

**COMPOSITION DEED IN WHICH THE DEBTOR AGREES TO CARRY ON BUSINESS
UNDER THE INSPECTION OF CREDITORS**

THIS DEED is made at.....on this.....day.....20 between Shri A son ofresident of B son of..... resident of..... (hereinafter called "the debtors") of the FIRST PART, C son of.....resident.....D son ofresident of..... (hereinafter called "the inspectors") of the SECOND PART and persons, firm, creditors of the debtor, whose names are subscribed to this deed and all other creditors who shall assent to or agree to be bound by or undertake to execute this deed (hereinafter called "the creditors") of the THIRD PART.

WHEREAS the debtors have been carrying on the business of.....in the name and style of M/sat.....since.....and.....they have become indebted to the creditors in the amount c, the debt set opposite their respective names in the Schedule hereto-

AND WHEREAS at present, the debtors are unable to pay the said debts and have requested the creditors to grant them some time to pay their debts and allow them to carry on the said business as heretofore for a period of two years but under the supervision, inspection and control of the inspectors;

AND WHEREAS the creditors have agreed to the appointment of the aforesaid inspectors and allowed the debtors to carry on the said business without making demands for immediate payment of debts due to them

NOW THIS DEED WITNESSETH AS UNDER

(1) In pursuance of the said agreements and in consideration of the premises, the creditors and each of them allow the debtors to carry on their business of.....in the name and style of.....at..... subject to the conditions hereinafter contained and the creditors do and each of them doth hereby covenant with the debtors that they will not bring any suit, action, claim or other legal proceedings against the debtors for or on account of debts due to them upon the debtors for a period of two years from these presents

(2) In consideration of the arrangement, the debtors shall carry on their business for a period of two years from the date of these presents subject to the supervision, direction, inspection and control of the inspectors and the debtors shall follow the directions of the inspectors relating to the conduct and management of their business

(3) The debtors shall cause to be prepared balance sheet, profit and loss account and statement of their affairs as at the.....day of.....through M/sChartered Accountants.....New Delhi and thereafter cause to be account prepared balance sheet and profit and loss account every quarter ending with 31 st March, 30th June, 30th September and 31 st December each year and submit the same to the inspectors.

(4) The debtors will keep all books of account, vouchers and other documents as are usual and proper to be kept in their business and the inspectors or chartered accountants appointed by the said Inspectors will have full access to such books, vouchers and documents and liberty to inspect such books, etc. and to take copies thereof or extracts therefrom and the debtors will

give them every facility and all assistance and information as called by the inspectors or Chartered Accountants in this regard.

(5) The debtors will not mortgage, pledge, charge, or create any lien upon or part with the possession of any part of their immovable property, credit or effects, without the consent of the Inspectors However the debtors may create charge, mortgage, pledge in favour of their bankers in the regular course of their business.

(6) The debtors will continue to carry on the business of..... and will not during the period of two years enter into or engage in any other business or undertaking either alone or jointly with any other person.

(7) The debtors will devote their whole time, energy and skill to attend to and carry on the said business to the best of their ability and in all matters of doubt or difficulty affecting the conduct and management of their business will apply for and follow the advice of the Inspectors.

(8) The debtors will not present petitions for insolvency or enter into any composition or any other arrangement with their creditors individually or collectively and will not do any such act, which will give opportunity to any creditor of the debtors to file petition for insolvency against them and if any notice shall be served upon the debtors or any other legal proceedings be commenced against them, or any of them, they or he shall immediately give notice thereof to the Inspectors and act according to the directions of the Inspectors

(9) The Inspectors will have power to inspect the books of business of the debtors and give direction to the debtors about the carrying of their business. The Inspectors will have the power to direct the debtors in any other capacity and to require to dismiss any manager, cashier, accountant, clerk, agent or any other person employed by the debtors in their busines

(10) The Inspectors shall open an account with.....Bank Branchthe debtors shall pay into and deposit in the said account all moneys, bills, notes, cheques or other negotiable instruments. The Inspectors will transfer such sums, as they may consider reasonably necessary for the purpose of conducting the business by the debtors from this account to the account to be opened by them in the said bank, in the name of the debtors and the debtors shall draw cheques payable to order from that account by cheques. The debtors shall not draw a cheque exceeding Rsfrom that account and if they require to draw cheque for more than Rsthe cheque shall be counter signed by Inspector.

(11) The Inspectors shall pay moneys received by them under the foregoing provision towards payment of (a) the expenses incurred in the carrying on of the business; (b) the expenses of carrying out this deed, including the out-of-pocket expenses of the inspectors; (c) monthly sums to the debtors, which are considered reasonable for the maintenance of themselves and their families and (d) the debts of the creditors rateably with interest @.....% per annum.

(12) The Inspectors may require any creditor to give particulars of and prove his claim or debt due to the debtors to the satisfaction of the Inspectors

(13) The debtors hereby appoint the Inspectors, their attorneys in their names and on their behalf to collect, receive and give discharge for all debts due to the debtors against any person or persons and to file suit or legal proceedings against such person or persons who owes debt to the debtor

(14) The Inspectors will be authorised to compound, release and abandon any debts due to the debtors or to accept payment therefor in instalments or in any other manner, which the Inspectors may deem most advantageous for the debtor's estate, or to file, institute, defend compromise or refer to arbitration all actions, suits, claims, or other legal proceedings against the debtors by any person or persons relating to the property, credits of the debtors.

(15) The Inspectors acting under this deed shall be trustees for the purposes of doing the acts or fulfilling the duties required to be done or fulfilled by a trustee under or by virtue of Indian Trusts Act.

(16) If the debtors fail to perform any of the covenants hereinbefore contained or if an insolvency petition is filed by or against them or any of them or if the debtors shall enter into any composition with his creditors or any of them, or if at any time the inspectors give in writing that the licence hereby granted to the debtors should be revoked, then in such case the licence hereby granted to the debtors shall cease and the creditors shall be entitled to enforce their rights and remedies against the debtors in respect of their debts or the balance thereof, as if this deed had not been executed.

(17) The creditors reserve their rights and remedies against the surety/sureties or third person in respect of the said debts.

(18) The creditors who hold mortgage, pledge, lien, charge or other security on any property of the debtors, may take full benefit of such mortgage, pledge, lien, charge or other security on such property.

(19) If any Inspector appointed as hereinbefore provided, refuses to act or becomes incapable of acting or shall die, the creditors at a meeting and by a majority of the creditors representing at least half in value of the debts proved, may appoint an Inspector in his place and any new Inspector so appointed, shall have the same powers and liabilities, as he had been originally appointed under this deed.

(20) The Inspectors will submit the statement of affairs of the business of the debtors before a meeting of creditors every quarter on 10th April, 10th July, 10th October and 10th January of each year. The meeting of creditors will be convened by the Inspectors. Any creditors may by notice require the Inspectors to furnish information relating to statement of affairs of the debtors any time and the Inspectors will furnish the same to the said creditors within.....days of receipt of such notice.

IN WITNESS WHEREOF, the parties have executed this deed in token of acceptance thereof on the day, month and year first above written.

WITNESSES

1.

..... Debtors
..... Debtors
..... Inspectors
..... Inspectors

2.

..... Creditors
..... Creditors

Schedule

Sr. No.	Name of the creditor	Amt. of debt due	Security for the debt,	Signature if any
---------	----------------------	------------------	------------------------	------------------

..... Debtors
..... Inspectors
..... Creditors