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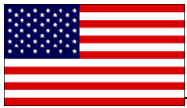
INTERNATIONAL LAWYERS NETWORK



CONNOLLY GALLAGHER

BANKRUPTCY PROCEEDINGS IN THE UNITED STATES

ILN CORPORATE GROUP



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BANKRUPTCY PROCEEDINGS IN THE UNITED STATES

General Overview of the Primary Protection Granted to a Debtor Under the United States Bankruptcy Code

The United States Bankruptcy Code, through its various chapters, governs bankruptcy and reorganization for individuals, corporations, limited liability companies, partnerships, farmers, and municipalities in the United States of America. The Bankruptcy Code is federal law, and it applies in all States of the United States. There are no separate “bankruptcy” laws in the individual States. Most States have their own insolvency, receivership, and assignment-for-the-benefit-of-creditors laws, but they are not as widely used.

Upon the filing of a bankruptcy petition by or against a person or entity (the “Debtor”), section 362 of the Bankruptcy Code automatically creates an injunction (“Automatic Stay”) that

enjoins all creditors and other parties from commencing or continuing any actions against Debtor to enforce claims and obligations that arose prior to the filing of the bankruptcy petition. The Automatic Stay also enjoins action against the property of the Debtor’s estate.

The reach of the Automatic Stay is very broad, and violations of the Automatic Stay may subject the violator to sanctions by the Bankruptcy Court. However, with limited exceptions, the Automatic Stay does not protect persons or entities related to the Debtors who are not debtors themselves, unless the Bankruptcy Court, upon Motion, extends the Automatic Stay to apply to a specific non-Debtor person or entity. The Automatic Stay applies in all bankruptcy cases, unless modified or lifted by the Bankruptcy Court, upon Motion.