Presidency of the Republic
Civilian Household
Sub-chief for Legal Matters

Law Nº 11.101, DATED 9 FEBRUARY 2005.

Veto message

Regulates the judicial, extra-judicial recovery and bankruptcy of entrepreneur and corporation.

THE PRESIDENT OF THE REPUBLIC I hereby inform that the National Congress enacts and I sanction the following Law:

CHAPTER I

PRELIMINARY PROVISIONS

Section 1 This Law disciplines the judicial recovery, the extrajudicial recovery and the bankruptcy of the entrepreneur and corporation, hereinafter referred to simply as the debtor.

Section 2 This Law does not apply to:

I – public company and mixed economy Company;

II – public or private financial institution, credit cooperative, consortium, complementary pension institution, and health assistance plan company, insurance company, capitalization company and other institutions legally equivalent to the formers.

Section 3 It is the competence of the local justice of the main debtor's institution or branch of company whose head office is not in Brazil, to confirm the extra-judicial recovery plan, grant the judicial recovery or determine bankruptcy.

Section 4 (VETOED)

CHAPTER II

COMMON PROVISIONS TO THE JUDICIAL RECOVERY AND BANKRUPTCY

Section I

General Provisions

Section 5 The following are not enforceable against the debtor in the judicial recovery or bankruptcy:

I – lucrative title obligations;

II – expenses, which creditors incur to take part in the judicial recovery or bankruptcy, except for judicial costs derived from litigations with the debtor.

Section 6 The adjudication of bankruptcy or the granting of judicial recovery processing suspends the prescription course and all actions and executions against the debtor, including those from private creditors of the joint partner.

§ 1 The action demanding illiquid sum shall proceed in the justice in which the same is being processed.

§ 2 It is allowed to claim, before the legal administration, the qualification, exclusion or modification of credits derived from labor relationship, but actions of labor nature, including opposition referred to in Section 8 of this Law shall be processed before specialized justice until the verification of the respective credit, to be enrolled in the general roll of creditors for the sum determined in a sentence.

§ 3 The competent justice for the actions referred to in §§ 1 and 2 of this article may determine the reservation of the sum estimated as due in the judicial recovery or bankruptcy and, once acknowledged the right, the credit will be included in an appropriate class.

§ 4 In the judicial recovery, the suspension referred to in the **caput** hereof shall, under no circumstances, exceed the non-extendable period of 180 (one hundred and eighty) days as from the granting of the recovery processing, reestablishing, after the lapse of time, the creditor's right to initiate or continue with their actions and executions, irrespective of judicial statement.

§ 5 Provisions contained in §2 of this article apply to the judicial recovery during the suspension period referred to in §4 of this article, but after the suspension the labor executions can be normally concluded, even if the credit has already been determined in the general creditors list.

§ 6 Irrespective of the periodical verification in distribution notary offices, the actions proposed against the debtor should be informed to the bankruptcy or judicial recovery justice:

I – by the competent justice, upon receipt of the initial petition;

II – by the debtor, immediately after the summoning.

§ 7 The executions of fiscal nature are not suspended by the deferral of judicial recovery, except for the concession of payment in installments pursuant to the terms of the National Tributary Code and the specific ordinary legislation.

§ 8 The distribution of the bankruptcy claim or judicial recovery for any other judicial or bankruptcy request, warns the jurisdiction with respect to any other judicial or bankruptcy request related to the same debtor.

Section II

Verification and Confirmation of Credits

Section 7 The verification of credits shall be carried out by the judicial administrator base don accounting books and commercial and fiscal documents of the debtor and in documents presented thereto by creditors who may count on the aid of specialized professionals or companies.

§ 1 After the publication of the notice foreseen in Section 52, § 1, or in the sole paragraph of Section99 of this Law, the creditors will have a 15 (fifteen) day period to present the judicial administrator his confirmation or divergences regarding the listed credits.

§ 2 The judicial administrator, base don information and documents contained according to the **caput** hereof and § 1 of this article, will publish a notice containing the list of creditors within a 45 (forty five) day period, as from the end of the period contained in § 1 of this article, indicating the place, time and common period in which the persons indicated in Section 8 of this Law shall have access to documents supporting the preparation of this list.

Section 8 Within a 10 (ten) day period, as from the publication of the referred list contained in Section 7, § 2, of this Law, he Committee, any creditor, debtor or its partners or the Prosecution Office may present the justice an opposition against the list of creditors, indicating the lack of any credit or expressing itself against the legitimacy, importance or classification of listed credit.

Sole paragraph. Separately recorded, the opposition will be processed pursuant to the terms of arts. 13 and 15 of this Law.

Section 9 The confirmation of credits carried out by the creditor pursuant to the terms of 7, § 1, of this Law shall contain:

I – the name, creditor's address and address where he shall receive the notice of any process act;

II – credit value, updated until the date of bankruptcy statement or judicial recovery request, origin and classification thereof;

III – documents evidencing the credit and indication of other evidences to be produced;

IV – indication of guarantee provided by the debtor, if any, and the respective instrument;

V – the specification of the object of guarantee in possession of the creditor.

Sole paragraph. Securities and documents legitimating the credit should be presented in their originals or through certified copies if these are attached to another process.

Section 10. If the period set forth in Section 7, § 1, of this Law is not observed, the credit confirmation will be received as late confirmations.

§ 1 In the judicial recovery, owners of late credits, except for owners of credit derived from labor relation, shall not be entitled to vote in the creditors' general meeting deliberations.

§ 2 Provisions contained in §1 of this article apply to the bankruptcy process, except if, on the date of the general meeting, any general creditors list has been confirmed containing the late credit.

§ 3 In bankruptcy, the late credits shall loose the right to pro-rata sharing eventually performed and shall remain subject to the payment of costs, not computing the accessories comprised between the end of the period and the confirmation request date.

§ 4 In the event foreseen in § 3 of this article, the creditor may request the reserve of the value satisfying its credit.

§ 5 The late credit confirmations, if presented prior to the confirmation of the general creditors list, shall be received as opposition and processed pursuant to Section 13 and 15 of this Law.

§ 6 After the confirmation of the general creditors list, those who do not confirm their credits may, observing, if applicable, the common procedures foreseen in the Civil Procedures Code, request the bankruptcy or judicial recovery justice the correction of the general list including the respective credit.

Section 11. The creditors whose credits are impugned will be summoned to contest the impugnation, within a 5 (five) day period, attaching the documents they may have and indicating other evidences deemed necessary.

Section 12. After the period contained in Section11 hereof, the debtor and the Committee, if any, will be summoned to express themselves thereon within the common period of 5 (five) days.

Sole paragraph. At the end of the period referred to in the **caput** of this article, the judicial administrator will be summoned by the justice to issue a report within a 5 (five) day period, and should attach to hi manifestation the report prepared by the professional or specialized company, if any, and all information which exist in fiscal books and other documents of the debtor regarding the credit, contained or not in the list of creditors, subject of the impugnation.

Section 13. The opposition will be presented to the justice through a petition, supported by the document the movant may have, indicating the evidences deemed necessary.

Sole paragraph. Each opposition will be registered separately, with the documents related thereto, but the several oppositions related to a same credit shall have one sole registration.

Section 14. If there are no oppositions, the justice will confirm the general creditors list, contained in the notice referred to in Section 7, § 2, of this Law, waiving the need of publication referred to in Section 18 of this Law.

Section 15. After the periods foreseen in arts. 11 and 12 of this Law, the opposition records will be conclusive to the justice who shall:

I – determine the inclusion in the general creditors list, of unopposed confirmed credits in the value contained in the list referred to in §2 of Section 7 of this Law;

II – judge the oppositions deemed sufficiently clarified by allegations and evidences presented by the parties, mentioning in each credit, the value and classification;

III – establish, in each of the remaining oppositions, the controversial aspects, deciding on pending procedural issues;

IV – determine the evidences to be produced, indicating instruction hearing had judgment if necessary.

Section 16. The justice will determine for rating processes, the reservation of value in order to satisfy the opposed credit.

Sole paragraph. If partial the opposition shall not prevent the payment of the uncontested party.

Section 17. The judicial decision on the opposition shall be entitled to an appeal.

Sole paragraph. After receiving the appeal, the reporter may grant the suspensive effect to the decision acknowledging the credit or determine the enrollment or modification of its value or classification in the general creditors list, so as to exercise the voting right in the general meeting.

Section 18. The judicial administrator shall be responsible for the consolidation of the general creditors list to be confirmed by the justice, base don the list of creditors referred to in Section 7 §2 of this Law and in the decisions determined in the offered oppositions.

Sole paragraph. The general list, signed by the justice and the judicial administrator shall mention the sum and classification of each credit on the date of the judicial recovery request or the bankruptcy statement, to be attached to the records and published in the official office within 5 (five) days from the sate of the sentence judging the oppositions.

Section 19. The judicial administrator, the Committee, any creditor or representative from the Prosecution Office may, until the closing of the judicial recovery or bankruptcy process, observing, whenever applicable, the ordinary procedure foreseen in the Civil Procedures Code, request the exclusion, another classification or the correction of any credit, in the event fakeness, deceit, simulation, fraud, essential error or yet, document ignored at the time of credit judgment or the inclusion in the creditors general list.

§ 1 The action foreseen in this article will be exclusively proposed before the justice of the judicial recovery or bankruptcy or, in the events foreseen in Section 6, §§ 1 and 2, of this Law, before the justice originally acknowledging the credit.

§ 2 After proposing the action referred to in this article, the payment to the credit owner affected thereby can only be carried out after the provision of guarantee in the same value as the questioned credit.

Section 20. The confirmation of private creditors of the unlimitedly responsible partner shall be processed according to the provisions contained in this Section.

Section III

Judicial Administrator and Creditors Committee

Section 21. The judicial administrator shall be a reliable professional, preferably a lawyer, economist, business administrator or accountant, or a specialized juridical person.

Sole paragraph. If the appointed judicial administrator is a juridical person, it shall be stated, pursuant to the provisions referred to in Section 33 of this Law, the name of the professional responsible for conducting the bankruptcy process or judicial recovery, who cannot be substituted without justice authorization.

Section 22. The judicial administrator is responsible for inspecting the justice and the Committee apart from other duties imposed by Law:

I – in the judicial recovery and bankruptcy:

a) forward correspondence to creditors contained in the list referred to in item III of the **caput** of Section 51, item III of the **caput** of Section 99 or item II of the **caput** of Section 105 of this Law, communicating the date of judicial recovery request or bankruptcy statement, nature, value and classification given to the credit;

b) promptly provide all information requested by interested creditors;

c) provide extracts from debtor's books, to which all faith should be given, so as to support the confirmation and opposition of credits;

d) demand from creditors, debtors or its administrators any information;

e) prepare the list of creditors referred to in § 2 of Section 7 of this Law;

f) consolidate the general creditors list pursuant to the terms of Section 18 of this Law;

g) request from the justice the calling of creditors general meeting in the cases foreseen in this Law or whenever said hearing is deemed necessary to take decisions;

h) contract, upon judicial authorization, specialized professionals or companies to, whenever necessary, assist in the exercise of his functions;

i) express itself in the cases foreseen in this Law;

II – in the judicial recovery:

a) inspect debtor's activities and the compliance with the judicial recovery plan;

b) request bankruptcy in the event of non-compliance with obligations assumed in the recovery plan;

c) present justice, for the attachment to the records, a monthly report of debtor's activities;

d) present the report on the execution of the recovery plan referred to in item III of the caput of Section 63 of this Law;

III – in bankruptcy:

a) inform, through the official office, the place and time which creditors shall daily have at their disposition the books and documents of the bankrupt;

b) examine the debtor's bookkeeping;

c) list the processes and assume the judicial representation of the bankruptcy estate;

d) receive and open correspondence addressed to the debtor, delivering to it whatever is not interest to the bankruptcy estate;

e) present, within a 40 (forty) day period, as from the execution of the commitment term, extendable for an equal period, a report on the causes and circumstances which led to the bankruptcy situation, which may indicate the civil and criminal responsibility of those involved, observing the provisions contained in Section 186 of this Law;

f) collect the goods and documents of the debtor and prepare collection record, pursuant to the terms of arts. 108 and 110 of this Law;

g) assess the collected goods;

h) contract appraiser, preferably official, upon judicial authorization, to assess the goods if the same understands it has no technical conditions to carry out the task;

i) exercise the necessary acts to the realization of assets and payment of creditors;

j) request the justice the advanced sale of perishable goods, or goods subject to deterioration or considerable devaluation or of risky or expensive conservation, pursuant to the terms of Section 113 of this Law;

l) exercise all acts in order to maintain the rights and actions, to carry on with debt collection and provide the respective settlement;

m) acquit, in benefit to the bankruptcy trust and upon judicial authorization, pledged or legally retained goods;

n) represent the bankruptcy trust, counting, if necessary, on lawyers whose fees shall be previously adjusted and approved by the Creditors Committee;

o) request all measures and diligences deemed necessary for the compliance with this Law, the protection of the bankruptcy trust or the efficiency of administration;

p) present the justice for attachment to the records, up to the 10th (tenth) day of the subsequent month of the expiry month, the administration's statement of account, clearly specifying a income and expenses;

q) deliver to its substitute all goods and documents of the bankruptcy's state which it may have, under penalty of responsibility;

r) render account at the end of the process, whenever substituted or resigning from the position.

§ 1 The remunerations of the judicial administrator's assistants will be determined by the judge who shall take into account the complexity of the works to be performed and the values exercised in the market for the performance of similar activities.

§ 2 In the event of item d, insert I of the **caput** of this article, in refused, the justice, upon request of the judicial administrator, will summon those persons to attend the justice's head office under penalty of disobedience, and on such occasion he shall question the same before the judicial administrator, registering their depositions in writing.

§ 3 In bankruptcy, the judicial administrator cannot, without judicial authorization, after hearing the Committee and the debtor within a common period of 2 (two) days, deliberate on the obligations and rights of the bankruptcy estate and grant debt reduction, even if the same are considered difficult to be received.

§ 4 If the report referred to in item *e* insert III in the **caput** of this article indicates the criminal responsibility of any of those involved, the Prosecution Office will be summoned to become aware of such tenor.

Section 23. The judicial administrator who does not present, within the set forth period, its accounts or any of the reports foreseen in this Law, will be personally summoned to do so within 5 (five) days under penalty of disobedience.

Sole paragraph. After the period referred to in the **caput** of this article, the judge will remove the judicial administrator and appoint the substitute to prepare reports or organize accounts, defining the responsibilities of its predecessor.

Section 24. The judge will establish the value and payment terms of the judicial administrator's remuneration observing the payment capacity of the debtor, the level of complexity of the work and values exercised in the market for the performance of similar activities.

§ 1 In any case, the total sum paid to the judicial administrator shall not exceed 5 % (five per cent) of the value to the creditors submitted to judicial recovery or the value of sale of goods in the bankruptcy.

§ 2 40% (forty per cent) of the sum due to the judicial administrator will be reserved for the payment after compliance with provisions foreseen in arts. 154 and 155 of this Law.

§ 3 The substituted judicial administrator will be remunerated proportionally to the work carried out, except if the same waives the right thereto without a relevant reason or if removed from his functions due to negligence, guilt, malice or non-compliance with obligations set forth in this Law, and in this case the same shall not be entitled to remuneration.

§ 4 The administrator whose accounts are not approved shall not be entitled to remuneration either.

Section 25. The debtor or the bankruptcy trust shall be responsible for bearing with expenses related to the remuneration of the judicial administrator and persons eventually hired to assist him.

Section 26. The Creditors Committee will be constituted through the deliberation of any class of creditors in the general meeting and shall have the following composition:

I – 1 (one) representative appointed by the workers class of creditors, with 2 (two) deputies;

II – 1 (one) representative appointed by the class of creditors with security interest or special privileges, with 2 (two) deputies;

III – 1 (one) representative appointed by the subordinate creditors class with general privileges, with 2 (two) deputies.

§ 1 The non-appointment of a representative by any of the classes shall not prejudice the constitution of the Committee that may operate with a lower number of members than that foreseen in the **caput** of this article.

§ 2 The justice will determine, upon written requirement from creditors representing the majority of the credits of a class, irrespective of a meeting:

I – the appointment of the representative and deputies of the respective classes not yet represented in the Committee; or

II – the substitution of the representative of deputies of the respective class.

§ 3 The members of the Committee will be responsible for appointing, amongst them those who will preside it.

Section 27. The Creditors Committee will have the following responsibilities, apart from others foreseen in this Law:

I – in the judicial recovery and bankruptcy:

a) inspect the activities and examine the accounts of the judicial administrator;

b) look after the good development of the process and the compliance with the law;

c) inform the justice if violation of rights or prejudice to creditors interest is detected;

d) verify and issue report on any complaints of the interested parties;

e) request the justice the calling of a creditors' general meeting;

f) manifest itself in the events foreseen in this Law;

II – in the judicial recovery:

a) inspect the administration of debtor's activities, presenting every 30 (thirty) days a report on its situation;

b) inspect the performance of the judicial recovery plan;

c) submit to justice's authorization, in the event of debtor's removal as foreseen in this Law, the disposal of goods from the permanent asset, the constitution of real onus and other guarantees as well as indebtedness acts necessary to continue with the corporate activity during the period prior to the approval of the judicial recovery plan.

§ 1 The Committee decisions taken by a majority will be registered in a minutes book, initialed by the justice, at the disposition of the judicial administrator, the creditors and the debtor.

§ 2 If a majority cannot be reached in a Committee deliberation, the deadlock shall be solved by the judicial administrator or, in the incompatibility thereof, by the judge.

Section 28. If there is no Creditors Committee, the judicial administrator or, in the incompatibility thereof, the judge shall exercise such attributions.

Section 29. The members of the Committee's remuneration shall not be borne by the debtor nor the bankruptcy's estate but the expenses incurred in the performance of the act foreseen in this Law, if duly evidenced and upon justice's authorization, shall be settled observing cash availability.

Section 30. Those who in the past 5 (five) years exercising the office of judicial administrator or member of the bankrupt Committee or previous judicial recovery were remove or did not render accounts within the legal periods or whose accounts were not approved cannot integrate the Committee nor exercise the function of a judicial administrator.

§ 1 Relatives up to a third degree, of the debtor, his administrators or legal representatives or friend or enemy or dependent thereof are also prevented from integrating the Committee or exercising the function of judicial administrator.

§ 2 The debtor, any creditor or the Prosecution Office, may request the justice the substitution of the judicial administrator or member of the Committee appointed disobeying the provisions of this Law.

§ 3 The justice will decide, within a 24 (twenty four) hour period on the requirement contained in § 2 of this article.

Section 31. The justice, exercising his office or upon request of any interested party may determine the removal of the judicial administrator or any members of the Creditors Committee when verifying disobedience to the determinations of this Law, non-compliance with duties, omission, negligence or exercise of harmful act to the debtors' or third parties' activities.

§ 1 Upon removal, the justice will appoint a new judicial administrator or will call the deputies to recompose the Committee.

§ 2 In the event of bankruptcy, the substituted judicial administrator will render account within a 10 (ten) day period, pursuant to the terms of §§ 1 to 6 of Section 154 of this Law.

Section 32. The judicial administrator and the members of the Committee will respond for losses caused to the bankruptcy estate, the debtor or creditors, and the dissident, upon deliberation of the Committee should register his disagreement in minutes in order to be exempt from the responsibility.

Section 33. The judicial administrator and the members of the Creditors Committee, as soon as appointed, shall be personally summoned to, within 48 (forty eight) hours, sign, at the justice's head office, the commitment term to truly and legally perform the office, assuming all responsibilities inherent thereto.

Section 34. IF the commitment term is not signed within the period foreseen in Section 33 of this Law, the justice will appoint another judicial administrator.

Section IV

Creditor's General Meeting

Section 35. The creditors general meeting's responsibilities shall be to deliberate on:

I – the judicial recovery:

a) approval, rejection or modification of the judicial recovery plan presented by the debtor;

b) the organization of the Creditors' Committee, the choice of its members and its substitution;

c) (VETOED)

d) the debtor desistance request pursuant to the terms of § 4 Section 52 hereof;

e) the name of the judicial administrator, upon the removal of the debtor;

f) any other matter which may affect the interests of the creditors;

II – in bankruptcy:

a) (VETOED)

b) the organization of the Creditors' Committee, the choice of its members and their substitution;

c) the adoption of other types of asset realization, as per Section 145 of this Law;

d) any other matter which may affect the interests of the creditors.

Section 36. The creditors general meeting shall be called by the judge upon a notice published in the official media and in large circulation newspapers in the locations of the head office and branches, at least 15 (fifteen) days in advance, which shall contain:

I – place, date and time of the meeting in the 1st (first) and 2nd (second) calling, to be carried out less than 5 (five) days after the 1st calling;

II – agenda;

III – place where creditors may, if applicable, obtain copies of the judicial recovery plan to be submitted to the meeting's deliberation.

§ 1 Copy of the meeting calling warning to be placed in an ostensive way at the debtor's head office and branches.

§ 2 Apart from the cases expressly foreseen in this Law, the creditors representing at least 25% (twenty five per cent) of the total value of the credits of a determined class may request the justice the calling of a general meeting.

§ 3 With calling and realization of the general meeting shall be borne by the debtor or bankruptcy's trust, except if called due to a requirement of the Creditors' Committee or in the event foreseen in § 2 of this article.

Section 37. The general meeting shall be presided by the judicial administrator, who will appoint 1 (one) secretary amongst the present creditors.

§ 1 In the deliberations on the removal of the judicial administrator or in others in which there is incompatibility thereof, the meeting will be presided by the present creditor who detains the largest credit portion.

§ 2 The meeting is to occur upon the 1st (first) calling, with the presence of creditors detaining more than half of the credits of each class, computed according to the value and, in the 2nd (second) calling, with any number.

§ 3 In order to participate in the meeting, each creditor should sign the attendance list to be closed upon the installation thereof.

§ 4 The creditor may be represented in the general meeting by a mandatory or legal representative provided up to 24 (twenty four) hours before the date foreseen in the calling notice, a qualified document evidencing his powers or the indication of the pages in process records where the document is contained are presented to the judicial administrator.

§ 5 The workers' unions may represent their members who own credits derived from work legislation or due to labor accident who do not attend the meeting either personally or through an attorney-in-fact.

§ 6 In order to exercise the prerogative contained in § 5 of this article, the union shall:

I – present the judicial administrator, up to 10 (ten) days prior to the meeting, the list of members it intends to represent, and the worker who is part of the list of more than one union should clarify, up to 24 (twenty four) hours prior to the meeting, which union represents him, under penalty of not being represented in the meeting, by either of them; and

II – (VETOED)

§ 7 The events occurred in the meeting shall be recorded in the minutes containing the name of the attendees and the signatures of the president, the debtor and two (2) members of each voting class to be delivered to the justice along with the attendance list, within 48 (forty eight) hours.

Section 38. the creditor's vote shall be proportional to the value of his credit, stressing in the deliberation on the judicial recovery plan, the provisions contained in § 2 of Section 45 of this Law.

Sole paragraph. In the judicial recovery, for the exclusive purposes of the general meeting voting, the credit in foreign currency shall be converted into national currency according to the exchange rate of the date prior to the meeting.

Section 39. Persons listed in the creditors general list or, in the lack thereof, in the list of creditors presented by the judicial administrator according to Section 7, § 2, of this Law, or, yet in the lack thereof, the list presented by the debtor pursuant to the terms of arts. 51, items III and IV of the **caput**, 99, item III of **caput**, or 105, item II of the **caput**, hereof, added, in any case by those qualified on the date of the meeting or which have credits admitted or altered by judicial decision, including those which have obtained reserve of sums, observing the provisions contained in §§ 1 and 2 of Section 10 hereof shall be entitled to vote in the general meeting.

§ 1 Owners of credits excepted pursuant to §§ 3 and 4 of art of this Law shall not be entitled to a vote and shall not be considered for quorum purposes upon organization and deliberations.

§ 2 The deliberations of the general meetings shall not be invalidated due to subsequent judicial decision on the existence, quantification or classification of credits.

§ 3 In the case of subsequent invalidation of the meeting's deliberation, third parties' rights remain safeguarded in good faith, responding the creditors approving the deliberation for evident losses caused due to malice or fault.

Section 40. No appeal shall be provided establishing advanced granting, suspending or postponing the creditors' general meeting, due to outstanding matters regarding the existence, quantification or classification of credits.

Section 41. The general meeting shall be comprised by the following class of creditors:

I – owners of credits derived from labor legislation or labor accident;

II – owners of security interests;

III – owners of subordinated credits with special, general or subordinated privileges.

§ 1 Owners of credits derived from labor legislation voting through the class foreseen in item I of the **caput** of this article with the total of its credit irrespective of value.

§ 2 Owners of credits with security interest vote with the class foreseen in item II of the **caput** hereof up to the limit of the value of the encumbered asset and with the class foreseen in item II of the **caput** hereof for the rest of the value of their credit.

Section 42. The proposal obtaining favorable votes from creditors representing half of the total credit value present at the general meeting, except in deliberations on the judicial recovery plan pursuant to the terms of item *a* of insert I of the **caput** of Section 35 of this Law, composition of Creditors' Committee or an alternative form of realization of assets pursuant to the terms of Section 145 of this Law, shall be considered approved.

Section 43. Debtor's partners, as well as associate, controllers, controlled companies or companies whose partners or shareholders detain participation higher than 10 % (ten per cent) of the of the debtor's capital stock

or wherein the debtor or any associates thereof holds interest exceeding ten percent (10%) of the capital stock, may participate in the creditors general meeting with no title to vote and shall not be considered for quorum purposes upon implementation and deliberation.

Sole paragraph. The provisions contained in this article also apply to spouse or relative, blood relation or similar, up to the 2nd (second) degree, ascendant or descendent of the debtor, administrator, controlling partner, member of the executive board, audit committee or similar of the debtor company and company in which these persons exercise these functions.

Section 44. In the choice of representatives from each class in the Creditors' Committee, only the respective members may vote.

Section 45. In the deliberations on the judicial recovery plan, all classes of creditors referred to in Section 41 of this Law shall approve the proposal.

§ 1 In each of the classes referred to in items II and III of Section 41 of this Law, the proposal shall be approved by creditors representing more than half of the total value of credits present at the meeting and, cumulatively by the simple majority of creditors present.

§ 2 In the class foreseen in item I of Section 41 of this Law, the proposal shall be approved by the simple majority of creditors present, irrespective of the value of its credit.

§ 3 The creditor shall not be entitled to vote and shall not be considered for quorum and deliberation purposes if the judicial recovery plan does not alter the value or the original payment terms of its credit.

Section 46. The approval in an alternative way of the realization of assets in the event of bankruptcy, foreseen in Section 145 of this Law, shall depend on a favorable vote from creditors representing 2/3 (two thirds) of the credits present at the meeting.

CHAPTER III

JUDICIAL RECOVERY

Section I

General Provisions

Section 47. The purpose of the judicial recovery is to turn viable the overcoming of economic-financial crisis so as to allow the maintenance of the producing source, of workers job and interests of creditors, thus promoting the maintenance of the company, its social function and stimulating economic activity.

Section 48. The debtor who, at the time of request regularly exercises his activities for more than 2 (two) years and who cumulatively comply with the following requirements may request judicial recovery:

I – not to be bankrupt and, if the same has already undergone bankruptcy, the responsibilities derived thereof should be declared extinct through an approved sentence;

II – no less than 5 (five) years, it should not have obtained judicial recovery concession;

III – no less than 8 (eight) year, it should not have obtained judicial recovery concession based on the special plan referred to in Section V of this CHAPTER;

IV – it should not have been sentenced nor should it have, as an administrator or controlling partner, a person sentenced by any of the crimes foreseen in this Law.

Sole paragraph. The judicial recovery may also be requested by the surviving spouse, heirs of the debtor, administrator or remaining partner.

Section 49. All existing credits at the time of the request, even if not overdue are subject to judicial recovery.

§ 1 The debtor's creditors in judicial recovery maintain their rights and privileges against the co-liable parties, guarantors and enforceable obligations.

§ 2 Obligations prior to the judicial recovery shall observe the originally contracted conditions or the conditions defined by law, including regarding charges, except if otherwise stated in the judicial recovery plan.

§ 3 In the event of the creditor who is a fiduciary owner of chattels and real estate properties, of mercantile lessor, owner or prominent seller of property whose respective contracts contain irrevocable or irretrievability clauses, including estate institutions or owner in a sale contract with domain reserve, its credit shall not be submitted to the effects of judicial recovery, prevailing the rights to property over the things or contractual conditions, observing the respective legislation, not allowing, however, during the suspension period referred to in §4 pf Section 6 of this Law, the sale or removal of the establishment of the debtor of goods essential for its corporate activity.

§ 4 The sum referred to in item II of Section 86 of this Law shall not be subject to the judicial recovery effects.

§ 5 In the event of credit guaranteed by pledge over credit titles, financial investments or securities, net guarantees or guarantees expired during the judicial recovery may be substituted or renewed and, when not renewed nor substituted, the value eventually received in payment for the guarantees shall remain in a bound account for the suspension period referred to in § 4 of Section 6 of this Law.

Section 50. The following constitute means of juridical recovery, observing the pertinent legislation in each case, amongst others:

I – granting of periods and special terms for the payment of due or about to be due obligations;

II – spin off, incorporation, fusion or transformation of company, organization of fully owned subsidiary, assignment of quotas or shares, respecting the rights of partners, pursuant to the terms of the effective legislation;

III – alteration of corporate control;

IV – total or partial substitution of debtor's administrators or modification of its administrative offices;

V – concession to creditors or election right separately from the administrator and vetoing power in relation to matters specified in the plan;

VI –capital stock increase;

VII – trespassing or leasing of the institution, including to the company constituted by the employees themselves;

VIII – salary reduction, compensation of hours and shift reduction, upon agreement of collective bargaining;

IX – provision in payment or novation of liability debts, with or without own guarantees or third party guarantees;

X – constitution of creditors company;

XI – partial sale of assets;

XII – equalization of financial charges related to debts of any nature, whose initial term is the date of the distribution of the judicial recovery request, applied even to rural credit contracts, without prejudice to the provisions contained in the specific legislation;

XIII – enjoyment by the company;

XIV – shared administration;

XV – issuance of securities;

XVI – organization of company with a specific purpose to adjudicate, in payment of credits, debtor's assets.

§ 1 Upon disposal of asset subject of security interest, the suppression of guarantee or its substitution shall only be admitted upon express approval of the creditor owner of the respective guarantee.

§ 2 In credits in foreign currency, the currency exchange variation shall be maintained as an indexation parameter of the corresponding obligation and can only be excluded if the creditor of the respective credit expressly approves a provision different from the one contained in the judicial recovery plan.

Section II

The Request and the Processing of Judicial Recovery

Section 51. The initial petition for judicial recovery shall contain:

I – an outline of the concrete causes of the situation of the net assets of the debtor and the reasons for the economic and financial crisis;

II – the accounting statements related to the 3 (three) last fiscal years and those made especially for the request, drawn up in strict observance of applicable corporate legislation and consisting of the following:

a) statement of assets and liabilities;

b) accumulated profit and loss account;

c) profit and loss account since the last fiscal year;

d) managerial report on actual and projected cash flow;

III – a complete nominal list of creditors, including those obliged to pay or be paid, containing the address of each one, the nature, classification and updated value of the credit, detailing its origin, the scheme of the respective due dates and the indication of the accounting records of each transaction;

IV – a complete list of employees containing their respective functions, salaries, indemnifications and other sums to which they are entitled, with the corresponding month and details of the values awaiting payment;

V – certificate of the regularity of the debtor in the Public Company Register, the articles of incorporation and the minutes of the act nominating the current administrators;

VI – the list of private goods of the debtor's controlling partners and administrators;

VII – up-to-date bank extracts of the debtor and any financial investments of any type, including in investment funds or stock exchanges, issued by the respective financial institutions;

VIII – notary office certificates of all registered debts in the judicial district of the domicile or the head office of the debtor and in all districts where it has branches;

IX – the list, signed by the debtor, of all law cases in which it is involved, including those related to labor cases, with an estimate of the respective values involved.

§ 1º All accounting documentation and auxiliary reports, in the form stipulated by law, shall remain at the disposition of the court, the legal administrator and, upon judicial authorization, shall be available to any interested party.

§ 2º In relation to the requirements stipulated in paragraph II of the **heading** of this article, small scale and micro-companies can submit simplified accounting ledgers and documentation in accordance with the terms of the specific legislation.

§ 3º The judge may order that the documents referred to in §§ 1 and 2 or this article, or a copy of them, be registered with a notary office.

Section 52. Once the documentation required by Section 51 of this Law is complete, the judge shall grant the processing of the judicial recovery and in the same act shall:

I – nominate the judicial administrator, complying with the stipulations of Section 21 of this Law;

II – dispense with the submission of notary office certificates showing absence of debt to allow the debtor carry out its activity, except for the contracts with public authorities or for the receipt of fiscal benefits of incentives or credits, in compliance with the provisions of Section 69 of this Law;

III – shall order the suspension of all actions or executions underway against the debtor, in compliance with Section 6 of this Law, with the respective records remaining in the court where they are being processed, with the exception of the lawsuits permitted by §§ 1, 2 and 7 of Section 6 of this Law and related to credit excluded in accordance with §§ 3 and 4 of Section 49 of this Law;

IV – order the debtor to present monthly accounting statements while the judicial recovery lasts under the penalty of the removal of its administrators;

V – shall order the Prosecutor's Office to be notified and all Federal, State and Municipal Financial Departments in which the debtor possesses establishment to be notified in writing.

§ 1º The judge shall order the preparation of the notification, which shall be published in the official organ, which shall contain:

I – the summary of the debtor's petition and the judgment that permitted the processing of judicial recovery;

II – a nominal list of creditors, with itemized updated value and the classification of each credit;

III – a warning about the time allowed for the classification of credit in accordance with Section 7, § 1 of this Law, and for creditors to object to the judicial recovery plan submitted by the debtor in accordance with the terms of Section 55 of this Law.

§ 2 Once judicial recovery is granted, creditors may at any time request for a general assembly to be convened for the creation of a Committee of Creditors or for the substitution of its members, in compliance with the provisions of § 2 of Section 36 of this Law.

§ 3 In the case of paragraph III of the **heading** of this article, the debtor shall notify the suspension to the relevant courts.

§ 4 The debtor may not desist from the request for judicial recovery after its processing has been granted, except if approval for this is obtained from the general assembly of creditors.

Section III

The Judicial Recovery Plan

Section 53. The recovery plan shall be presented by the debtor in court within a non-extendable period of sixty (60) days after publication of the decision that authorized the judicial recovery, under penalty of bankruptcy being declared. This plan shall contain:

I – a detailed list of the means of recovery to be used, in accordance with Section 50 of this Law, and its summary;

II – proof of its economic viability; and

III – an economic and financial report and the evaluation of the debtor's assets and liabilities, signed by a legally qualified professional or a specialized company.

Sole paragraph. The judge shall order the publication of the notification advising creditors of the receipt of the recovery plan and setting a deadline for the presentation of objections, in compliance with Section 55 of this Law.

Section 54. The judicial recovery plan cannot allot a period greater than 1 (one) year for the payment of credits related to labor legislation or arising out of work accidents due before the date of the request for judicial recovery.

Sole paragraph. The plan shall not also allow a period of more than 30 (thirty) days for the payment of up to the limit of 5 (five) minimum wages per workers of strictly wage related credits that were due in the 3 (three) months previous to the judicial recovery petition.

Section IV

Judicial Recovery Procedures

Section 55. Any creditor can present an objection to the judicial recovery plan in court within a period of 30 (thirty) days counting from the publication of the list of creditors mentioned in § 2 of Section 7 of this Law.

Sole paragraph. If, on the publication date of the list mentioned in the **heading**, the notification stipulated in Section 53, sole paragraph, of this Law has not been published, this 30 day period shall count from the publication of the deadline for objections.

Section 56. If any creditor objects to the judicial recovery plan, the judge shall convoke a general assembly of the creditors to decide on the recovery plan.

§ 1 The date set for the holding of this general assembly shall not be more than 150 (one hundred and fifty) days from the granting of the judicial recovery.

§ 2 The general assembly that approves the judicial recovery plan can nominate the members of the Creditor Committee, in accordance with the provisions of Section 26 of this Law, if such have not already been created.

§ 3 The judicial recovery plan can be altered by the general assembly, once the debtor explicitly agrees in terms that do not result in the reduction of the exclusive rights of absent creditors.

§ 4 If the recovery plan is rejected by the general assembly of creditors, the judge shall decree the bankruptcy of the debtor.

Section 57. After the plan approved by the general assembly of creditors has been included in the records, or the period of time stipulated in Section 55 of this Law has elapsed without any objection on the part of the creditors, the debtor shall present certificates of the absence of debt in accordance with arts. 151, 205, 206 of Law 5.172, dated 25 October 1966 – the National Tax Code.

Section 58. Once the requirements of this Law have been complied with, the judge shall authorize the judicial recovery of the debtor whose plan has not been objected to by creditors in accordance with the provisions of Section 55 of this Law or which has been approved by the general assembly of creditors in accordance with Section 45 of this Law.

§ 1º The judge can authorize judicial recovery based on a plan that has not been approved in accordance with Section 45 of this Law, once, in the same assembly, it has obtained, in an accumulative form:

I – the favorable vote of the creditors representing more than half the value of all the credits presents at the assembly, irrespective of the classes;

II – the approval of 2 (two) classes of creditors in accordance with the terms of Section 45 of this Law or in the case where there are only 2 (two) classes of voting creditors, the approval of at least one of them;

III – in the class in which there was a negative vote, the favorable vote of at least 1/3 (one third) of the creditors, counted in accordance with the provisions of §§ 1 and 2 of Section 45 of this Law.

§ 2 Judicial recovery shall be authorized based on § 1 of this article only if the plan does not imply a differentiated treatment to the class of creditors that rejected the plan.

Section 59. The judicial recovery plan shall imply the novation of credits predating the petition, and shall oblige the debtor and all the creditors subject to it, without prejudice to the guarantees, in compliance with the provisions of § 1 of Section 50 of this Law.

§ 1 The judicial decision that authorizes judicial recovery shall be classified as an executive judicial decision in accordance with the terms of Section 584, paragraph III, of the heading of Law no. 5.869, dated 11 January 1973 – Code of Civil Procedures.

§ 2 Decisions that authorize judicial recovery can be appealed, which may be done by any creditor or by the Prosecutor's Office.

Section 60. If the approved judicial recovery plan involves the legal disposal of debtor's branches or isolated productive units, the judge shall order this to be carried out, in compliance with the provisions of Section 142 of this Law.

Sole paragraph. The object of disposal shall be free of any encumbrances and the bidder shall not be encumbered with the debtor's obligations, including those related to tax, in compliance with the provisions of § 1 of Section 141 of this Law.

Section 61. Once the decision stipulated in Section 58 of this Law have been made, the debtor shall remain in judicial recovery until all the obligations stipulated in the plan with expire date within 2 (two) years of the authorization of judicial recovery are accomplished.

§ 1 During the period established in the **heading** of this article, failure to comply with any obligation stipulated in this plan shall result in the recovery being turned into bankruptcy, in accordance with the provisions of Section 73 of this Law.

§ 2 Once bankruptcy has been declared, creditors' rights and guarantees shall be restored to the originally contracted conditions, with any values that have been paid being deducted and with the exception of any valid acts practiced under judicial recovery.

Section 62. After the termination of the period stipulated in Section 61 of this Law, in the case of failure to comply with any obligation stipulated in the judicial recovery plan, any creditor can petition for specific execution or bankruptcy based on Section 94 of this Law.

Section 63. Once the obligations due in the period stipulated in the **heading** of Section 61 of this Law are complied with, the judge shall decree the termination of the judicial recovery and order:

I – the payment of the balance of the fees owed to the judicial administrator, the quittance of these obligations depending on the rendering of accounts within a period of 30 (thirty) days and the approval of the report stipulated in paragraph III of the **heading** of this article;

II – the verification of the balance of the legal costs to be paid;

III – the presentation of itemized report by the judicial administrator within a maximum term of 15 (days) days, discussing the execution of the recovery plan by the debtor;

IV – the dissolution of the Creditor Committee and the discharge of the judicial administrator;

V – notification to the Public Company Register for the applicable measures.

Section 64. During judicial recovery proceedings, the debtor and its administrators shall remain responsible for carrying out business activities, under the inspection of the Committee, if it exists, and the judicial administrator, unless any of them:

I – has been condemned in penal sentence in res judicata court decision for a crime committed in previous judicial recovery or bankruptcy, or for crimes against net assets, the popular economy, or the economic order stipulated in existing legislation;

II – there is strong evidence of having committed a crime stipulated under this Law;

III – has acted with malicious intent, deceit or fraud against the interests of their creditors;

IV – has carried out any of the following:

a) obviously excessive personal expenses performed in relation to his net asset situation;

b) making expenses that are unjustifiable due to their nature or importance in relation to the capital or type of business, the movement of operations and other similar circumstances;

c) unjustifiably decapitalizing the company or carrying out operations that are harmful to its regular functioning;

d) falsely stating or omitting credits in presenting the list dealt with in paragraph III of the **heading** of Section 51 of this Law, without a relevant legal reason or not covered by a judicial decision;

V – refusing to provide information requested by the judicial administrator or by the other members of the Committee;

VI – must be removed according to the judicial recovery plan.

Sole paragraph. If any of the hypotheses stipulated in the **heading** of this article are verified, the judge shall remove the administrator that shall be substituted in form stipulated in the debtor's articles of incorporation or in the judicial recovery plan.

Section 65. When a debtor is removed, in accordance with the hypotheses stipulated in Section 64 of this Law, the judge shall convene the general assembly of creditors to decide on the name of the judicial manager who shall take over the activities of the debtor, and all applicable rules about duties, impediments and the remuneration of the judicial administrator shall apply.

§ 1 The judicial administrator shall act as the manager until the general assembly decides on the choice of a new manager.

§ 2 In the event that the manager indicated by the general assembly of creditors refuses or is impeded from accepting the position of managing the debtor's business, the judge shall, within a period of 72 (seventy-two) hours, counting from the refusal or the declaration of impediment in the records, convene a new general assembly, the provisions of § 1 of this article being applied.

Section 66. After the petition for judicial recovery has been filed, the debtor shall not dispose of or encumber goods or rights that are part of its permanent assets, unless the obvious need for this is recognized by the judge, after listening to the Committee, with the exception of those previously listed in the judicial recovery plan.

Section 67. The credits arising out of the obligations contracted by the debtor during judicial recovery, including those related to expenses with the suppliers of goods or services or loan contracts, shall be considered to be separate in the event bankruptcy is decreed, respecting if applicable the order stipulated in Section 83 of this Law.

Sole paragraph. Credits related to unsecured debt subject to judicial recovery belonging to suppliers of goods or services that continue to normally provide these goods and services after the petition for judicial recovery shall receive general preference in the event of bankruptcy being declared, to the limit of the goods or services supplied during the recovery period.

Section 68. Public departments of finance and the National Social Security Institute (INSS) can, in accordance with the specific legislation, allow their credits to be paid in installments due to judicial recovery, according to the parameters established by Law no. 5.172, dated 25 October 1966 – National Taxation Code.

Section 69. In all acts, contracts and documents signed by the debtor subject to judicial recovery proceedings, the expression "in Judicial recovery" shall be added after the name of the company.

Sole paragraph. The judge shall order the Public Company Register to state judicial recovery in the corresponding register.

Section V

The Judicial Recovery Plan for Small Scale and Micro Companies

Section 70. The people addressed by Section 1 of this Law who are covered by the definitions of micro companies and small scale companies by the legislation in force, shall be subject to the norms of this chapter.

§ 1 Micro companies and small scale companies, as defined by law, can present a special judicial recovery plan, once they state their intention of doing this in the initial petition stipulated in Section 51 of this Law.

§ 2 Creditors not affected by the special plan shall not have their credits registered with the judicial recovery.

Section 71. The special plan for judicial recovery shall be presented in the period of time stipulated in Section 53 of this Law and shall be limited to the following conditions:

I – this shall solely cover the credits related to non-secured debts, with the exception of those that result from the transfer of official resources and those stipulated in §§ 3 and 4 of Section 49 of this Law;

II – they may be paid in up to 36 (thirty-six) monthly equal and consecutive installments, with monetary adjustment and using interest of 12% p.a. (twelve percent a year);

III – the first installment shall be paid in a maximum of 180 (one hundred and eighty) days counting from the distribution of the petition for judicial recovery;

IV – the need for the judge's authorization shall be established, after listing to the judicial administrator and the Creditor Committee, allowing the debtor to increase costs or hire employees.

Sole paragraph. The petition for judicial recovery based on the special plan shall not result in the suspension of prescription proceedings, nor actions and executions resulting from credits not covered by the plan.

Section 72. If the debtor covered by Section 70 of this Law opts for a judicial recovery petition based on the special plan governed by this Section, a general assembly of creditors shall not be convened to decide on the plan, and the judge shall authorize judicial recovery if the other requirements of this Law are met.

Sole paragraph. The judge shall also dismiss the petition for judicial recovery and decree the bankruptcy of the debtor if objections are made, in accordance with the provisions of Section 55 of this Law, by creditors holding more than half the credit described in paragraph I of the **heading** of Section 71 of this Law.

CHAPTER IV

THE CONVERSION OF JUDICIAL RECOVERY TO BANKRUPTCY

Section 73. The judge shall decree bankruptcy during the judicial recovery proceedings:

I – by decision of the general assembly of creditors, in accordance with the provisions of Section 42 of this Law;

II – due to the non-submission by the debtor of the recovery plan within the period stipulated in Section 53 of this Law;

III – when the recovery plan has been rejected in accordance with the provisions of § 4 of Section 56 of this Law;

IV – for defaulting on any of the obligations assumed in the recovery plan, in accordance with the provisions of § 1 of Section 61 of this Law.

Sole paragraph. The provisions of this article shall not impede the decreeing of bankruptcy due to defaulting on obligations not subject to judicial recovery, in accordance with the terms of paragraphs I or II of the **heading** of Section 94 of this Law, or due to the practicing of any act stipulated in paragraph III of the **heading** of Section 94 of this Law.

Section 74. In the conversion of recovery to bankruptcy, administrative, debt-related, encumbrance or disposal actions practiced during judicial recovery shall be presumed to be valid, provided that carried out in the accordance with the provisions of this Law.

CHAPTER V

BANKRUPTCY

Section I

General Dispositions

Section 75. Bankruptcy, in removing the debtor from its activities, seeks to preserve and optimize the productive use of the company's goods, assets and productive resources, including intangible ones.

Sole paragraph. The bankruptcy process shall comply with the principles of swiftness and economic procedures.

Section 76. The bankruptcy court is indivisible and has jurisdiction to judge all actions on goods, interests and business of the bankrupt party, with the exception of labor related cases, fiscal cases and those not governed by this law in which the bankrupt party is part either as a plaintiff or as a joint party.

Sole paragraph. All actions, including those subject to the exceptions in the **heading** of this article, shall by carried out by the judicial administrator, who shall be summonsed to represent the bankrupt estate, under the penalty of the proceedings being declared void.

Section 77. The declaration of bankruptcy shall determine the anticipated maturity of the debtor's debts and those of the unlimited jointly responsible partners, with the proportional abatement of interest, with all credits in foreign currencies being converted into the national currency at the exchange rate of the day of the legal decision, for the purposes of this Law.

Section 78. Bankruptcy requests shall be subject to obligatory distribution, respecting the order of presentation.

Sole paragraph. Actions that are proposed in the bankruptcy court shall be subject to distribution by dependency.

Section 79. Bankruptcy proceedings and their associated cases shall have preference over all others in the order of execution, at any level.

Section 80. Those credits remaining from judicial recovery shall be considered to be assigned when they are definitely included in the general list of creditors, while on-going assignments shall be continued with.

Section 81. The decision that decrees the bankruptcy of a company with unlimited responsible partners shall also result in their bankruptcy, and they shall be subject to the same legal effects produced in relation to the bankrupt company, and for this reason they shall be summonsed to defend themselves if they so wish it.

§ 1 The provisions of the **heading** of this article shall apply to partners who have voluntarily withdrawn from the company or who have been excluded from the company less than 2 (two) years previously, in relation to debts existing at the date of the registration of the alteration of the contract, in the case that they have not been resolved by the date of the declaration of bankruptcy.

§ 2 Bankrupt companies shall be represented in their bankruptcy by their administrators or liquidators, who shall have the same rights and, under the same penalties, shall be subject to the obligations for which the bankrupt party is responsible.

Section 82. The personal responsibility of the partners with limited responsibility, the controllers and the administrators of the bankrupt company, stipulated in the relevant laws, shall be verified by the bankruptcy court, irrespective of the realization of any assets and the proof of insufficiency to cover liabilities, complying with the ordinary procedures stipulated in the Code of Civil Process.

§ 1º The liability action described in the **heading** of this article, will prescribe in 2 (two) years, counting from the passing of sentence of extinction of the bankruptcy.

§ 2º The judge may, by his own initiative or authority or upon petition of the interested parties, order the unavailability of the private property of the defendants, in amount compatible with the damages caused, until the judgment of the liability action.

Section II

Classification of the Credits

Section 83. The classification of the credits in the bankruptcy conform with the following order:

I – the credits derived from labor legislation, limited to 150 (one hundred and fifty) minimum wages per creditor, and those arising from accidents at work;

II – credits as a real guarantee up to the limit of the value of the encumbered property;

III – tax credits, independently of their nature and time of constitution, except for tax fines;

IV – credits with a special privilege, namely:

a) those described in Section 964 of Law n. 10.406, of January 10, 2002;

b) those thus defined in other civil and commercial laws, except provisions contrary to this Law;

c) those to whose bearers the law confers the right of retention of the thing given in guarantee;

V – credits with a general privilege, namely:

a) those described in Section 965 of Law n. 10.406, of January 10, 2002;

b) those described in the sole paragraph of Section 67 of this Law;

c) those thus defined in other civil and commercial laws, except provisions contrary to this Law;

VI – unsecured creditors, namely:

a) those not described in the other items of this article;

b) the balances of the credits not covered by the product of alienation of the goods linked to their payment;

c) the balances of the credits derived from labor legislation that exceed the limit established in item I of the **heading** of this article;

VII – contractual fines and pecuniary penalties for infractions of criminal or administrative law, including tax fines;

VIII – subordinated credits, namely:

a) those thus described in law or by contract;

b) the credits of partners or administrators without an employment relationship.

§ 1º For the purposes of item II of the **heading** of this article, the value of the goods which are the object of a real guarantee, shall be considered as the amount actually gained by their sale, or, in the case of block alienation, the assessment value of the goods considered individually.

§ 2º The values arising from a right of a partner to receiving his/her share of the capital stock in the liquidation of the company are not in opposition to the assets.

§ 3º The penalty clauses of unilateral contracts will not be satisfied if the obligations stipulated therein become due because of the bankruptcy.

§ 4º The labor credits granted to third parties shall be considered unsecured.

Section 84. Considered as outside of the concourse of creditors and which will be paid with precedence over those mentioned in Section 83 of this Law, in the following order, are those related to:

I – remunerations due to the legal arbitrator and his assistants, and credits derived from labor legislation or due to accidents at work relative to services rendered after the declaration of bankruptcy;

II – mounts supplied to the assets by the creditors;

III – expenses with collection, administration, realization of the assets and distribution of their product, as well as cost of the bankruptcy action;

IV – legal costs relative to the lawsuits and executions in which the bankrupt assets may have been overcome;

V – obligations resulting from valid judicial acts practiced during the judicial recovery, under the terms of Section 67 of this Law, or after the declaration of bankruptcy, and taxes relative to generating facts occurring after the decree of bankruptcy, respecting the order established in Section 83 of this Law.

Section III

The Restitution Request

Section 85. The owner of an asset obtained during the bankruptcy process or which is in possession of the debtor at the time the bankruptcy is decreed may request restitution thereof.

Sole paragraph. Restitution for things sold on credit and delivered to debtor within fifteen (15) days previous to the bankruptcy application thereof can also be requested, if it has not been disposed of yet.

Section 86. The values in cash shall be restituted:

I – If the thing no longer exist at the time of the request for restitution, on which hypothesis the petitioner shall receive the evaluation value of the good, or, in the event it has been sold, the respective price, such value being restated in both cases.

II – From the amount delivered to the debtor, in national currency, arising from postponement to export exchange contract, pursuant to the Section 75 §§ 3 and 4 of Law no. 4.728 of July 14, 1965, provided that the total term of the transaction, including any postponements, do not exceeds that provided for in the specific regulations of the applicable authority.

III – Out from the amounts delivered in good faith by the contracting party to the debtor, in the assumption of revoking or inefficiency of contract, pursuant to provisions set forth in the Section 136 hereof.

Sole Paragraph. Restitutions addressed in the article shall only occur after the payment provided form in the Section 151 hereof.

Section 87. – The petition for refund must be founded and shall describe the claimed thing.

§ 1. The judge will order that the petition with the documents that instructed it be filed separately and will determine the notification of the insolvent party, the Committee, the creditors and the judicial trustee so that they make a declaration, within the consecutive term of 5 (five) days, and the declaration against the refund shall be considered as a plea.

§ 2. After having received the plea of the petition and granted the possibly requested proofs, the judge shall determine holding an examining trial, if necessary.

§ 3. In case there are not any other proofs to be received, the records will be concluded and the decision can be made.

Section 88. The decision that admits the right of the petitioner shall determine the delivery of the thing within 48 (forty-eight) hours.

Sole paragraph. If there is no plea, the estate will not be condemned to pay the lawyer's fees.

Section 89. The decision that denies the refund, if this is the case, will include the applicant in the general list of creditors, in the adequate classification, under the terms of this Law.

Section 90. Appeal can be filed against the decision that had judged the petition for refund, without any suspensive effect.

Sole paragraph. The petitioner of the refund request that intends to receive the claimed asset or amount before the final judgment shall give a judicial bond.

Section 91. The petition for refund suspends the availability of the thing until the final judgment.

Sole paragraph. When several petitioners have to receive some amount of money and there is not enough available balance for the total payment, a pro rata apportionment of the money shall be carried out between the petitioners.

Section 92. The petitioner that is successful in its request will reimburse the bankrupt estate or the one that pays for the preservation expenses of the claimed thing.

Section 93. In cases where there is no petition for refund, the right of the creditors regarding the actions of replevin shall be safeguarded, and the civil procedure legislation observed.

Section IV

From the Procedure to the Act of Bankruptcy

Section 94. The bankruptcy of the debtor will be ruled if the debtor:

I – does not pay, without any relevant foundation, until the due date, the materialized specific obligation in bond or documents valid to commence an execution process, the amount of which surpasses the amount equal to 40 (forty) minimum monthly wages on the date of the bankruptcy request;

II – in case of execution for any net amount, does not pay, does not make a deposit and does not appoint enough assets for attachment within the legal term;

III – performs any of the following actions, except if they are part of the judicial recovery plan:

a) liquidates its assets precipitately or in a wasteful or fraudulent way in order to make payments,

b) performs or by unambiguous actions, tries to perform, with the objective of delaying payments or defrauding creditors, a simulated business or alienation of a part of the assets or all the assets to a third party, creditor or not;

c) transfers an establishment to a third party, creditor or not, without the consent of all the creditors and without keeping enough assets to settle the debts;

d) simulates the transfer of its main premises with the objective of defrauding the legislation or the inspection or to cause damage to the creditor;

e) gives or amplifies the warranty to a creditor for a previously contracted debt without maintaining enough assets available and cleared to settle the debts;

f) becomes absent without leaving any competent representative and with enough resources to settle with the creditors, abandons the premises or tries to hide from its domicile, head offices or main premises;

g) does not fulfill, within the determined term, the obligation assumed in the judicial recovery plan.

§ 1. The creditors can form a joinder of parties in order to establish the minimum limit for the bankruptcy petition based on subsection I of the **heading** of this section.

§ 2. Even if they are net amounts, the debts that cannot be claimed in the bankruptcy request do not legitimate the bankruptcy request.

§ 3 In the hypothesis of subsection I of the **heading** of this section, the bankruptcy petition will be instructed with the documents valid to commence an execution process under the form of the sole paragraph of Section 9 of this Law, accompanied, in any case, by the respective protest documents with the objective of requesting bankruptcy under the terms of the specific legislation.

§ 4. In the hypothesis of subsection II of the **heading** of this section, the bankruptcy request will be instructed with the certificate issued by the court where the execution is in proceeding.

§ 5. In the hypothesis of subsection III of the **heading** of this section, the bankruptcy request will describe the facts that characterize it, attaching the available proofs and specifying those, which will be produced afterwards.

Section 95. Within the term available for a plea, the debtor will be able to plead for its judicial recovery.

Section 96. The requested bankruptcy based on Section 94, subsection I of the heading, of this Law, will not be ordained if the responding party proves:

I – forgery of bond;

II – prescription;

III – nullity of the securities or the bond;

IV- payment of the debt;

V – any other fact that extinguishes or suspends the obligation or does not legitimate the collection of the bond;

VI – defect in the protest or in its instrument;

VII – presentation of a judicial recovery request within the term for a plea, observing the requisites of Section 51 of this Law;

VIII – termination of the business activities more than 2 (two) years before the bankruptcy request, proved by a legally qualified document of the Public Registry of Companies, which will not prevail against an evidence of exercise after the registered action.

§ 1. Neither the bankruptcy of a joint stock company after having paid off and divided its assets, nor the bankruptcy of an estate after 1 (one) year of the death of the debtor will be enacted.

§ 2. The defense set forth in subsections I to VI of the **heading** of this section do not hinder the act of bankruptcy if, in the end, there are still liabilities not included in the defense in an amount that exceeds the limit set forth in that provision.

Section 97. The bankruptcy of the debtor can be requested by:

I – the debtor itself, in the form of the provisions set forth in sections 105 to 107 of this Law;

II – the surviving spouse, any heir of the debtor or the administrator;

III – the quota holder or the shareholder of the debtor in the form of the law or articles of incorporation of the company;

IV – any creditor.

§ 1. The entrepreneur creditor shall present the certificate of the Public Registry of Companies, which proves the regularity of its activities.

§ 2. The creditor without domicile in Brazil shall deposit a judicial bond for court costs and payment of the indemnification set forth in Section 101 of this Law.

Section 98. After having received the summons, the debtor shall present its plea within 10 (ten) days.

Sole paragraph. In case of the petitions based on subsections I and II of the **heading** of Section 94 of this Law, the debtor will be able to, within the term available for a plea, deposit the amount equivalent to the outstanding debt, increased by the monetary correction, interests and attorneys' fees, in which hypothesis the bankruptcy will not be enacted and if the bankruptcy request is judged as legally founded, the judge will order the ascertaining of the amount by the plaintiff.

Section 99. The decision that will enact the bankruptcy of the debtor, among other provisions:

I – will contain the synthesis of the petition, the identification of the bankrupt party and the names of the then administrator;

II – will determine the legal term of the bankruptcy, without the right of making it retroactive for more than 90 (ninety) days counted from the bankruptcy request, the judicial recovery request or the 1st (first) protest due to failure of payment, and excluding, for this purpose, the protests that had been cancelled;

III – will order that the bankrupt party present, within no more than 5 (five) days, a list with the names of the creditors, indicating address, amount, nature and classification of the respective outstanding debt, if this information is not included yet in the records, under penalty of disobedience;

IV – will define the term for the filing of a claim, observing the provision set forth in § 1 of Article 7 of this Law;

V- will order the suspension of all the actions or foreclosures against the bankrupt party, except the hypotheses set forth in §§ 1 and 2 of Section 6 of this Law;

VI – will prohibit the practice of any action of disposition or taxation of the assets of the bankrupt party, submitting it previously to the judicial authorization and the authorization of the Committee, if applicable, excepting the assets, the sale of which is part of the normal activities of the debtor if the temporary continuation is authorized under the terms of subsection XI of the **heading** of this section;

VII – will determine the necessary actions to be performed in order to safeguard the interests of the involved parties, with the right of ordering the preventive custody of the bankrupt party or its officers when required based on the evidences of committing a crime determined in this Law;

VIII – will order that the Public Registry of Companies make the recording of the bankruptcy in the records of the debtor, so that the expression "Bankrupt", the date of the act of bankruptcy and the incapacity set forth in section 102 of this Law be included;

IX – will appoint the judicial trustee that will perform its functions in the form of subsection III of the **heading** of section 22 of this Law without any damage to the provision set forth in item *a* of subsection II of the **heading** of section 35 of this Law;

X – will determine the expedition of official letters to the public bodies and offices and other entities so that they inform the existence of assets and rights of the bankrupt party;

XI – will make a declaration regarding the temporary continuation of the activities of the bankrupt party with the judicial trustee or the closure of the premises, observing the provision set forth in Section 109 of this Law;

XII – will determine, when judged convenient, the summons of a general meeting of the creditors for the constitution of the Committee of Creditors, and can also authorize the eventual maintenance of the Committee and its operation in the judicial recovery after the act of bankruptcy;

XIII – will order the notification of the Public Prosecution Service and the communication by a letter to the Federal Public Treasuries of all the States and Municipalities where the debtor has any facilities, so that they be aware of the bankruptcy.

Sole paragraph. The judge will order the publication of a notice containing the complete text of the decision of the act of bankruptcy and the list of the creditors.

Section 100. It is possible to file a motion against the decision of act of bankruptcy, and the final judgment that judged the impertinence of the request can be appealed.

Section 101. Who deceitfully requests the bankruptcy of another party will be sentenced, in the decision that judges the impertinence of the petition, to indemnify the debtor, determining the damages in the liquidation of the amounts involved in the judgment.

§ 1. If there are more than 1 (one) bankruptcy petitioners, those that acted in the form set forth in the **heading** of this section will be responsible jointly and severally.

§ 2. By a separate action, the third injured party also can claim indemnification from the responsible parties.

Subchapter V

The Entrepreneurial Incapacity, the Rights and Obligations of the Bankrupt Party

Section 102. The bankrupt party becomes incapable of performing any business activity as of the date of the act of bankruptcy until the final judgment that annuls its obligations, observing the provision set forth in § 1 of section 181 of this Law.

Sole paragraph. After the end of the period of incapacity, the bankrupt party may request that the bankruptcy judge make the respective recording in its records.

Section 103. As of the date of the act of bankruptcy or the attachment of the assets, the debtor loses its right of managing its assets or disposing of them.

Sole paragraph. The bankrupt party may control the management of the bankruptcy process, request the necessary measures to safeguard its rights or of the collected assets and intervene in the processes in which the bankrupt estate is taking part or is interested, requesting what it has right for doing and file the adequate appeals.

Section 104. The act of bankruptcy imposes the following obligations to the bankrupt party:

I – sign the term of attendance, with the indication of the name, nationality, civil status, complete address of the domicile, in the records, provided that it received the notification of the judgment, and shall also declare the following to be included in the aforesaid term:

a) the main causes of its bankruptcy, when required by the creditors;

b) in case of a corporation, the names and addresses of all the quota holders, controlling shareholders, officers or managers, presenting the articles of incorporation or the by-laws and the proof of the respective registration, as well as the amendments;

c) name of the accountant in charge of the accounting of the mandatory books;

d) the powers of attorney that were eventually granted, indicating the object, name and address of the attorney;

e) its real property and the goods and chattel that are not in the premises;

f) if it has an interest in other corporations, presenting the respective agreement;

g) its bank accounts, investments, bonds in collection and actions in proceeding in which it is a plaintiff or a defendant;

II – deposit in the court records' office, upon the signature of the term of attendance, its mandatory books so that they be delivered to the judicial trustee, after they are closed by terms signed by the judge;

III – not be absent from the place where the bankruptcy is in proceeding without just cause and explicit notification to the judge and without leaving an appropriate attorney, under the penalty determined in law;

IV – be present in all the actions of the bankruptcy, being allowed to be so through the representation by an attorney, if its presence is not indispensable;

V – deliver, without any delay, all the assets, books, papers and documents to the judicial trustee, indicating the assets that are eventually in the possession of third parties with the purpose of being collected;

VI – provide the information required by the judge, judicial trustee, creditor or the Public Prosecution Service regarding the circumstances and the facts that are important to the bankruptcy;

VII – assist the judicial trustee with good care and promptness;

VIII – examine the presented claim applications;

IX – assist in the survey, verification of the balance sheet and the exam of the books;

X – manifest always when required by the judge;

XI – present, within the term determined by the judge, the list of its creditors;

XII – examine and provide its opinion about the accounts of the judicial trustee.

Sole paragraph. In case of failure to fulfill any of the obligations imposed by this Law, after having summoned by the judge to do it, the bankrupt party will be submitted to a process due to committing the crime of disobedience.

Subchapter VI

Bankruptcy Requested by the Debtor Itself

Section 105. The debtor in an economic-financial crisis that judges not to comply with the requirements to plead its judicial recovery shall request its bankruptcy in court, presenting the reasons of impossibility of continuing its business activities, attaching the following documents:

I – accounting statements of the 3 (three) last fiscal years and the statements made especially with the objective of instructing the request, prepared in strict observance of the applicable corporate legislation and containing compulsorily the following:

a) statement of assets and liabilities;

b) accrued income statement;

c) income statement since the last fiscal year;

d) cash flow report;

II – list with the names of the creditors, including address, amount, nature and classification of the respective outstanding debts;

III – list of the goods and rights that make the assets, with the respective estimation of the value and documents that evidence the ownership;

IV – proof of the status of the entrepreneurs, articles of incorporation or bylaws in effect, if any, or the list of all the partners with their addresses and list of their personal property;

V – the mandatory books and accounting documents required thereof by law;

VI – list of its managers in the last 5 (five) years, with their respective addresses, positions and share interests.

Section 106. If the petition is not instructed according to the law, the judge shall determine that it should be amended.

Section 107. The decision of act of bankruptcy of the debtor shall observe the form of section 99 of this Law.

Sole paragraph. After the act of bankruptcy, the provisions regarding the bankruptcy requested by the persons mentioned in subsections II to IV of the **heading** of section 97 of this Law shall be fully applied.

Subchapter VII

The Collection and the Custody of Assets

Section 108. Following the signature of the affidavit, the judicial trustee will carry out the collection of the assets and documents and the evaluation of the assets, separately or in block, at the place where they are located, and request for this purpose the necessary measures to be taken by the judge.

§ 1. The collected assets will remain in the custody of the judicial trustee or the person chosen by the trustee, under the responsibility of that person, and the bankrupt party or any of its representatives can be appointed as trustee of the assets.

§ 2. The bankrupt party may be present during the collection and evaluation.

§ 3. The proceeds of the attached or otherwise seized assets will enter in the estate, and the judge shall request from the competent authorities their delivery upon the requirement made by the judicial trustee.

§ 4. The absolutely unseizable assets will not be collected.

§ 5. Even if there is an evaluation in block, the asset object of a mortgage will also be evaluated separately, for the purpose determined in § 1 of section 83 of this Law.

Section 109. The premises will be locked always when there is a risk for performing a step of collection or for preserving the assets of the bankrupt estate or the interests of the creditors.

Section 110. The collection record, consisting of the inventory and the respective evaluation report of the assets, will be signed by the judicial trustee, the bankrupt party or its representatives and other persons who helped or were present during the action.

§ 1. If the evaluation of the assets is not possible during the collection, the judicial trustee will request from the judge granting an additional term for presenting the evaluation report that can not exceed 30 (thirty) days, counted from the date of presentation of the collection record.

§ 2. The inventory shall contain the following:

I - the mandatory books and the auxiliary or optional books of the debtor, indicating their situation, the number and title of each of them, the number of pages, the beginning date of bookkeeping and the last record and if the mandatory books are in compliance with the legal formalities;

II – cash, papers, bonds, documents and other assets of the bankrupt estate;

III – the assets of the bankrupt estate in the possession of third parties, as custody, deposit, pledge or retention;

IV – the assets indicated as property of third parties or claimed by them, mentioning this circumstance.

§ 3. If possible, the assets mentioned in § 2 of this section will be listed separately.

§ 4. Regarding the real estate, the judicial trustee, within 15 (fifteen) days after the collection, will present the certificates of registry, issued after the act of bankruptcy, with all the indications contained therein.

Section 111. The judge can authorize that the creditors, individually or collectively, due to the expenses and in the interest of the bankrupt estate, acquire or adjudicate the collected assets immediately, at the evaluation value, in compliance with the classification rule and preference between them, after having consulted the Committee.

Section 112. The collected goods can be removed, provided that it is necessary for better care and maintenance, hypothesis in which they will remain in custody under the responsibility of the judicial trustee, against a commitment.

Section 113. The perishable, deteriorative goods, subject to a significant devaluation or the conservation of which is risky or expensive, could be sold beforehand, after the collection and the evaluation, by means of a judicial authorization, after consultation with the Committee and the bankrupt party within 48 (forty-eight) hours.

Section 114. The judicial trustee can rent or enter into another contract regarding the assets of the bankrupt estate, with the objective of producing income for the bankrupt estate, upon authorization of the Committee.

§ 1. The contract mentioned in the **heading** of this section does not generate any preemptive rights in the purchase and cannot mean total or partial disposition of the assets.

§ 2. The asset object of the contract can be alienated at any time, independently of the contracted term, terminating this way, without right to any penalty, the signed contract, except if there is a consent of the purchaser.

Subchapter VIII

Effects of the Act of Bankruptcy on the Obligations of the Debtor

Section 115. All the creditors are subject to the provisions of the act of bankruptcy and they can exercise their rights regarding the assets of the bankrupt party and the unlimited liability partner in the form authorized by this Law.

Section 116. The act of bankruptcy suspends:

I – the exercise of the right of retention regarding the assets subject to collection, which shall be delivered to the judicial trustee;

II – the exercise of right of withdrawal or receipt of the value of the quotas or shares by the partners of the bankrupt corporation.

Section 117. The bilateral contracts do not rescind due to bankruptcy and can be fulfilled by the judicial trustee if the fulfillment reduces or avoids the increase of the liabilities of the bankrupt estate or if it is necessary to the maintenance and safekeeping of its assets, upon authorization of the Committee.

§ 1. The contracting party can request within 90 (ninety) days counted from the signature of the term of appointment of the judicial trustee that the trustee declare, within 10 (ten) days, if the contract will be fulfilled or not.

§ 2. The declaration of rejection or the silence of the judicial trustee grants the right for indemnification to the contracting party, the value of which, determined in an ordinary proceeding, will constitute an unsecured debt.

Section 118. The judicial trustee, upon authorization by the Committee, can fulfill a unilateral contract if this fact reduces or avoids the increase of the liabilities of the bankrupt estate or if it is necessary to the maintenance and safekeeping of its assets, making the payment for the performance for which it is liable.

Section 119. In the following contractual relations the following rules will prevail:

I – the seller can not hinder the delivery of the things shipped to the debtor and still in transit, if the buyer, before the request of bankruptcy, already had resold them, without committing any fraud, based on the invoices and bill of ladings, delivered or forwarded by the seller;

II – if the debtor sold some compound goods and the judicial trustee decides not to continue the fulfillment of the contract, the buyer can put the already received goods available to the bankrupt estate, claiming damages;

III – if the debtor did not deliver any movable or render any service that was sold or contracted on installments, and the judicial trustee decides not to fulfill the contract, the credit relative to the paid amount will be applied in the appropriate class;

IV – the judicial trustee, after having consulted the Committee, will return the movable purchased by the debtor with lien of the seller if it decides not to continue the fulfillment of the contract, and requiring the refund of the paid amounts under the terms of the contract;

V – in case of sale of futures, which have quotation on the stock exchange or on the market, and when the contract is not fulfilled by the actual delivery and payment of the price, the difference between the quotation on the date of the contract and the date of settlement on the stock exchange or the market will be calculated;

VI – in the agreement of sale and purchase of real estate, the respective legislation shall be applied;

VII – the bankruptcy of the lessor does not terminate the lease contract, and in case of death of the lessee, the judicial trustee can report the contract;

VIII – in case there is an agreement for the compensation and settlement of the liabilities in the scope of the national financial system, under the terms of the legislation in effect, the non-bankrupt party can consider the contract due before the term and in this hypothesis it will be settled according to the form determined in the regulation, and the compensation of the eventual credit that will be determined in favor of the bankrupt party with credits held by the contracting party will be admitted;

IX – the public interest affecting assets, constituted for fulfilling a specific purpose, will observe the provision set forth in the respective legislation, such goods, rights and liabilities will remain separated of the bankrupt estate until the arrival of the respective term or until the fulfilling of its purpose, in which occasion the judicial trustee will collect the balance in favor of the bankrupt estate or indicate in the adequate class the credit that will remain against it.

Section 120. The power of attorney granted by the debtor, before the bankruptcy, for the performance of some business, will lose its effects upon the act of bankruptcy, and the attorney shall make a report about its management.

§ 1. The power of attorney granted for the legal representation of the debtor continues in effect until it is revoked explicitly by the judicial trustee.

§ 2. The mandate or commission received before the bankruptcy loses its effect for the bankrupt party, with the exception of those that concern a matter unrelated to the business activity.

Section 121. The checking accounts of the bankrupt party are considered closed at the moment of act of bankruptcy, and the respective balance shall be verified.

Section 122. The debts of the debtor due until the date of the act of bankruptcy, with preference over all the other creditors, shall be cleared, observing the requisites of the civil legislation.

Sole paragraph. The following shall not be cleared:

I – credits transferred after the act of bankruptcy, except in case of succession by merger, incorporation, split or death; or

II – the credits, even if overdue before, transferred when the economic-financial crisis situation of the debtor was known already or the transfer of which occurred by fraud or deceitfulness.

Section 123. If the bankrupt party has some interest in a corporation as a limited liability partner or a quota holder, only the assets owned by it in that corporation and assessed according to the form established in the articles of incorporation or bylaws will be included in the bankrupt estate.

§ 1. If the articles of incorporation or bylaws does not determine anything about this matter, the assessment will be made judicially, except if by law, by the articles of incorporation or bylaws, the corporation has to wind-up, in which case the assets of the bankrupt party will be included in the bankrupt estate only after the payment of all the liabilities of the corporation.

§ 2. In cases of undividable joint owned property, in which the bankrupt party takes part, the asset will be sold and the amount due to the other owners will be deducted from the collected amount. The other owners have the option to buy the quota of the bankrupt party observing the best offer received.

Section 124. Interests due after the act of bankruptcy, determined in law or in contract, are not required from the bankrupt estate, if the assessed assets are not enough to pay the subordinated creditors.

Sole paragraph. The interests of the debentures and the credits with warranty are excluded from this provision, but they receive exclusively the proceeds of the goods, which constitute the warranty.

Section 125. In the bankruptcy of the estate, the inventory process will be suspended, and the judicial trustee shall perform the outstanding actions related to the rights and obligations of the bankrupt estate.

Section 126. In the property relations not regulated explicitly by this Law, the judge shall decide the case complying with the unity, the universality of the competition and equality of treatment of the creditors, observing the provision set forth in section 75 of this Law.

Section 127. The creditor of the jointly liable parties, the bankruptcies of which are ruled, has the right to compete, in each of them, for the totality of its credit, until receiving it in full, and then the court will be notified of this.

§ 1. The provision set forth in the **heading** of this section does not apply to the bankrupt party, the obligations of which were extinct by a legal decision, under the terms of section 159 of this Law.

§ 2. If the creditor is paid in full by one or more jointly liable estates, those which paid will have the regressive right against the others, in proportion to the part that they paid and to which each of them had its position.

§ 3. If the total value of the amounts paid to the creditor in all the jointly liable bankrupt estates exceeds the total value of the credit, the amount will be returned to the bankrupt estate in the proportion determined in § 2 of this section.

§ 4. If the jointly liable parties had been guarantors one to the other, the excess amount mentioned in § 3 of this section will belong to the bankrupt estates of the jointly liable parties that had the right of being guaranteed, in accordance with the order of the obligations.

Section 128. The solvent jointly liable parties and the guarantors of the debtor or the partners of limited liability can authorize the credit correspondent to the amounts paid or due, if the creditor does not authorize it within the legal term.

Subchapter IX

The Ineffectiveness and the Revocation of the Actions Performed before the Bankruptcy

Section 129. With respect to the bankrupt estate, independently of the fact that the contracting party was aware or not of the economic-financial crisis situation of the debtor, and independently of the intention of the debtor of defrauding or not the creditors, the following is ineffective:

I – payment of debts not overdue made by the debtor within the legal term, by any extinctive means of right to credit, even if by the discount of the bond itself;

II – the payment of overdue debts made within the legal term, by any means not determined in the contract;

III – the constitution of real guarantee right, including the retention, within the legal term, in case of a debt contracted previously; if the assets given in mortgage were object of other posterior mortgages, the bankrupt estate will receive the part that had to belong to the creditor of the revoked mortgage;

IV – the practice of actions free of charge, from 2 (two) years before the act of bankruptcy;

V – the renunciation of inheritance or legacy, up to 2 (two) years before the act of bankruptcy;

VI – the sale or transfer of establishment done without the explicit consent or the payment of all the creditors, at that time existent, in consequence of which the debtor does not have enough assets to settle the liabilities, except if within 30 (thirty) days, there is no opposition by the creditors, after they had been duly notified, judicially or by the official of the registry of documents;

VII – the records of real rights and transfer of property between live persons, onerously or free of charge, or the registration related to the real estate performed after the act of bankruptcy, except if there was a previous record regarding this.

Sole paragraph. The ineffectiveness could be declared by the judge without being requested by either party, alleged in defense or plead by means of an individual action or incidentally in the course of the process.

Section 130. The actions performed with the intention of causing damage to the creditors are revocable and also if the fraudulent conspiracy between the debtor and the third party with which it enters into an agreement and the effective damage suffered by the bankrupt estate has been proved.

Section 131. None of the actions mentioned in subsections I to III and VI of section 129 of this Law, which were anticipated and performed in the form determined in the judicial recovery plan will be declared ineffective or revoked.

Section 132. The revocatory action defined in section 130 of this Law, shall be proposed by the judicial trustee, by any creditor or by the Public Prosecution Service within 3 (three) years counted from the act of bankruptcy.

Section 133. The revocatory action can be promoted:

I – against all of those that participated in the action or who by the effect of the action were paid, guaranteed or gained some advantage;

II – against the acquirer third parties, if on the occasion of acquisition they were aware of the intention of the debtor of causing damage to the creditors;

III – against the heirs or legatees of the persons indicated in subsections I and II of the **heading** of this section.

Section 134. The revocatory action will proceed at the bankruptcy court and will observe the ordinary proceedings set forth in Law 5869, of January 11, 1973 – Code of Civil Procedure.

Section 135. The decision that judges the revocatory action proceeding will determine the return of goods to the bankrupt estate in kind, with all the accessories, or the market value, plus damages.

Sole paragraph. The sentence can be appealed.

Section 136. If the ineffectiveness is acknowledged or the revocatory action is judged proceeding, the parties will return to the previous situation and the contracting party in good faith will have right to the refund of the assets or the values given to the debtor.

§ 1. In the hypothesis of securitizing of the credits of the debtor, neither the ineffectiveness will be declared nor the transfer act will be revoked in damage to the rights of the holder of the securities issued by the securitizer.

§ 2. It is guaranteed to the third party in good faith, at any time, to file action for damages against the debtor or its guarantors.

Section 137. The judge could order, upon request of the plaintiff of the revocatory action, as a preventive measure, in the form of civil procedural law, the seizure of the assets withdrawn from the property of the debtor, which are in possession of third parties.

Section 138. The act can be declared ineffective or revoked, even if performed based on a judicial decision, observing the provision of section 131 of this Law.

Sole paragraph. After the revocation of the act or declaration of its ineffectiveness, the judgment that motivated the act will be annulled.

Subchapter X

The Sale of Assets

Section 139. Soon after the collection of the assets, with the filing of the respective records to the bankruptcy proceeding, the sale of the asset will stSection

Section 140. The alienation of the assets will be performed in one of the following ways, observing the following order of preference:

I – alienation of the company, with the sale of its facilities in block;

II – alienation of the company, with the sale of its branches or productive units separately;

III – alienation in a block of the assets, which integrate each of the facilities of the debtor;

IV – alienation of the individually considered assets.

§ 1. If it is convenient for the payment of the assets, or due to an opportunity, it is possible to adopt more than one form of alienation.

§ 2. The realization of the assets will start independently of the preparation of the general list of the creditors.

§ 3. The alienation of the company will have as an object all the specific assets necessary to the profitable operation of the production unit, which can include the transfer of specific contracts.

§ 4. In the transfers of assets alienated in the form set forth in this section that depend on a public registration, the respective writ will serve as a sufficient acquisition title.

Section 141. In the joint or separate alienation of assets, including those of the company or its branches, promoted under any form mentioned in this section:

I – all the creditors, observing the order of preference defined in section 83 of this Law, subrogate themselves in the proceeds of the sale of the assets;

II – the object of the alienation will be free of any onus and there will not be any succession of bidder in the liabilities of the debtor, including those of taxation nature, related to labor legislation and occupational accidents.

§ 1. The provision set forth in subsection II of the **heading** of this section does not apply when the bidder is:

I – partner of the bankrupt company, or corporation controlled by the bankrupt party;

II – kin, in parentage or collateral kindred up to the 4th (forth) degree, in blood relation or other relative, of the bankrupt party or the partner of the bankrupt corporation; or

III – identified as an agent of the bankrupt party with the purpose of defrauding the succession.

§ 2. Employees of the debtor contracted by the bidder will be admitted by means of new labor contracts and the bidder does not respond for obligations arising from the previous contract.

Section 142. The judge, after having heard the judicial trustee and complied with the guidelines of the Committee, if any, will order that the alienation of the assets start in one of the following ways:

I – auction, by oral bids;

II – sealed offers;

III – proclamation.

§ 1. The performance of alienation in any form mentioned in this section will be preceded by the publication of an announcement in a newspaper of ample distribution, 15 (fifteen) days in advance, in case of goods and chattel, and 30 (thirty) days in advance in case of the alienation of the company or real estate. The divulgation by other means that contribute to the ample awareness of sale is optional.

§ 2. The alienation will occur for the highest offered value, even if it is below the assessed value.

§ 3. In case of the auction by oral bids, the dispositions set forth in Law 5869 of January 11, 1973 – Code of Civil Procedure – shall be applied, if suitable.

§ 4. The alienation through sealed offers will occur upon the delivery and receipt of sealed envelopes at the court records' office and the envelopes will be opened by the judge, on the day, at the time and place specified in the public notice. The respective records will be drafted by the court clerk and signed by the present persons and the offers will be filed in the bankruptcy records.

§ 5. The sale by proclamation constitutes a hybrid form of the previous forms that includes 2 (two) phases:

I – reception of the offers, in the form of § 3 of this section;

II – auction by oral bids, at which only those will participate that presented offers not below 90% (ninety per cent) of the highest offer, in the form of § 2 of this section.

§ 6. The sale by proclamation will respect the following rules:

I – after having received and opened the offers in the form of § 5 of this section, the judge will order the notification of the bidders, the offers of which are in accordance with the requisite set forth in subsection II, so that they should be present at the auction;

II – the opening value of the auction will be that of the highest bidder present, and this value shall be considered as a bid that the bidder is obliged to maintain;

III – if the bidder of the highest offer does not appear in person at the auction and there is no other bid equal or higher than the value offered by that bidder, it is obliged to provide the confirmed difference, establishing the respective certificate of the court as a document valid to commence an execution process for collecting the values by the judicial trustee.

§ 7. In any form of the alienation, the Public Prosecution Service shall be notified personally, under penalty of nullity.

Section 143. In any forms of the alienation mentioned in section 142 of this Law, rejections can be presented by any of the creditors, by the debtor or the Public Prosecution Service, within 48 (forty-eight) hours counted from the sale by auction, in which hypothesis the records will be sent to the judge, who, within 5 (five) days, will decide about the rejections and if he judges them unfounded, will order the delivery of the assets to the bidder, observing the conditions determined in the public notice.

Section 144. If there are justified motives, the judge can authorize, upon request founded by the judicial trustee or the Committee, forms of judicial alienation different of those set forth in section 142 of this Law.

Section 145. The judge will ratify any other form of sale of assets, provided that it is approved by the general meeting of the creditors, including the constitution of an association of the creditors or the employees of the debtor itself, with the participation of the current partners or third parties, if necessary.

§ 1. The provision set forth in section 141 of this Law is applied to the association mentioned in this section.

§ 2. In case of the constitution of an association formed by the employees of the debtor itself, these can use credits originated from the labor legislation for the acquisition or lease of the company.

§ 3. Should the alternative offer for the sale of assets not be approved by the general meeting, the judge shall decide about the form to be adopted, taking into consideration the opinion of the judicial trustee and the Committee.

Section 146. In any adopted form of sale of assets, the bankrupt estate is exempt of presenting the certificates attesting to the non-occurrence of certain facts.

Section 147. The amounts received by any form shall be immediately deposited in an interest bearing account of a financial institution, in compliance with the requisites set forth in the law or the rules of the judiciary organization.

Section 148. The judiciary trustee will include the amounts eventually received in the last month in the report mentioned in item *p* of subsection III of section 22, expressing the form of distribution of the resources between the creditors, observing the provision set forth in section 149 of this Law.

Subchapter XI

The Payment to the Creditors

Section 149. After having made the refunds, paid the debts not included in the concourse of creditors, under the terms of section 84 of this Law, and consolidated the general list of the creditors, the amounts received resulting from the sale of assets will be destined to the payment of the creditors, in accordance with the classification set forth in section 83 of this Law, observing the other provisions of this Law and the judicial decisions that determine a reserve of the amounts.

§ 1. If there is a reserve of amounts, the related values will remain deposited until the final judgment of the credit and should it not be acknowledged in the end, totally or partially, the deposited resources will be object of a supplementary pro rata apportionment between the remaining creditors.

§ 2. The creditors that do not start, within the term determined by the judge, to raise the values appertained to them in the pro rata apportionment, will be notified to do so within 60 (sixty) days, and after that period the resources will be object of a supplementary pro rata apportionment between the remaining creditors.

Section 150. The expenses, the anticipated payment of which is indispensable to the management of the bankruptcy, including in the hypothesis of temporary continuation of the activities set forth in subsection XI of the **heading** of section 99 of this Law, will be paid by the judicial trustee with the resources available in cash.

Section 151. The labor debts of a strictly wage related nature overdue in the 3 (three) months before the act of the bankruptcy, up to the limit of 5 (five) minimum monthly wages per worker, will be paid as soon as there is some available money in cash.

Section 152. The creditors will refund twice the received amount, plus legal interests, if deceitfulness or bad faith is proven in the establishment of the credit or guarantee.

Section 153. After having paid all the creditors, the balance, if any, will be given to the bankrupt party.

Subchapter XII

The Conclusion of the Bankruptcy and Extinguishment of the Obligations of the Bankrupt Party

Section 154. After having concluded the sale of all the assets, and distributed the proceeds between the creditors, the judicial trustee shall present its accounts to the judge within 30 (thirty) days.

§ 1. The accounts, accompanied by the evidential documents, will be rendered in separated records that will be annexed to the bankruptcy records in the end.

§ 2. The judge will order the publication of a notice regarding the fact that the accounts were delivered and they are available to the interested parties that could impugn them within 10 (ten) days.

§ 3. After the end of the term of the notice and having performed the necessary actions to the verification of the facts, the judge will notify the Public Prosecution Service to manifest within 5 (five) days, and afterwards the judicial trustee will be heard if there is an impugnation or contrary opinion by the Public Prosecution Service.

§ 4. After the conclusion of the provisions set forth in §§ 2 and 3 of this section, the judge will judge the accounts through a decision.

§ 5. The judgment that rejects the accounts of the judicial trustee will determine its responsibilities, can determine the unavailability or the attachment of the assets and will serve as a document valid to commence an execution process for the indemnification of the bankrupt estate.

§ 6. The decision can be appealed.

Section 155. After the judgment of the accounts of the judicial trustee, the final bankruptcy report will be presented within 10 (ten) days, indicating the value of the assets and the proceeds of the sale, the value of the

liabilities and the payment made to the creditors, and specify in a justified way the responsibilities that the bankrupt party will still have.

Section 156. After the presentation of the final report, the judge will conclude the bankruptcy through a judgment.

Sole paragraph. The decision of conclusion will be published by a public notice and it can be appealed.

Section 157. The prescription term concerning the obligations of the bankrupt estate restarts on the day on which the decision of the conclusion of the bankruptcy becomes a final judgment.

Section 158. The obligations of the bankrupt party are extinguished by:

I – the payment of all the debts;

II – the payment, after the sale of all the assets, of more than 50% (fifty per cent) of the unsecured debts. The bankrupt party has the option of depositing the amount necessary to reach this percentage if for this the total liquidation of the assets was not sufficient;

III – the lapse of term of 5 (five) years, counted from the conclusion of the bankruptcy, if the bankrupt party was not condemned for committing a crime determined in this Law;

IV – the lapse of term of 10 (ten) years, counted from the conclusion of the bankruptcy, if the bankrupt party was condemned for committing a crime determined in this Law.

Section 159. In case of any of the hypotheses mentioned in section 158 of this Law, the bankrupt party may request at the bankruptcy court that its obligations be declared extinct by a judgment.

§ 1. The petition will be recorded with the respective documents separately and published by a public notice in the official body and in a newspaper of ample distribution.

§ 2. Within the term of 30 (thirty) days counted from the publication of the public notice, any creditor may oppose to the petition of the bankrupt party.

§ 3. After the end of the term, the judge, within 5 (five) days, will make a decision and, if the petition was made before the conclusion of the bankruptcy, will declare the obligations extinct in the judgment of the conclusion.

§ 4. The judgment that declares the obligations extinct will be notified to all the persons and entities informed about the act of bankruptcy.

§ 5. The decision can be appealed.

§ 6. After the res judicata, the records will be annexed to the bankruptcy records.

Section 160. After the prescription or the extinction of the obligations under the terms of this Law, the partner of limited liability also can request the declaration of the extinction of its bankruptcy obligations by a decision of the judge.

CHAPTER VI

THE EXTRAJUDICIAL RECOVERY

Section 161. The debtor that complies with the requisites set forth in section 48 of this Law can propose and negotiate with the creditors an extrajudicial recovery plan.

§ 1. The provision set forth in this Chapter does not apply to holders of debts of taxation nature, related to labor legislation or arising from an occupational accident, as well as those determined in section 49, § 3 and section 86, subsection II of the **heading**, of this Law.

§ 2. The plan cannot contemplate the anticipated payment of the debts nor the unfavorable treatment of the creditors that are not subject to this plan.

§ 3. The debtor cannot request the homologation of the extrajudicial plan, if a judicial recovery request is outstanding or if it obtained a judicial recovery or judicial ratification of another extrajudicial recovery plan less than 2 (two) years ago.

§ 4. The homologation request of the extrajudicial recovery plan can not cause the suspension of rights, actions or executions, nor the impossibility of the request of the act of bankruptcy by the creditors not subject to the extrajudicial recovery plan.

§ 5. After the distribution of the homologation request, the creditors cannot desist from the adhesion to the plan, except by the explicit consent of the other signatory parties.

§ 6. The decision of homologation of the extrajudicial recovery plan will constitute a judicial valid document, under the terms of section 584, subsection III of the **heading**, of Law 5869 of January 11, 1973 – Code of Civil Procedure.

Section 162. The debtor may request the homologation of the extrajudicial recovery plan at the court, filing its justification and the document that contains its terms and obligations, with the signatures of the creditors that adhered to it.

Section 163. The debtor also may request the judicial ratification of the extrajudicial recovery plan that obliges all the creditors involved, provided that it is signed by creditors that represent more than 3/5 (three fifths) of all the credits of each kind therein included.

§ 1. The plan can include the totality of one or more kinds of debts set forth in section 83, subsections II, IV, V, VI and VIII of the **heading**, of this Law, or a group of creditors of the same nature and subject to similar payment conditions and once judicially ratified, it obliges all the debtors of the involved kinds, exclusively with respect to the constituted credits until the date of the homologation request.

§ 2. The credits not included in the extrajudicial recovery plan will not be considered for the purpose of verification of the percentage foreseen in the **heading** of this section and their value or original payment conditions may not be altered.

§ 3. For the exclusive verification purposes of the percentage set forth in the **heading** of this section:

I – the credit in foreign currency will be converted to national currency by the exchange rate of the date previous to the signature of the plan; and

II – the credits held by the persons listed in section 43 of this section will not be computed.

§ 4. In the alienation of the asset object of a lien, the suppression of the guarantee or its substitution will be admitted only by means of explicit authorization of the creditor holder of the respective guarantee.

§ 5. In case of credits in a foreign currency, the exchange rate variation can be avoided only if the creditor holder of the respective credit explicitly approves a different provision in the extrajudicial recovery plan.

§ 6. For the homologation of the plan mentioned in this section, in addition to the documents determined in the **heading** of section 162 of this Law, the debtor shall file:

I – report of the situation of assets of the debtor;

II – the accounting statements related to the last fiscal year and those prepared especially for instructing the request, in the form of subsection II of the **heading** of section 51 of this Law; and

III – the documents that prove the powers of the subscribers to renew or settle, complete list with the names of the creditors, including the address of each of them, the nature, classification and the updated value of the credit, discriminating its origin, the regime of the respective remuneration and the indication of the accounting records of each outstanding transaction.

Section 164. After having received the homologation request of the extrajudicial recovery plan determined in sections 162 and 163 of this Law, the judge will order the publication of a public notice in the public body and in a national newspaper of ample distribution or in the newspaper at the locations of the headquarters and the branches of the debtor, and all the creditors of the debtor shall be notified to present their impugnation to the extrajudicial recovery plan, observing § 3 of this section.

§ 1. Within the term of the public notice, the debtor shall prove that the letter was sent to all the creditors subject to the plan, with residence or head quarters in the country, informing the distribution of the request, the conditions of the plan and the term for impugnation;

§ 2. The creditors will have a term of 30 (thirty) days, counted from the date of publication of the public notice, to the impugnation of the plan, annexing the evidence of its credit.

§ 3. In order to oppose, in its manifestation, to the judicial ratification of the plan, the creditors can allege only:

I – failure to comply with the minimum percentage determined in the **heading** of section 163 of this Law;

II – practice of any action set forth in subsection III of section 94 or section 130 of this law, or failure to comply with any requisite set forth in this Law;

III – failure to comply with any other legal requisite.

§ 4. Upon presentation of an impugnation, a term of 5 (five) days will be granted so that the debtor can manifest regarding it.

§ 5. After the lapse of the term set forth in § 4 of this section, the records will be sent immediately to the judge for the examination of the eventual rejections and he will decide, within 5 (five) days, regarding the extrajudicial recovery plan, judicially ratifying it by a decision if he understands that it does not imply any practice of the actions set forth in section 130 of this Law and if there are not any other irregularities that recommend its rejection.

§ 6. If there is an evidence of simulation of credits or vice of representation of the creditors that subscribed the plan, its judicial ratification will not be granted.

§ 7. The decision can be appealed without any suspensive effect.

§ 8. In the hypothesis of failure to homologate the plan, the debtor shall have to present its new request of homologation of the extrajudicial recovery plan.

Section 165. The extrajudicial recovery plan produces effects after its judicial ratification.

§ 1. It is lawful, however, that the plan establishes the production of effects before the judicial ratification, provided that it is exclusively related to the modification of the value or the form of payment of the undersigned creditors.

§ 2. In the hypothesis of § 1 of this section, should the plan afterwards be rejected by the judge, it returns the right to the undersigned creditors of claiming their credits in the original conditions, deducting the actually paid amounts.

Section 166. If the extrajudicial ratified recovery plan involves the judicial alienation of the branches or isolated productive units of the debtor, the judge will order the performing thereof, observing, as applicable, the provision set forth in section 142 of this Law.

Section 167. The provision set forth in this Chapter does not imply the impossibility of entering into other forms of private agreements between the debtor and its creditors.

CHAPTER VII

CRIMINAL PROVISIONS

Subchapter I

The Crimes in Kind

Defrauding the Creditors

Section 168. To perform, before or after the decision that rules the act of bankruptcy, grants the judicial recovery or homologates the extrajudicial recovery plan, a fraudulent action from which results or can result damage to the creditors, with the objective of obtaining or safeguarding improper advantage for itself or another party.

Penalty – Imprisonment of 3 (three) to 6 (six) years, and fine.

Increase of the penalty

§ 1. The penalty increases by 1/6 (one sixth) to 1/3 (one third), if the agent:

I – prepares an accounting or balance sheet with inaccurate data;

I – omits, in the accounting or the balance sheet, the entry that should be included, or alters the true accounting or balance sheet;

III – destroys, cancels or corrupts accounting or business data stored in a computer or computer system;

IV – simulates the composition of the corporate capital;

V – destroys, hides or makes useless, totally or partially, the mandatory accounting documents.

Parallel accounting

§ 2. The penalty is increased by 1/3 (one third) up to one half if the debtor maintained or moved resources or amounts in a parallel way to the accounting required by the legislation.

Concourse of persons

§ 3. In the same penalties are included the accountants, bookkeepers, auditors and other professionals who, in any way, contributed to the criminal conducts described in this section, to the extent of their culpability.

Reduction or substitution of the penalty

§ 4. In case of the bankruptcy of a small business company, and no habitual practice of fraudulent conducts by the bankrupt party is verified, the judge can reduce the penalty of imprisonment by 1/3 (one third) to 2/3 (two thirds) or replace it by penalties of restriction of rights, loss of property and values or rendering services to the community or public entities.

Violation of business secrets

Section 169. To violate, explore or divulge, without cause, business secrets or confidential data about the operations or services, contributing to conducting the debtor into an economic or financial infeasibility situation;

Penalty – imprisonment of 2 (two) to 4 (four) years, and fine.

Divulging false information

Section 170. To divulge or disclose, by any means, false information about the debtor in a judicial recovery, with the objective of causing its bankruptcy or gaining advantage:

Penalty – imprisonment of 2 (two) to 4 (four) years, and fine.

Inducement to error

Section 171. To withhold or omit information or render false information in the bankruptcy or judicial recovery process, with the objective of inducing the judge, the Public Prosecution Service, the creditors, the general meeting of the creditors, the Committee or the judicial trustee to error:

Penalty – imprisonment of 2 (two) to 4 (four) years, and fine.

Facilitation of creditors

Section 172. To perform, before or after the decision that rules the act of bankruptcy, grants the judicial recovery or homologates the extrajudicial recovery plan, a provision act or property taxation or generator of obligations, destined to favor one or more creditors and causing damage to the others.

Penalty – imprisonment of 2 (two) to 5 (five) years, and fine.

Sole paragraph. In the same penalties is included the creditor that, due a conspiracy might profit from the action set forth in the **heading** of this section.

Deviation, occultation or embezzlement

Section 173. To appropriate, divert, or occult assets that belong to the debtor under judicial recovery or to the bankrupt estate, including by means of acquisition by an intermediary;

Penalty – imprisonment of 2 (two) to 4 (four) years, and fine.

Acquisition, reception or illegal use of assets

Section 174. To acquire, receive, use, illicitly, an asset that knowingly belongs to the bankrupt estate or influence so that a third party of good faith, acquire, receive or use the asset.

Penalty – imprisonment of 2 (two) years to 4 (four) years, and fine.

Illegal credit application

Section 175. To present, in a bankruptcy situation, judicial recovery or extrajudicial recovery, list of false credits, credit application or claims, or annexing to them a false or simulated bond:

Penalty – imprisonment of 2 (two) to 4 (four) years, and fine

Illegal practice of activity

Section 176. To perform an activity for which was rendered ineligible or unqualified by a judicial decision, under the terms of this Law:

Penalty – imprisonment of 1 (one) to 4 (four) years, and fine.

Violation of impediment

Section 177. The judge, the representative of the Public Prosecution Service, the judicial trustee, the judicial administrator, the expert, the appraiser, the court clerk, the minor court official or the auctioneer, by itself or by an intermediary, acquires assets of the bankrupt estate or the debtor under judicial recovery, or with respect to these, enters into a speculation of profit, when they participated in the respective processes:

Penalty – imprisonment of 2 (two) to 4 (four) years, and fine.

Omission of mandatory accounting documents

Section 178. Failure to prepare, account or certify, before and after the decision that decrees the act of bankruptcy, grants the judicial recovery or homologates the extrajudicial recovery plan, the mandatory accounting documents:

Penalty – imprisonment of 1 (one) to 2 (two) years and fine if the fact does not constitute a more serious crime.

Subchapter II

General Dispositions

Section 179. In bankruptcy, the judicial recovery and the extrajudicial recovery of corporations or their partners, officers, managers, administrators and directors, in fact or of right, as well as the judicial trustee, are compared to the debtor or bankrupt party in all the criminal effects resulting from this Law, to the extent of their culpability.

Section 180. The decision that decrees the act of bankruptcy, grants the judicial recovery or the extrajudicial recovery mentioned in section 163 of this Law is an objective condition of punishment of the criminal violations described in this Law.

Section 181. The effects of the condemnation by a crime described in this Law are:

I – the ineligibility for performing any business activity;

II – the impediment for holding any position or function in the board of directors, executive board or management of corporations subject to this Law;

III – the impossibility of managing a company by a power of attorney or business management.

§ 1. The effects mentioned in this section are not automatic, and they have to be declared by a motive in the judgment, and they will last for up 5 (five) years after the extinction of punishability, however it can be ended before by the criminal rehabilitation.

§ 2. After the conviction becomes res judicata, the Public Registry of Companies will be notified so that it take the necessary measures to prevent a new registration in the name of the ineligible parties.

Section 182. The prescription of the crimes described in this Law will be governed by the provisions set forth in Decree Law 2848 of December 7, 1940 – Penal Code, and is starts on the day of the act of bankruptcy, the granting of the judicial recovery or the homologation of the extrajudicial recovery plan.

Sole paragraph. The decree of bankruptcy of the debtor interrupts the prescription, the counting of which started with the granting of the judicial recovery or with the homologation of the extrajudicial recovery plan.

Subchapter III

The Criminal Procedure

Section 183. The criminal judge of the jurisdiction where the bankruptcy had been ruled, the judicial recovery had been granted or the extrajudicial recovery plan had been judicially ratified, shall examine the criminal suit instructed resulting from the crimes described in this Law.

Section 184. The crimes described in this Law are of unconditioned public criminal suit.

Sole paragraph. After the lapse of the term mentioned in section 187, § 1, without any denunciation made by the representative of the Public Prosecution Service, any competent creditor or the judicial trustee can file a private criminal suit subsidiary to the public suit, observing the decadence term of 6 (six) months.

Section 185. After having received the denunciation or the complaint, the ritual described in sections 531 to 540 of Decree Law 3689 of October 3, 1941 – Code of Criminal Procedure – shall be observed.

Section 186. In the report mentioned in item *e* of subsection III of the **heading** of section 22 of this Law, the judicial trustee shall present to the bankruptcy judge a detailed report, considering the causes of the bankruptcy, the procedure of the debtor, before and after the legal decision, and other detailed information with respect to the conduct of the debtor and other responsible parties, if applicable, for actions that can constitute a crime related to the judicial recovery or the bankruptcy, or another felony related to these.

Sole paragraph. The detailed report will include a report of the accountant in charge of the accounting verification of the debtor.

Section 187. After being notified about the decision that rules the act of bankruptcy or grants the judicial recovery, if the Public Prosecution Service verifies the occurrence of any crime described in this Law, will promote immediately the competent criminal suit or, if considers necessary, request the starting of a police inquest.

§ 1. The term for making a denunciation is governed by section 46 of Decree Law 3689 of October 3, 1941 – Code of Criminal Procedure – except if the Public Prosecution Service, in case of the defendant be in liberty or free on bail, decides to wait for the presentation of the detailed report mentioned in section 186 of this Law, and makes the denunciation afterwards within 15 (fifteen) days.

§ 2. In any procedural phase, if circumstantial evidences of committing any crime mentioned in this Law appear, the judge in charge of the bankruptcy, the judicial recovery or the extrajudicial recovery, shall notify the Public Prosecution Service.

Section 188. The provisions set forth in the Code of Criminal Procedure shall be applied in a subsidiary way, if they are not incompatible with this Law.

CHAPTER VIII

FINAL AND TRANSITORY PROVISIONS

Section 189. Law 5869 of January 11, 1973 – Code of Civil Procedure – shall be applied, if appropriate, to the procedures described in this Law.

Section 190. Always when this Law refers to the debtor or the bankrupt party, it is understood that the provision is also applied to the partners of unlimited liability.

Section 191. With the exception of the provisions specified in this Law, the ordered publications will be made preferentially in the official press and, if the debtor or the bankrupt estate wishes, in a newspaper or magazine of regional or national distribution, as well as any other periodical publications that are distributed in all the country.

Sole paragraph. The publications ordered in this Law will contain the epigraph “judicial recovery of”, “extrajudicial recovery of” or “bankruptcy of”.

Section 192. This Law does not apply to the bankruptcy or reorganization processes filed before the starting day of its entering into effect, which will be concluded under the terms of Decree Law 7661 of June 21, 1945.

§ 1. It is prohibited to grant a suspensive reorganization in bankruptcy in the bankruptcy processes in proceeding. The alienation of the assets of the bankrupt party can be promoted after the conclusion of their sale, independently of the composition of the general list of creditors and the conclusion of the police inquest.

§ 2. The existence of the request of reorganization in bankruptcy before this Law enters into effect does not hinder the judicial recovery request of the debtor that did not fail to comply with the obligation regarding the reorganization in bankruptcy. However, it is prohibited to file a request based on the special judicial recovery plan for small business companies mentioned in Subchapter V of Chapter III of this Law.

§ 3. In case of § 2 of this section, if the judicial recovery procedure is granted, the reorganization in bankruptcy procedure will be extinct and the credits submitted to the reorganization will be inscribed by their original value in the judicial recovery, minus the installments paid by the bankrupt.

§ 4. This Law is applied to the acts of bankruptcy within the period of its effect, resulting from the change of previous reorganizations or bankruptcy requests, to which are applied, up to the enactment, the Decree Law 7661 of June 21, 1945, and the provision set forth in section 99 of this Law are observed in the judgment that rules the bankruptcy.

Section 193. The provision set forth in this Law does not affect the obligations assumed by the service providers of financial compensation and liquidation, which will be concluded and settled by the chamber or service provider, in the form of its regulations.

Section 194. The proceeds of the sale of guarantees rendered by the participant of the chambers or service providers of financial compensation and liquidation subject to the regimes mentioned in this Law, as well as the bonds, securities and any other assets object of compensation or liquidation will be destined to the settlement of the obligations assumed by the chambers or service providers.

Section 195. The act of bankruptcy of the concessionaires of public services implies the extinction of the concession, as required by law.

Section 196. The Public Registries of Companies shall maintain a public and free database, available in the worldwide net of computers, which contains a list of all the bankrupt debtors or the debtors in a judicial recovery process.

Sole paragraph. The Public Registries of Companies shall promote the integration of their databases in the national territory.

Section 197. While the specific respective laws have not been approved, this Law shall be applied in a subsidiary way, as appropriate, to the regimes mentioned in Decree Law 73 of November 21, 1966, Law 6024 of March 13, 1974, Decree Law 2321 of February 25, 1987 and Law 9514 of November 20, 1997.

Section 198. The debtors prohibited to request reorganization in bankruptcy under the terms of the specific legislation in effect on the day of publication of this Law are prohibited to request a judicial or extrajudicial recovery under the terms of this Law.

Section 199. The provision set forth in section 198 of this Law does not apply to corporations mentioned in section 187 of Law 7565 of December 19, 1986.

Sole paragraph. In the judicial recovery and the bankruptcy of corporations mentioned in the **heading** of this section, the exercise of the rights resulting from the finance leasing contracts of aircrafts or their parts will not be suspended in any hypothesis.

Section 200. With the exception of the provision set forth in section 192 of this Law, Decree Law 7661 of June 21, 1945 and sections 503 to 512 of Decree Law 3689 of October 3, 1941 – Code of Criminal Procedure – are hereby revoked.

Section 201. This Law enters into effect 120 (one hundred and twenty) days after its publication.

Brasília, February 9, 2005; 184th year of the Independence and 117th year of the Republic.

LUIZ INÁCIO LULA DA SILVA
Márcio Thomaz Bastos
Antonio Palloci Filho
Ricardo José Ribeiro Berzoini
Luiz Fernando Furlan