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Pursuant to Article 21(2) of the Law on Bankruptcy Proceeding (Official Gazette of Republic of Serbia No. 84/04), the Minister of Economy and Regional Development hereby passes the

REGULATION ON THE BASIS AND CRITERIA FOR DETERMINING BANKRUPTCY ADMINISTRATORS' AWARD AND REIMBURSEMENT OF THEIR EXPENSES

1. Subject

Article 1

This Regulation shall determine, in greater detail, the bases and criteria to be used in determining the quantum of Bankruptcy Administrators' Final Award ("Award") and reimbursement of expenses incurred by Bankruptcy Administrators in performing their duties ("Reimbursement").

2. Award

Article 2

The award determined in accordance with this Regulation shall include all appropriate taxes and contributions associated with the payment of the Bankruptcy Administrator's award.

The award shall be paid in the Dinar equivalent of the quantum stipulated below, determined according to the mean exchange rate set by the National Bank of Serbia, on the date the award is determined.

3. Basis for Calculating Award in Case of Liquidation

Article 3

The basis for calculating the award in case of liquidation shall be the bankruptcy estate less

The quantum used as the basis for calculating the award given to a Bankruptcy Administrator at the time that secured creditors are settled.

The expenses of the bankruptcy proceeding exclusive of the Bankruptcy Administrator's award.

4. Manner of Calculating Award in Case of Liquidation

Article 4

The quantum of the award for the entire duration of the bankruptcy proceeding shall be determined as follows:

| No. | Basis for Calculating Award | Award (<i>includes all appropriate taxes and contributions</i>) |
|-----|---------------------------------------|---|
| 1 | Up to 2,000 Euros | 100% |
| 2 | Between 2,001 and 25,000 Euros | 2,000 Euros plus 20% of the value exceeding 2,000 Euros |
| 3 | Between 25,001 and 50,000 Euros | 6,600 Euros plus 8% of the value exceeding 25,001 Euros |
| 4. | Between 50,001 and 100,000 Euros | 8,600 Euros plus 5% of the value exceeding 50,001 Euros |
| 5. | Between 100,001 and 250,000 Euros | 11,100 Euros plus 3% of the value exceeding 100,001 Euros |
| 6. | Between 250,001 and 1,000,000 Euros | 15,600 Euros plus 1.5% of the value exceeding 250,001 Euros |
| 7. | Between 1,000,001 and 3 million Euros | 26,850 Euros plus 0.5% of the value exceeding 1,000,001 Euros |
| 8. | Between 3,000,001 and 5 million Euros | 36,850 Euros plus 0.3% of the value exceeding 3,000,001 Euros |
| 9. | Exceeding 5 million Euros | 42,850 Euros plus 0.2% of the value exceeding 5,000,001 Euros |

5. Increased Award in Case of Liquidation

Article 5

Increased award in case of liquidation shall be determined by the Bankruptcy Panel on the basis of the following:

- 1) Complexity of the bankruptcy proceeding;
- 2) Duration of the bankruptcy proceeding, and
- 3) Degree of settlement of bankruptcy creditors' claims,

5.1. Complexity of the Bankruptcy Proceeding

Article 6

The complexity of the bankruptcy proceeding shall be appraised by the Bankruptcy Panel, at the proposal of the bankruptcy administrator, with regard to:

- 1) Number of claims submitted and examined,
- 2) Absence of valid documentation substantiating the ownership status of assets comprising the bankruptcy estate, if such documentation has been updated during the bankruptcy proceeding;
- 3) Increase of the bankruptcy estate through avoidance actions and discovery of new assets of the bankruptcy debtor not recorded in the debtor's books and records at the moment of opening of bankruptcy, if such actions significantly affect the increase of the bankruptcy estate;
- 4) Trading in order to finish work in progress and generating ongoing income from which bankruptcy expenses will be financed, and
- 5) Any cross-border actions.

At the reasoned request of the Bankruptcy Administrator, the award determined under Art 4(1) may be increased by at least 10% and at most 40%, if the Bankruptcy Panel assesses that one or more criteria referred to in Art. 4(1) has been met.

5.2. Duration of the Bankruptcy Proceeding

Article 7

The award determined under Art. 4 shall be increased:

- 1) By 30% if the Bankruptcy Administrator submits their final report within 12 months after the date of commencement of bankruptcy, and
- 2) By 20% if the Bankruptcy Administrator submits their final report after between 12 and 24 months after the date of opening of bankruptcy.

The award shall not be increased under Art 7(1) if the basis for calculation in accordance with Art 3 is less than 2,000 Euros.

5.3. Degree of Settlement of Bankruptcy Creditors' Claims

Article 8

If the percentage of settlement of bankruptcy creditors' claims is at least 40%, and at most 70% of the total quantum of verified claims, the award determined under Art. 4 shall be increased by 20%; if the percentage of settlement of bankruptcy creditors' claims exceeds 70% of the total quantum of verified claims, the Award shall be increased by 30%

6. Basis for Calculating Award with Respect to the Settlement of Secured Creditors' Claims

Article 9

Funds realised by selling mortgaged assets of one or more creditors, as reduced by the costs of sale of those assets, shall be used as the basis for calculating the award with respect to settlement of secured creditors.

The award and sale costs shall be deducted from the proceeds of selling the mortgaged assets prior to the settlement of secured creditors' claims, and under Art. 111(10) of the Law on Bankruptcy Proceeding (*Official Gazette of the Republic of Serbia*, No. 84/04).

The award with respect to the settlement of secured creditors shall be determined in accordance with Art. 4; this award cannot be increased by the provisions of Arts. 5-8.

7. Additional Award in Case of Liquidation

Article 10

The Creditor's Committee may decide to grant an additional award to the Bankruptcy Administrator from assets available for settlement of all bankruptcy creditors' claims by the date of holding the final hearing,

The Bankruptcy Panel shall approve the payment of the additional award in cases referred to Art. 10(1).

8. Reduction of Award in Case of Liquidation

Article 11

The Creditors' Committee or an individual secured creditor may file with the Bankruptcy Panel a reasoned request for the reduction of the administrator's award within eight days of inspecting the administrator's request for payment of the award.

The Bankruptcy Panel shall rule on the filing referred to in Art 11(1) within eight days of receiving it. This ruling shall proportionally reduce the award determined under Arts. 4-9, if the Panel establishes beyond doubt that the Bankruptcy Administrator's actions have damaged creditors' interests.

The Bankruptcy Panel shall, at the request of the Creditors' Committee, reduce the award determined under Arts. 4, 5, 6 and 8 by 20%, if a bankruptcy proceeding lasts more than 48 months, except where the Bankruptcy Administrator files, and the Bankruptcy Panel confirms, a reasoned explanation proving that the duration of a bankruptcy proceeding was justified due to its complexity, the replacement of a Bankruptcy Administrator, or other objective circumstances not under the control of the Bankruptcy Administrator, including actions of other bankruptcy stakeholders.

At the request of a secured creditor, the bankruptcy panel shall reduce an administrator's award determined under Art. 9(3) by 20% if the secured creditor's claim has not been settled within 24 months after the opening of the bankruptcy, except where the Bankruptcy Administrator files, and the Bankruptcy Panel confirms, a reasoned explanation proving that the time needed to sell assets was justified by the absence of valid documentation substantiating the ownership status of assets subject to secured interests, the replacement of the Bankruptcy Administrator, or other objective circumstances not under the control of the Bankruptcy Administrator, including actions of other bankruptcy stakeholders.

9. Reimbursement in Liquidation

Article 12

The Bankruptcy Administrator shall be entitled to reimbursement of the following costs incurred in the course of a liquidation: travel expenses, telephone bills, office supplies, and costs of experts engaged by the Bankruptcy Administrator in the bankruptcy proceeding in question.

When a specialised institution is appointed as the Bankruptcy Administrator under legislation regulating bankruptcy proceedings, expenses of persons performing the tasks on behalf of such institution acting as Bankruptcy Administrator shall also be considered expenses of Bankruptcy Administrator.

10. Award in Reorganisation

Article 13

The quantum of the Bankruptcy Administrator's award shall be established in the reorganisation plan.

The quantum of the award may be determined under Arts 4-9, where the assets foreseen by the reorganization plan for settlement of creditors' claims shall be used as the basis for calculating the award.

The reorganization plan may foresee an award higher than that determined under 13(2), but not by more than 50%.

When a reorganization plan is proposed by the Bankruptcy Administrator, the Bankruptcy Panel shall increase the award referred to in 13(2) by 10% or 30% if the administrator's reorganization plan is adopted.

The award in reorganization shall be paid out in two instalments, as follows:

- 1) 30% of the award shall be paid out immediately after adoption of the reorganization plan, and
- 2) 70% of the award shall be paid out as specified in the repayment schedule foreseen by the reorganization plan, or after the completion of the plan, if such a repayment schedule has not been foreseen by the reorganization plan.

Where the reorganization plan is not adopted, or where it was decided to continue bankruptcy through liquidation due to non-fulfilment of the reorganization plan, the Bankruptcy Administrator's award shall be determined as foreseen in case of liquidation.

The award paid out upon the adoption of the reorganization plan shall be included in the finally determined award in liquidation proceeding.

11. Reimbursement of Expenses in Reorganisation

Article 14

All expenses referred to in Art. 12 shall be reimbursed in the reorganisation proceeding.

The reimbursement of Bankruptcy Administrator's expenses in reorganisation shall make an integral part of the reorganisation plan.

If the Bankruptcy Administrator has proposed the reorganisation plan, he shall be entitled to request reimbursement of expenses incurred in the preparation of the reorganisation plan.

12. Award and Reimbursement of Expenses in Case of Replacement of the Bankruptcy Administrator

Article 15

The quantum of award and reimbursement of the expenses of the replaced Bankruptcy Administrator shall be determined at the time the bankruptcy administrator's final report is approved, on the basis of an assessment of the volume of work done by the replaced Bankruptcy Administrator in relation to total volume of work necessary to conclude the bankruptcy proceeding.

13. Interim Bankruptcy Administrator's Award

Article 16

The Interim Bankruptcy Administrator shall be entitled to a flat fee award.

The interim Bankruptcy Administrator's award shall be paid out from the advance payment made by the petitioner for bankruptcy.

The Bankruptcy Panel may increase the award referred to in Art. 16(1) depending on the complexity and volume and work required of the interim Bankruptcy Administrator. The increased award must not exceed the sum of 10,000 Euros.

At the proposal of the petitioner for bankruptcy, the Bankruptcy Panel shall increase the award referred to in Art 16(1) by the quantum by which the advance payment referred to in Art. 16(3) has been increased for that purpose. Any increase in the award exceeding 10,000 Euros shall be borne wholly by the filer.

14. Proceedings on Foot

Article 17

The Regulation on Basis and Criteria for Determining Bankruptcy Administrators' Final Award and Reimbursement of Expenses (*Official Gazette of the Republic of Serbia*, No. 43/05) shall apply in the determination and payment of award and reimbursement of Bankruptcy Administrators in bankruptcy proceedings, where before the effective date of this Regulation, a ruling on the main distribution has become final.

For open bankruptcy proceedings, the duration of proceedings as referred to in the Art 11[3,4] shall run from the date of coming into effect of this Regulation.

15. Repeal

Article 18

The Regulation on Basis and Criteria for Determining Bankruptcy Administrators' Final Award and Reimbursement of Expenses (*Official Gazette of the Republic of Serbia*, No. 43/05) shall be repealed on date of coming into effect of this Regulation.

16. Effective Date

Article 19

This Regulation shall come into effect on the eighth day after the day of its publication in the *Official Gazette of the Republic of Serbia*.

No. _____
No. 300-110-00-00068/2007-04
Belgrade, March 4, 2008
THE MINISTER
Mladjan Dinkic