, or held for his collection.

51(5)[Endorsement in negotiable instrument] Where a Dividend is paid on a bill of exchange or other negotiable instrument, the amount of the Dividend shall be endorsed on the instrument, or on a certified copy of it, if required to be produced by the holder for that purpose.

52 Claim altered after payment of Dividend

52(1)[Amount claimed increased] If, after payment of Dividend, the amount claimed by a Creditor is increased, the Creditor is not entitled to disturb the distribution of the Dividend; but he is entitled to be paid, out of any money for the time being available for the payment of any further Dividend, any Dividend or Dividends which he has failed to receive before that money is applied to the payment of any such further Dividend.

52(2)[Claim withdrawn, disallowed, reduced] If, after a Creditor's claim has been admitted, the claim is withdrawn or disallowed, or the amount of it is reduced, the Creditor shall repay to the Supervisor any amount overpaid by way of Dividend.

53 Secured Creditors

53(1)[Application of Paragraph] The following applies where a Creditor re-values his Security at a time when a Dividend has been declared.

53(2)[Reduction in unsecured claim] If the re-valuation results in a reduction of his unsecured claim ranking for Dividend, the Creditor shall, as soon as practicable, repay to the Supervisor any amount received by him as Dividend in excess of that to which he would be entitled having regard to the re-valuation of the Security.

53(3)[Increase of unsecured claim] If the re-valuation results in an increase of his unsecured claim, the Creditor is entitled to receive from the Supervisor, out of any money for the time being available for the payment of a further Dividend, before any such Dividend is paid, any Dividend or Dividends which he has failed to receive, having regard to the re-valuation of the Security. However, the Creditor is not entitled to disturb any Dividend declared (whether or not distributed) before the date of the revaluation.

54Assignment of Debts or rights to Dividend

54(1)[Notice of assignment] If a person entitled to a Dividend gives notice to the Supervisor that he wishes the Dividend to be paid to another person, or that he has

assigned his entitlement or Debt to another person, the Supervisor shall pay the Dividend to that other person accordingly.
54(2)[Contents of notice] A notice given under this Paragraph must specify the name and address of the person to whom payment is to be made.

55 Debts payable at future time
55(1)[Entitlement to Dividend] Where a Creditor has claimed for a Debt of which payment is not due at the date of the declaration of Dividend, he is entitled to Dividend equally with other Creditors, but subject as follows.
55(2)[Calculation of amount of reduction] For the purpose of Dividend (and for no other purpose), the amount of the Creditor's admitted claim (or, if a distribution has previously been made to him, the amount remaining outstanding in respect of his admitted claim) shall be reduced by a percentage calculated as follows:

$$\frac{I \times M}{12}$$

where I is 5 per cent and M is the number of months (expressed, if need be, as or as including, fractions of months) between the declaration of Dividend and the date when payment of the Creditor's Debt would otherwise be due.

56 Debts of unpaid Creditors
5611)[Creditors not entitled to Dividend] Creditors who do not claim in the Arrangement shall not be entitled to receive any Dividend.
56(2)[Unclaimed Dividends paid to Debtor] Dividends due to Creditors who have claimed in the Arrangement but who have not claimed or been paid their Dividends shall, at the end of the Arrangement, be paid to the Debtor.
56(13)[Debtor liable for unclaimed Dividends] Once a Dividend has been paid to the Debtor under the previous Sub-paragraph, the Creditor must claim it from the Debtor and no other person.

PART IX: PRIORITY OF PAYMENTS AND DISTRIBUTIONS

57 Costs and Expenses of the Arrangement
57(1)[Expenses to be paid first] Subject to Paragraphs 5(3) and 72 the fees, costs, charges, expenses and liabilities properly charged or incurred by or on behalf of the Nominee or the Supervisor are expenses of the Arrangement and shall be paid in priority to all other charges, expenses, liabilities and Debts.
57(2)[Charge in relation to expenses] The Supervisor shall have a charge on the assets subject to the Arrangement in respect of the expenses of the Arrangement.

58 Priority of Debts and application of surplus
58(1)[Priority of preferential Debts] In the distribution of sums due to be paid to Creditors under the terms of the Arrangement, Preferential Debts shall be paid in priority to other Debts.

58(2)[Ranking of preferential Debts] Preferential Debts rank equally between themselves after the expenses of the Arrangement.
58(3)[Ranking of ordinary Debts] Debts other than Preferential Debts rank equally between themselves and, after the Preferential Debts, shall be paid in full unless the sums due to be paid to Creditors are insufficient for meeting them, in which case they abate in equal proportions between themselves.
58(4)[Surplus after payment] Any surplus remaining after the payment of the Preferential and other Debts shall first be applied in paying interest on those Debts in respect of the periods during which they have been outstanding since the commencement of the Arrangement (for this purpose interest on Preferential Debts ranks equally with interest on Debts other than Preferential Debts) and thereafter returned to the Debtor.
58(5)[Interest rate on surplus] The rate of interest payable under Sub-paragraph (4) in respect of any Debt is whichever is the greater of the following:
(a) the rate specified in section 17 of the Judgments Act 1838 at the commencement of the Arrangement; and
(b) the rate applicable to that Debt apart from the Arrangement.

PART X: THE CREDITORS COMMITTEE & MEETINGS OF CREDITORS

59 The Creditors' Committee

59(1)[Establishment] Any meeting of Creditors may establish a committee ("the Creditors' Committee"), consisting of not less than 3 and not more than 5 members to represent the interests of the Creditors and to provide such assistance and guidance to the Supervisor as he may reasonably require.
59(2)[Eligibility] All the members of the Creditors' Committee must be Creditors of the Debtor; and any Creditor (other than one who is fully secured) may be a member, so long as:
(a) he has lodged a claim, and
(b) his claim has neither been wholly disallowed for voting purposes, nor wholly rejected for the purposes of distribution or Dividend.
59(3)[Application of Rules] The Rules relating to the Creditors' Committee in a bankruptcy contained in Rules 6.151 to 6.163 shall apply to the Arrangement with the modifications necessary to apply those rules to a voluntary arrangement.
59(4)[Expenses of members] The reasonable travelling expenses directly incurred by any member of the Creditors' Committee or their representatives in respect of their attendance at the meetings of the Creditors' Committee, or otherwise on the Creditors' Committee's business, shall rank as an expense of the Arrangement.

60 Power to call/requisition meetings of Creditors

60(1)[Supervisor's power to call meetings] The Supervisor may, if he thinks it desirable, summon and conduct meetings of Creditors for any purpose connected with the Arrangement.

60(2)[Power to requisition a meeting] If requested in writing by the Debtor, or by Creditors with not less than one-quarter in value of the total amount of Debts subject to the Arrangement, the Supervisor shall, unless relieved by the Court from so doing, convene a meeting of Creditors within 21 days from the receipt of such request.
60(3)[Content of notice requisitioning meeting] A notice served upon the Supervisor under Sub-paragraph (2) shall state the purpose for which the meeting is to be held.

61 Calling Creditors' meetings
61(1)[Notice of meeting] Notice of a Creditor's meeting shall be given by the person convening the meeting to the Debtor and every Creditor whose address is known to him or identified in the Proposal at least 14 days before the date fixed for the meeting, or such shorter period as the Court may allow.
61(2)[Contents of notice] The notice to Creditors shall specify the purpose for which the meeting is convened and a time and date (not earlier than 4.00 p.m. on the business day before the meeting) by which Creditors must lodge proxies and those who have not already lodged claims must do so, in order to be entitled to vote at the meeting.
61(3)[Forms of proxy] With every notice convening a Creditors' meeting there shall be sent out forms of proxy.
61(4)[Venue of meeting] In fixing the venue for a meeting of Creditors, the person convening it shall have regard to the convenience of the parties who may wish to attend.
61(5)[Time of meeting] Meetings of Creditors shall be convened for commencement between the hours of 10.00 and 16.00 on a business day, unless the Court otherwise directs.
61(6)[Chairman of meeting] Unless Paragraph 21(3) (chairman where no Supervisor acting) applies, the Supervisor, or a person experienced in insolvency matters and nominated by him, shall be chairman of the meeting.

62 Cost of summoning meetings
62(1)[Security for payment of expenses] Subject to Sub-paragraph (3) below, the cost of summoning and holding a meeting of Creditors at the instance of the Debtor or Creditors under Paragraph 60(2) shall be paid by that person or persons, who shall deposit security for their payment with the Supervisor.
62(2)[Appropriate security] The sum to be deposited shall be such as the Supervisor determines to be appropriate; and the Supervisor shall be under no obligation to act without the deposit having been paid.
623)[Vote for cost to be an expense of arrangement] Where a meeting is so summoned, it may vote that the expenses of convening and holding it shall rank as an expense of the Arrangement.
62(4)[Repayment of deposit] To the extent that any deposit made under this Paragraph is not required for the payment of expenses of convening and holding the meeting, it shall be repaid to the person who made it.

63 Entitlement to vote

63(1)[Conditions for voting] Subject as follows, at a meeting of Creditors a person is entitled to vote as a Creditor only if:

(a) he has duly lodged his claim by the time and date stated in the notice of the meeting, and

(b) the claim has been admitted under the next Paragraph for the purpose of entitlement to vote, and there has been lodged, by that time and date, any proxy requisite for that entitlement.

63(2)[Unliquidated and unascertained claims] A Creditor shall not vote in respect of a Debt for an unliquidated amount, or any Debt whose value is not ascertained, except where the Chairman agrees to put upon the Debt an estimated minimum value for the purpose of entitlement to vote.

63(3)[Secured Creditors] A Secured Creditor is entitled to vote only in respect of the balance (if any) of his Debt after deducting the value of his Security as estimated by him.

64 Admission and rejection of claim

64(1)[Chairman's discretion] The chairman has power to admit or reject a Creditor's claim for the purpose of his entitlement to vote, and the power is exercisable with respect to the whole or any part of the claim.

64(2)[Appeal from chairman's decision] The chairman's decision on entitlement to vote is subject to appeal to the Court by any Creditor, or by the Debtor, within 21 days of the meeting of Creditors at which the decision was made, or such longer period as the Court shall, in the special circumstances, allow.

64(3)[Voting subject to objection] If the chairman is in doubt whether a claim should be admitted or rejected, he shall mark it objected to and allow the Creditor to vote, subject to his vote being subsequently declared invalid if the objection to the claim is sustained.

64(4)[Where chairman's decision reversed] If, on an appeal, the chairman's decision is reversed or varied, or a Creditor's vote is declared invalid, the Court may order another meeting to be summoned, or make such other order as it thinks fit, provided that the Court considers the matter is such as to give rise to unfair prejudice or a material irregularity.

64(5)[Costs of appeal] The chairman is not personally liable for the costs incurred by any person in respect of an appeal under this Paragraph unless the Court so orders.

65 Majorities required to pass resolutions

65(1)[Resolutions by majority in value] Subject as follows, at a meeting of Creditors a resolution is passed when a majority in value of Creditors present and voting, in person or by proxy, have voted in favour of the resolution.

65(2)[Resolutions varying terms of Arrangement] In the case of a resolution varying the terms of the Arrangement, a majority in excess of three-quarters in value of those present and voting, in person or by proxy, is required to pass the resolution.

65(3)[Votes rendering resolution invalid] Any resolution is invalid if those voting against it include more than half in value of the Creditors who are not, to the best of the chairman's belief, Associates of the Debtor.

65(4)[Resolution for the appointment of Supervisor] In the case of a resolution for the appointment of a Supervisor:

(a) if on any vote there are 2 nominees for appointment, the person who obtains the most support is appointed, provided that such support represents a majority in value of all those present (in person or by proxy) at the meeting and entitled to vote; and

(b) if there are 3 or more nominees, and one of them has a clear majority over both or all of the others together, that one is appointed; and

(c) in any other case, the chairman shall continue to take votes (disregarding at each vote any nominee who has withdrawn and, if no nominee has withdrawn, the nominee who obtained the least support last time), until a clear majority is obtained for any one nominee.

65(5)[Resolution for joint appointment] The chairman may at any time put to the meeting a resolution for the joint appointment of any 2 or more nominees if he thinks it appropriate.

66 Chairman of meeting as proxy-holder

66Where the chairman at a meeting holds a proxy for a Creditor which requires him to vote for a particular resolution, and no other person proposes that resolution, he shall himself propose it

67 Suspension/adjournment of meeting

67(1)[Suspension] Once only in the course of any meeting, the chairman may, in his discretion and without an adjournment, declare the meeting suspended for any period up to one hour.

67(2)[Adjournment] The chairman at any meeting may, in his discretion, and shall, if the meeting so resolves, adjourn it to such time and place as seems to him to be appropriate in the circumstances; provided that if the chairman is the Supervisor and a resolution has been proposed for his removal, the chairman shall not adjourn the meeting without the consent of at least one half in value of the Creditors present (in person or by proxy) and entitled to vote.

673)[Period of adjournment] An adjournment under this Paragraph shall not be for a period of more than 21 days, or such longer period as the Court may allow.

67(4)[Use of claims and proxies at adjourned meeting] Where a meeting is adjourned under this Paragraph, claims and proxies may be used if lodged at any time up to 4.00 p.m. on the business day immediately before the adjourned meeting.

68 Record of proceedings

68(1)[Minutes of proceedings] The chairman of any Creditors' meeting shall cause minutes of the proceedings at the meeting, signed by him, to be retained as part of the records of the Arrangement.

68(2)[List of Creditors attending] The chairman shall also cause to be made and kept a list of all the Creditors who attended the meeting either in person or by proxy and the amount of their claims for voting purposes.
68(3)[Record of resolutions] The minutes of the meeting shall include a record of the resolutions which were taken at the meeting and the decision on each one.
68(4)[List of creditors to be circulated] The list of Creditors referred to in Sub-paragraph (2) shall be sent with the chairman's report to Creditors, the Debtor and the Court.

69 Postal resolutions
691)[Application of procedure] The following procedure may be utilised by the Supervisor, if he thinks fit, for the purposes of ascertaining the wishes of Creditors on any matter concerning the Arrangement other than the removal of the Supervisor.
69(2)[Notice of proposed resolution] The Supervisor may send to the Debtor and every Creditor whose address is known to him or identified in the Proposal a notice containing a copy of any proposed resolution on which a decision is sought, which shall be set out in a such a way that agreement with or dissent from each separate resolution may be indicated by the recipient on the copy so sent.
69(3)[Contents of notice] The notice must specify a date ("the Last Date for Voting"), not less that 21 days after the date of sending thereof, by which Creditors must lodge their votes with the Supervisor and those who have not already lodged claims must do so, in order to be entitled to vote.
69(4)[Creditors requiring meeting] Creditors with one-quarter in value of the total amount of Debts subject to the Arrangement may, within 14 days from the date upon which the Supervisor sent out the resolution, request the Supervisor in writing to summon a meeting of Creditors to consider the matters raised by the resolution and, if they so request, the Supervisor shall call a meeting of Creditors for that purpose.
69(5)[Deemed passing of resolution] In the absence such a request, the resolution is deemed to have been carried at a duly convened meeting of Creditors, if, of the written votes received by the Supervisor by the end of the Last Date for Voting, a sufficient majority of Creditors as defined in Paragraph 61 entitled to vote on the resolution have indicated their consent to the resolution in writing.
69(6)[Application of voting rights and majorities] The provisions of Paragraphs 63(entitlement to vote), 64 (admission and rejection of claims) and 65 (majorities required to pass resolutions) shall apply to postal votes as they do to votes at meetings of Creditors.
69(7)[Copy of resolutions] A copy of every resolution taken under this Paragraph, together with copies of the votes of Creditors received by the Supervisor endorsed by the Supervisor with the date upon which the vote was received by him, shall be kept with the records of the Arrangement.

PART XI: PROVISIONS FOLLOWING BREACH OF THE ARRANGEMENT

70 Breach by the Debtor of the terms of the Arrangement

70 The Debtor shall be regarded as in breach of the Arrangement if:

(a) he fails to comply with any of his obligations under the Arrangement;

(b) information which was false or misleading in any material particular or contains any material omissions:

  (i) was contained in any statement of affairs or other document supplied by the Debtor under Part VIII under the Act to any person, or

  (ii) was otherwise made available by the Debtor to his Creditors at or in connection with any meeting of Creditors held, or any postal resolution taken, in connection with the Arrangement, or

(c) the Debtor fails to do all such things as may for the purposes of the Arrangement have been reasonably required of him by the Supervisor.

71 Procedure following breach

71(1)[Notice of Breach] If, at any time, it appears to the Supervisor that the Debtor is in breach of the Arrangement, then, unless such breach is remedied forthwith, he shall as soon as practicable issue to the Debtor a notice ("Notice of Breach") identifying the breach and requiring the Debtor within one month of sending the notice:

(a) to remedy the breach if it is capable of being remedied, and, if he thinks fit

(b) to give a full explanation of the breach.

71(2)[Remedy of breach] If, within the one month period referred to in Sub-paragraph (1), or such longer period not exceeding a further one month as the Supervisor shall reasonably allow, the Debtor:

(a) remedies his breach of the Arrangement;

(b) if so required in the Notice of Breach, provides a full explanation of the breach, and

(c) pays to the Supervisor such sum (if any) as the Supervisor may reasonably require to compensate the Creditors for any reduction in Dividend caused by the Debtor's breach,

no further action shall be taken against the Debtor save that the Supervisor shall report the breach to the Creditors when he next sends his comments to Creditors on the progress and efficacy of the Arrangement under Rule 5.31 (Supervisor's accounts and reports), or on the next convenient occasion, if earlier.

71(3)[Certificate of Termination/bankruptcy petition] If the Debtor has not done those things specified in Sub-paragraph (2) by the time specified or allowed, the Supervisor shall as soon as practicable convene a meeting of Creditors to resolve whether or not to do the following things:

(i) issue a certificate ("Certificate of Termination") terminating the Arrangement by reason of the Debtor's breach;

(ii) present a petition for the Debtor's bankruptcy;

(iii) vary the terms of the arrangement under Paragraph 81;

(iv) take no action.

71(4)[Supervisor's duty] If the Creditors resolve to issue a Certificate of Termination and/or to present a bankruptcy petition against the Debtor, the Supervisor shall do so as soon as practicable.
71(5)[Copies of Certificate of Termination] A copy of any Certificate of Termination issued by the Supervisor shall be sent to the Debtor and Creditors together with the notice under Paragraph 11.

72 Retention of funds by Supervisor
72 The Supervisor shall, at all times during the course of the Arrangement, retain sufficient of the funds coming into his hands as represents his best estimate of the costs of petitioning for the Debtor's bankruptcy should the Creditors so direct under the previous Paragraph hereof. Such costs shall be provided for in priority to any other costs of the Arrangement.

PART XII: CONDITIONS WHERE TAX AUTHORITIES ARE CREDITORS

73 Claims by HM Revenue and Customs
73(1) HM Revenue and Customs' provisional claim in the Arrangement will include (i) any tax credit overpayment and (ii) Self-Assessment payments on account due for the tax year which the Arrangement is approved, PAYE/SC/NIC deductions due to the date of approval, plus any other earlier unpaid liabilities
73(2) HM Revenue and Customs' final claim in the Arrangement will additionally include the Self-Assessment balancing adjustment for the tax year in which the Arrangement is approved due with the Self-Assessment Return on the 31 January of the following year.

74 Income commencing after approval
74 The debtor shall be responsible for payment of Self-Assessment/NIC on any source of income that commences after the date of approval of the Arrangement.

75 Post approval statutory returns and payments
75 All statutory returns and payments due to HM Revenue and Customs post approval shall be provided on or before the date they fall due.

76 Overdue accounts and returns
76 All statutory accounts and returns overdue at the date of the creditors' meeting must be provided to HM Revenue and Customs within 3 months of the approval date together with any other information or explanations required.

77 Funds to be paid to Supervisor
77 The debtor's monthly provision for income tax/NIC as it appears in the income and expenditure statement shall, from the date of approval of the Arrangement to the

5 April ending the tax year in which the Arrangement is approved, be paid to the Supervisor for the benefit of the arrangement.

78 Restriction on payment of dividend

78 No non preferential Dividend will be made until (i) the HM Revenue and Customs Self-Assessment return for the tax year in which the Arrangement is approved (ii) a VAT or other levy or duty return due to HM Revenue and Customs to the date of the meeting, has been filed or (iii) an HM Revenue and Customs Determination and/or a Customs assessment has been made and the Supervisor has admitted their final claims.

79 Set-off of repayments

79 During the currency of the Arrangement, any tax/excise/VAT or other repayments that become due to the Debtor by HM Revenue and Customs for periods for which claims may arise under the Arrangement, shall be offset against either department's claims in the Arrangement. Any remaining surplus shall be similarly applied to the claims of other government departments before being offered to the Supervisor for the benefit of the Arrangement. Any repayments for any later periods shall be offset against any post approval debts due to HM Revenue and Customs. Any remaining surplus will then be treated as a windfall and offered to the Supervisor for the benefit of the Arrangement.

PART XIII: MISCELLANEOUS PROVISIONS

80 Third Party obligations

801)[Application of Paragraph] This Paragraph applies where the Proposal includes any obligation on the part of a person other than the Supervisor or Debtor to pay moneys, transfer assets or do any other thing.

80(2)[Evidence of agreement] The third party shall sign the Proposal or such other document evidencing his agreement to be bound by the obligation as the Supervisor shall reasonably require.

80(3)[Enforcement of obligation] The obligations of the third party shall be enforceable by the Supervisor, or by the Debtor at the direction of the Supervisor.

80(4)[Failure a default of arrangement] The failure by the third party to carry out the obligation when due shall constitute a breach of the arrangement.

81 Variation of the Arrangement

81(1)[Variation with Creditors' approval] The provisions of this Arrangement may be amended with the approval of a meeting of Creditors.

81(2)[Consent of Debtor/third party to variation required] No variation of the terms of the Arrangement shall be of any effect unless made with the consent of the Debtor and any third party affected thereby.

81(3)[Saving for certain rights] No variation which restricts the following rights shall be of effect:

(a) the right of any Secured Creditor to enforce his Security, except with the Secured Creditor's consent;
(b) the right of any Creditor to present a bankruptcy petition under section 264(1)(c) of the Act for default in connection with Arrangement;
(c) the right of a Preferential Creditor to be paid in priority to other Creditors, except with that Creditor's consent;
(d) the right of a Preferential Creditor to be paid pro rata with other Preferential Creditors, except with that Creditor's consent.

81(4)[Unfair prejudice and material irregularity] No variation shall be of effect if it unfairly prejudices the rights of any Creditor or if there has been any material irregularity in the operation of the provisions of this Paragraph.

81(5)[Restriction on variation] No variation shall be of effect if it causes the Arrangement to cease to be a voluntary arrangement within Part VIII of the Act.

82 Tax liabilities arising on realisations

82(1)[Tax to be paid out of proceeds] Taxation liabilities of the Debtor arising on the sale or other realisation of any asset subject to the Arrangement shall, in so far as those proceeds are sufficient, be discharged out of the sale proceeds of the asset in question.

83 Invalidity and/or illegality

83 If any provision or part of the Arrangement is found to be contrary to the Act or Rules, illegal, invalid or contrary to public policy, that will not affect the validity of the remainder of the Arrangement and the provision or part of the Arrangement in question shall be construed accordingly.

VERSION 2
NOVEMBER 2004