

The Mechanism of Implementing the Pre-prepared Reorganization Plan in the Jordanian Insolvency law No. 21 of 2018

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Abstract. This study aims to save the debtor's economic activity from insolvency, subject to the approval of the creditors, or a specific percentage thereof, and the court's approval. A pre-prepared reorganization plan, as regulated by the legislator in the preliminary stage, is a legal tool that enables the debtor to restore and maintain its economic activity. The preliminary stage constitutes the cornerstone of all insolvency stages. During this stage, the debtor's insolvency status is verified, and all essential measures necessary to implement the insolvency law are taken. These procedures include submitting an insolvency application, establishing the insolvency status and its causes, appointing an insolvency trustee, inventorying the debtor's assets, identifying, classifying, and notifying creditors, verifying and evaluating debts, identifying the debtor's transactions and restrictions imposed on them, and all necessary measures to preserve the debtor's assets. This stage also includes publishing the insolvency declaration and other essential procedures. At this stage, the legislator has provided a mechanism through which the debtor can avoid entering formal insolvency proceedings by proposing a pre-prepared reorganization plan. If a debtor is likely to go bankrupt within a specified period, the law allows them to submit a proposed plan outlining a specific mechanism for reorganizing their business. This, in turn, has numerous benefits: preserving the debtor's source of income, preserving employees' jobs and livelihoods, maximizing debt collection for creditors, and generating significant benefits for the national economy. In this study, the researcher identifies the mechanism for implementing this plan.

Keyword: Insolvency Law, Reorganization Plan, Jordanian Legislation, Pre-packaged Insolvency.

1. Introduction

The continuous change in global economic conditions is a natural phenomenon, and it impacts economic projects and commercial enterprises, which may face financial difficulties. Consequently, these projects might enter stages of financial distress. The new Insolvency Law has come as a partial remedy, offering effective tools and procedures to rescue these distressed enterprises, helping them recover, revive, and return to economic activity if they are still viable. In line with the recommendations of the United Nations Commission on International Trade Law (UNCITRAL), the Jordanian legislator formulated the new Insolvency Law in a manner that reflects the committee's approach. The law attempts to assist the insolvent party in reorganizing their internal business structure to overcome the financial distress through several stages. These begin with a preliminary phase initiated by the court's decision to declare insolvency, during which the debtor's assets are inventoried, and creditors and debtors are identified. Financial, economic, and social analyses of the troubled economic activity are conducted to determine the feasibility of reviving the distressed project and restructuring the debtor's financial situation to enable business continuity while protecting affected parties such as workers and stakeholders.

Insolvency Law No. 21 of 2018 offers real benefits to debtors by removing the fear and punishment that existed under the previous law. It represents a qualitative and significant development in the economic landscape. The law focuses on the economic, political, and social future of the project while also safeguarding the creditors' rights ensuring their claims do not expire and they receive their dues under judicial supervision. The law plays a crucial role in preserving the debtor's rights, maintaining their economic activity, and aiding recovery from financial distress. It also upholds creditors' rights equally by introducing a legal mechanism for collective procedures and categorizing creditors into

classes that ensure balanced interest protection. This prevents individual creditors from pursuing their rights independently and ensures feasible repayment terms under judicial supervision, with contributions from specialists such as the insolvency trustee and experts, and through expedited procedures.

The new Insolvency Law also includes a mechanism in the preliminary phase to prevent the debtor from entering a state of insolvency and allows them to avoid insolvency altogether. This is achieved through a pre-packaged reorganization plan proposed by the debtor when they anticipate imminent insolvency. If the debtor foresees that their financial situation may lead to insolvency and this is based on credible and verifiable reasons, they may file for insolvency while presenting a pre-arranged reorganization plan either prepared in advance or shortly after filing the insolvency petition. This plan is then presented to the creditors for approval, subject to court consent. The plan must meet specific conditions and procedures to be effective and should outline methods that will steer the debtor away from insolvency and liquidation, while safeguarding creditors' rights such as reorganization of business activities or voluntary debt restructuring. These measures prove viable and the legislatively required percentage of creditors approve the plan, the debtor is granted a chance to recover and fully resume operations achieving the law's ultimate goal. The effects of this plan benefit all stakeholders involved, including the distressed project owner, creditors, and debtors alike.

2. Problem Statement

The study seeks to clearly define and understand the philosophy behind the pre-packaged reorganization plan, reveal the mechanism for implementing it, and determine the roles of all involved parties namely the debtor, creditors, insolvency trustee, and the court. It also evaluates the legislator's success in applying the plan in light of its conditions.

The study attempts to answer several questions, including:

1. What are the conditions for applying a pre-packaged reorganization plan?

2. What is the court's role in this plan?
3. How successful is the plan compared to the requirements for its application?
4. What are the required creditor approval percentages, and how can objections be raised?

3. Importance of the Study

This study is important as it highlights how the pre-packaged reorganization plan is implemented, emphasizing the necessity of adhering to the legal conditions and procedures stipulated in the Insolvency Law for the plan's successful execution.

3. Research Objectives

The study aims to:

1. Identify the conditions and procedures of the pre-packaged reorganization plan.
2. Explore the mechanisms necessary to achieve its intended goals.
3. Examine how agreements between the debtor and creditors are reached.
4. Clarify the court's role in reviewing and approving the plan.

4. Scope of the Study

The scope of this study is limited to the Jordanian legal system, specifically the **Insolvency Law No. 21 of 2018**.

5. Literature Review

Although there are no direct studies on this specific topic, several related works include:

1. **Bashir Salem Rubai**: Introduction to Commercial Insolvency Law – compares Jordan's Insolvency Law No. 21 of 2018 with UNCITRAL's 2004 Legislative Guide

- and the 2011 Model Law on Cross-Border Insolvency. Difference: His study addresses the law broadly, while this research focuses in-depth on the pre-packaged reorganization plan.
2. **Fadi Tawfiq Al-Muhareb:** A Concise Explanation of Insolvency Declaration Procedures covers the entire process of insolvency declaration. Difference: This study specifically addresses pre-packaged reorganization.
 3. **Alaa Qassem Abu Eid:** The Legal Framework of International Insolvency in Jordanian Law a PhD dissertation, focused on cross-border insolvency. Similarity: Shares some procedural and conditional aspects.
 4. **Hadeel Salah Al-Damour:** Legal Provisions for Ordinary Reorganization Plans under Jordanian Insolvency Law (2018) – Master’s thesis at Mutah University. Difference: Focuses on the second stage of insolvency, while this study analyzes pre-packaged plans in the preliminary phase, emphasizing their effects.

6. Methodology

The researcher will use a descriptive-analytical method, analyzing legal texts to uncover their meanings and objectives. The study will also review relevant judicial rulings and critically assess them for consistency with the law. Furthermore, it will compare the pre-packaged reorganization plan with the ordinary reorganization plan wherever appropriate.

Research Outline

1. **Section One:** Conditions for Applying a Pre-Packaged Reorganization Plan
2. **Section Two:** Approval of the Pre-Packaged Reorganization Plan
3. **Section Three:** Ratification, Objection, and Termination of the Plan

Mechanism for Implementing a Pre-Packaged Reorganization Plan

Applying the Insolvency Law, particularly the pre-packaged reorganization plan, depends on the economic viability of the business activity. If the business is still viable and its issues are temporary and solvable, there are alternatives to rescue it. Law No. 21 of 2018 provides a mechanism for the debtor or business operator to propose a pre-arranged plan to creditors, who must approve it before seeking court approval. If the enterprise is found no longer economically viable or incapable of continuing, liquidation may be the only option. The legislator gives a proactive and responsible debtor the opportunity to avoid impending insolvency through a pre-packaged plan based on credible causes and effective proposals. This plan, approved by creditors and the court, helps maintain business continuity, benefits the debtor, ensures higher repayment rates for creditors, and supports the national economy. However, the debtor must follow a specific mechanism, which this study explores through three key sections:

Section One: Conditions for Applying a Pre-Packaged Reorganization Plan

The legislative philosophy behind the pre-packaged plan is to prevent the debtor from entering insolvency and suffering its consequences. The law gives the debtor a chance to reorganize their business in the preliminary stage, but the plan must meet strict requirements. This section details the required conditions in three branches:

1. Branch One: Conditions related to the debtor
2. Branch Two: Conditions related to the insolvency trustee
3. Branch Three: Conditions related to creditors

All procedures are subject to court approval, including filing the application, verifying all plan conditions, holding discussions and votes, and addressing objections before deciding whether to approve the plan or reject it and proceed to the next legal stage

Section One: Conditions Related to the Debtor

Submitting a request for reorganization through a pre-packaged plan by the debtor requires the fulfillment of several conditions for the plan to be approved. These conditions are as follows:

First: The debtor must submit a reorganization request while their business is experiencing distress, but before entering into actual insolvency, within a period of six months. The debtor must attach all the required data previously mentioned (Article 8(b) of the Jordanian Insolvency Law). The legislator has explicitly stipulated this when defining imminent insolvency, where the debtor loses the future ability to pay debts within six months, even though they are currently solvent. However, if the debtor stops making payments, they are considered to be in actual insolvency. If the default is inevitable, they may not submit a pre-packaged plan (Mousa, 2013). "Defaulting on payments" refers to a financial situation that reveals severe distress, undermining the debtor's credit and posing a significant or imminent threat to creditors' rights (Egyptian Court of Cassation Decision No. 63). If a trader is unable to pay debts on time without resorting to illegal means such as obtaining usurious loans he is considered in default. However, if the debtor fails to pay a single debt due to temporary hardship, they are not deemed in default unless circumstances indicate inevitable insolvency. Even a single unpaid debt may constitute default if insolvency is imminent (Al-Shawarbi, 2019). According to Abu Eid (1998), default means that the debtor is unable or unwilling to pay their debts despite being requested to do so. Dr. Aziz Al-Aqeeli defines it as "the debtor's inability to pay due debts" (Al-Aqeeli, 2003).

Second: The debtor must reach an agreement with creditors to formulate the proposed plan that aims to prevent insolvency. The agreement must be approved by creditors representing at least 25% of the total debts (Article 69(b) of the Jordanian Insolvency Law).

Third: This agreement must be made outside of court proceedings, meaning it is concluded between the debtor and creditors without any court involvement. This provides more flexibility and can save time and effort.

Fourth: The debtor must attach the proposed plan to the insolvency declaration request submitted to the court or submit it within thirty days from the date the insolvency declaration is published (Article 69(b) of the Jordanian Insolvency Law).

Fifth: The plan must aim to ensure the highest possible repayment rate of debts and the continuation of economic activity through the settlement reached between debtor and creditors. The legislative philosophy of the insolvency law is to maintain economic activity. If it becomes apparent that this cannot be achieved, the pre-packaged plan may not be approved (Article 69(b) of the Jordanian Insolvency Law). It is worth noting that to preserve the purpose of the insolvency law and ensure it achieves its objectives, the legislator penalized the debtor (whether a natural person or a legal entity's manager) with up to three years' imprisonment, refund of funds to the creditors, and loss of the right to discharge debts if they commit any of the following acts:

1. Hiding any assets that should be part of the insolvency estate, such as undisclosed cash or receivables.
2. Manipulating the valuation of assets during negotiations with creditors—either underestimating or overestimating their value.
3. Creating fictitious creditors or inflating a creditor's debt, or including a creditor with an illegitimate claim to influence voting or plan approval.
4. Intentionally withholding or providing false information or records requested by the court or insolvency trustee these are considered criminal offenses.
5. Intentionally omitting debts or creditors from required lists or records.
6. Making side deals with creditors to secure favorable votes or harm other creditors.
7. Disposing of assets post-insolvency declaration to hide or exclude them from liquidation proceeds (Article 113 of the Jordanian Insolvency Law).

The text clearly shows that the legislator imposed strict measures on bad-faith debtors to preserve economic continuity, benefiting both debtors and creditors. If a debtor is found to have acted fraudulently, they face imprisonment, must return misappropriated funds, and lose debt discharge rights (for individuals). Acts of bad faith include hiding assets like cash or gold, manipulating asset valuations, fabricating debts or creditors, excluding opposing creditors from proceedings, or making secret agreements. Courts may proceed with liquidation if such acts are detected.

Section Two: Conditions Related to the Insolvency Trustee

The insolvency trustee plays a crucial role in the effectiveness and implementation of the pre-packaged plan. Several conditions must be met for the trustee to fulfill their role:

First: The trustee must prepare a comprehensive report evaluating the plan proposed by the debtor. This report should assess whether the economic activity can realistically continue if the plan is implemented and whether the plan can be effectively executed (Article 78(a) of the Jordanian Insolvency Law; Ghanem, 2020). The trustee may request additional information from the debtor or creditors who approved the plan and may also ask the court to appoint an expert if justified (Article 70(a), (c), (d)).

Second: The report must include:

1. Confirmation that the plan contains all legally required information and enough detail to enable the court and creditors to make an informed decision.
2. An assessment of the reasonableness of assumptions underlying the reorganization steps and projected cash flows.
3. An opinion on whether the expected debt recovery through the plan is greater than what would be recovered through liquidation.
4. An opinion on whether the plan improves creditors' chances of debt recovery.
5. An evaluation of whether any creditor or class would receive less under the plan than they would through liquidation.

6. An assessment of the legitimacy of any claims by related parties, as they impact the insolvency estate (Article 4 of the Jordanian Insolvency Law).
7. A judgment on whether the debtor's financial inability to pursue legal action or fulfill plan commitments affects the plan's feasibility (Article 70(b), linked to Article 78).

Third: The trustee must submit the report within thirty days if the plan is filed with the insolvency request, or within ten days if submitted after (Article 70(a)). The report must be ready for creditors to review, allowing them to assess whether to approve the plan based on its feasibility. Analysis shows that the trustee's report significantly influences the plan's success. If the plan lacks clarity or foundation, a well-prepared report could lead to its rejection. Legislators also emphasized timeliness, setting short deadlines to help avoid full insolvency and quickly stabilize the debtor's situation.

Fourth: The trustee must perform their duties with competence, integrity, and diligence and must not:

1. Mismanage or misuse the debtor's assets.
2. Use their position for personal gain.
3. Deliberately conceal or falsify information related to reorganization or liquidation, harming debtor or creditor interests.

Due to the trustee's crucial role and potential impact, the law stipulates up to three years' imprisonment and restitution of misused funds if any of the above actions are committed (Article 115 of the Jordanian Insolvency Law).

Section Three: Conditions Related to the Creditors

Creditors are central to the success of the pre-packaged plan. Without their participation, the plan cannot proceed, as it directly concerns their rights. Their involvement is essential in all stage's proposal, approval, and execution.

First: Creditors or a sufficient percentage of them must agree to the debtor's proposed plan, representing at least 25% of total listed debts in the insolvency estate. Without this threshold, the debtor cannot submit the plan to the court (Article 69(b); Abdul Rafe' Mousa, 1993).

Second: Creditors must review the insolvency trustee's report to assess the plan's effectiveness in achieving its pre-agreed goals (Article 70(a)). They have the right to examine every detail of the report to decide whether the plan benefits them more than liquidation.

Third: Creditors must submit their claims by registering them in writing with supporting documentation within thirty days of the insolvency decision being published (Article 61(a); Qasem, 1999).

Fourth: Creditors eligible to vote must participate and the plan must receive majority approval. Without a vote or majority, the court cannot approve the plan, and the preliminary phase ends (Article 75).

Fifth: Creditors allowed access to the plan must maintain confidentiality. Only those listed as creditors or those with verified claims may view the plan, and they must sign a non-disclosure agreement (Article 71). The legislator emphasized the plan's confidentiality to preserve its effectiveness. Any breach of confidentiality may lead to liability under Article 256 of the Jordanian Civil Code: "Any harm caused to others shall require the perpetrator even if incompetent to compensate for the damage." The Insolvency Regulation also requires the trustee to treat all information and documents obtained during their duties with strict confidentiality (Article 23(a)(4)). Members of the creditors' committee are also prohibited from disclosing any information gained through their role (Article 32(h)). Violations may result in dismissal and legal liability (Article 24(e); Ghanem, 2020). This applies to all creditors, who may be held liable for damages resulting from unauthorized disclosure.

Section Two: Approval of the Pre-Packaged Reorganization Plan

The fulfillment of the necessary conditions for approving the pre-packaged reorganization plan, as discussed in the previous section, represents the first step toward its approval. The absence of such conditions prevents the continuation to subsequent steps. The submission of this plan by the debtor exclusively, within the timeframe specified by the legislator, the preparation of a comprehensive report assessing the plan by the insolvency agent, obtaining the required percentage of creditor approval, and the court's consent to the plan—among other previously mentioned requirements are essential prerequisites for proceeding to the next procedural phase. The researcher will address these procedures in detail under two subsections: the first will address the vote on the plan, and the second will address ratification, objections, and the required majority for the approval of the pre-packaged reorganization plan.

Subsection One: Voting on the Pre-Packaged Reorganization Plan

Voting and obtaining the required majority is a **critical step** in approving the pre-packaged reorganization plan. However, this step is governed by several procedures and rules that must be observed for the vote to be valid and binding. Article **72(b)** of the Jordanian Insolvency Law refers to the procedures stipulated in Chapter Nine of the same law, which governs voting on regular reorganization plans. The researcher will discuss these provisions in several points:

First: When does voting start and when does it end?

The legislator directly stipulates that: "Creditors may vote on the pre-packaged reorganization plan starting from the date of the deadline for submitting claims and ending at the expiration of the objection period for the creditors' list" (Article 72 of the

Jordanian Insolvency Law). But when exactly is the deadline for submitting creditor claims? And when does the objection period end?

1. Submission of claims: According to Article 61, the creditor must:

1. Submit a written claim within 30 days of the declaration of insolvency,
2. Attach supporting documents,
3. Include creditor's name, domicile or registered office, and any identifying contact information including email (if available),
4. Include debt details: amount, origin, due date, and nature,
5. Classify the debt in accordance with the Insolvency Law (in the creditor's view),
6. For secured claims: include a description of the collateral and registry data,
7. Provide copies of supporting documents or originals upon request. If these conditions are met, the creditor becomes eligible to vote on the plan.

Penalties for fraudulent claims: Under Article 114 (a + b), any creditor who:

1. Participates in voting without entitlement,
2. Deliberately exaggerates the value of a claim,
3. Submits fictitious claims, is punishable by up to 3 years in prison, or a fine of 5,000 JOD, or both, and must return any funds received from the insolvency estate.

2. Objection to the list of creditors: The objection period lasts 10 days from the date of publishing the list of claims. Any interested party may object in writing to the inclusion or classification of any debt. This is regulated under Articles 62 and 63. The objection must include supporting documents. The insolvency agent or the concerned creditor has 10 days to respond. The court may, on its own or upon request, hold a hearing to examine the objection and must issue a decision within 15 days of receiving the response. Despite ongoing objections, insolvency procedures continue unless the contested claims exceed 30% of total claims. In that case, the court may suspend the proceedings (Article 64). The researcher believes that continuing procedures, even with objections (if below 30%),

fulfills the law's purpose preserving a viable economic project or liquidating it quickly if reorganization is not pursued.

Second: Who is eligible to vote on the plan?

Only creditors listed in the final creditors' list may vote on the pre-packaged reorganization plan. But does this include all creditors on the list? Not quite. According to Article 36, creditors are divided into two main categories:

1. Insolvency Creditors: Creditors whose debts arose before the insolvency declaration.
2. Post-Insolvency Creditors: Those whose debts arose after the insolvency declaration.

Voting eligibility: Only Insolvency Creditors may vote. As stated in Article 38, post-insolvency creditors are excluded from insolvency procedures, including voting. Instead, they are given priority in repayment, second only to secured debts. The rationale, in the researcher's view, is that these debts were incurred to preserve the insolvency estate and assist the debtor's continued operation. Thus, they deserve priority to encourage future dealings with the insolvent entity. Further exclusions: Among insolvency creditors, some are still excluded from voting. According to Article 37, creditors are classified into:

1. Secured creditors may vote if their rights are affected by the plan (Article 82/d).
2. Preferred creditors include:
 - Employees' wages (up to 3 months),
 - Family alimony due before insolvency,
 - Tort claims arising before insolvency. (Article 38/b, Article 40)
3. Unsecured creditors those with no collateral or legal priority.
4. Subordinated creditors the last to receive payment from the estate. Article 46(a) excludes the following from voting:

5. Subordinated creditors,
6. Partners in the debtor company (if a legal entity),
7. Creditors whose debts are still disputed (unless the court permits based on insolvency agent's opinion) Additional clarification in Article 85(a): Partners or shareholders are excluded unless they are creditors not considered related parties (as defined in Article 4). The researcher views this exclusion as a measure to ensure transparency and prevent conflicts of interest in approving the plan.

Third: Voting Mechanism

Creditors vote by submitting a written document to the insolvency agent or court. Article 72 refers to the procedures for voting on the regular reorganization plan as outlined in Chapter Nine. Creditor classification for voting purposes is based on:

- Type of claim (secured, preferred, unsecured,),
- Additional internal divisions may be made (e.g., by claim amount or legal relationship) under Article 80. This classification facilitates voting, especially if creditor numbers are large. All creditors within the same class have equal rights unless a preferential arrangement is agreed upon. Preferential treatment within a **class** must be approved unanimously by that class and documented (Article 81).

Vote counting: The insolvency agent tallies votes within five days of the voting deadline. If the required majority is achieved, the agent notifies the court and deposits the plan for approval (Article 73/b).

Subsection Two: Required Majority to Approve the Plan

The legislator requires a specific majority for the pre-packaged plan to be approved. Article **73/a** refers to the majority requirements outlined in Chapter Nine, which governs regular reorganization plans. After tallying votes, if the required majority is met, the agent notifies the court to proceed with ratification.

Types of majority:

1. General Rule (Article 90/a): Approval by the absolute majority of total debt value (monetary majority, not headcount).
2. Stricter Majority (Article 90/b): If the plan includes: A debt reduction over 50%, Rescheduling debts for more than 5 years, then it requires 60% approval from affected creditors. The researcher believes the increased threshold protects creditors from overly harsh restructuring terms.
3. Preferential treatment (Article 90/c): If the plan provides preferential treatment to a group of creditors within the same class, then: The general majority must be achieved, and a separate majority of affected creditors (within the class) must also approve.
4. Assumptions Regarding the Majority Required for Approval of a Pre-Packaged Reorganization Plan:
5. First Assumption: If the pre-packaged reorganization plan includes the reorganization of economic activity, the required majority is the absolute majority of the total debts.
6. Second Assumption: If the pre-packaged reorganization plan includes a debt reduction exceeding 50%, the required majority is the approval of at least 60% of the total debts held by the creditors whose debts are to be reduced.
7. Third Assumption: If the plan includes rescheduling debts for a period exceeding five years, the required majority is the approval of at least 60% of the total debts held by the creditors whose debts are to be rescheduled.
8. Fourth Assumption (by contrast): If the plan includes a debt reduction of less than 50% or rescheduling for less than five years, the required majority is the approval of the absolute majority of the total debts held by the creditors whose debts are being reduced or rescheduled.
9. Fifth Assumption: If the pre-packaged reorganization plan includes preferential treatment for a group of creditors within a certain class of creditors, the plan must

be approved independently by an absolute majority (50% +1 by value) of the affected creditors within that same class, as previously explained.

10. Sixth Assumption: If the plan includes modification or alteration of the rights of secured creditors, it must be approved by all affected secured creditors (Article 82(b) of the Jordanian Insolvency Law).
11. As mentioned earlier, after the voting concludes, the insolvency agent begins counting the votes within five days from the end of the voting period. The researcher believes that this time frame is relatively short, aiming to achieve the objective of the pre-packaged reorganization plan, which is to provide a solution that steers the debtor away from insolvency at its early stages.
12. If the pre-packaged plan achieves the required majority in accordance with the provisions of the law (as detailed above), the insolvency agent notifies the court and deposits the plan with it, so the court can proceed with the subsequent procedures to approve the plan.
13. However, if the plan fails to achieve the required majority after vote counting, the insolvency agent must inform the court, which will then declare the end of the preliminary stage in which the pre-packaged reorganization plan falls—and proceed to the reorganization phase, unless the debtor submits a request to commence liquidation proceedings instead (Article 75 of the Jordanian Insolvency Law).

Section Three: Court Approval, Objection, and Conclusion of the Pre-Packaged Reorganization Plan

Part One: Court Approval of the Plan The pre-packaged reorganization plan must receive court approval to become enforceable. It is not sufficient for the plan to obtain the required majority alone; the court must formally approve the plan. Additionally, creditors may still object to the plan despite it securing the required majority, and the court is obligated to examine such objections. To explore these two possibilities, the researcher

addresses in the first part the court's approval of the pre-packaged plan and, in the second part, the potential objections to it.

Court Approval of the Plan

The court approves the pre-packaged reorganization plan if the plan has received the required majority under the law and no creditor has filed an objection. Alternatively, if an objection is filed and the court rejects it through the prescribed procedures (which will be discussed later), the court proceeds to approve the plan, declare the end of the preliminary stage, and suspend insolvency proceedings (Article 74 of the Jordanian Insolvency Law). Court approval is a necessary procedural safeguard to ensure that all required conditions such as the legally mandated majorities mentioned earlier are met, thereby protecting the rights of dissenting creditors and addressing any valid objections. The court that approved the pre-packaged reorganization plan is the same court authorized to approve its implementation, and the insolvency agent submits the plan and the voting results to this court. Once approved, the plan becomes binding on all creditors and takes legal effect from the date of approval. A question arises: Is the court's approval merely a formality once all conditions are met? Or does the court have discretionary authority?

The researcher believes that once the conditions are verified, the court must approve the plan in order to fulfill the objectives of the Insolvency Law. The court's discretion lies in verifying the conditions, not in rejecting the plan arbitrarily. If the plan lacks any required condition, the court must reject it, but such rejection must be justified. Furthermore, upon examining Chapter Nine, which outlines the required majority for a standard reorganization plan (to which the pre-packaged plan is also subject), the researcher finds that the law allows the court to approve a standard reorganization plan even without the required majority in limited circumstances. The question is whether these provisions also apply to pre-packaged plans.

What complicates this matter is that the standard plan involves a creditor meeting, while the pre-packaged plan does not vote is done in writing and submitted to the insolvency agent or the court. Still, upon analyzing these exceptions, which the law defines strictly, the court may approve a plan without the required majority if:

1. The implementation of the plan does not place creditors within the same class in a worse position than if liquidation had occurred.
2. No harm is caused to any creditor within a class compared to others in the same rank.
3. No creditor in any class receives more than the total value of their claim (Article 91(a) of the Jordanian Insolvency Law).

The researcher notes that court approval under these conditions does not undermine creditor rights, nor does it contradict the plan's purpose. The request for such approval can be made either by the insolvency agent or the debtor.

Here, the court does have discretionary power to approve or reject the plan despite the conditions being met, but if requested by the debtor (not the agent), the court must present the plan only if none of the above exceptions are met, allowing the insolvency agent to express his opinion (Article 91(b)). The agent, after all, prepares a detailed report evaluating whether the plan fulfills its intended purpose. If it does, the court has no reason to reject its application.

Part Two: Objection to the Pre-Packaged Reorganization Plan

The legislature has stipulated that the procedures and conditions for objecting to a standard reorganization plan, as stated in Chapter Nine, also apply to pre-packaged plans (Article 73(c) of the Jordanian Insolvency Law). It also provides that the court's decision regarding the objection is subject to appeal. Creditors who opposed the approval of the

pre-packaged plan may object to the court's approval decision based exclusively on the following four legal grounds:

1. Violation of the Insolvency Law provisions relating to the conditions for drafting the plan.
2. Violation of the Insolvency Law provisions relating to the formation of the majority.
3. Non-fulfillment of the conditions in Article 91, if the court approved the plan on that basis, and the objector believes harm was caused despite the court's approval (Articles 91 and 92(b)).
4. Creditors holding at least 20% of the total debt may object on the grounds of the plan's lack of feasibility (Article 92(c)(1)).

The insolvency agent must submit the pre-packaged plan to the court after vote counting and confirmation of the required majority (as per the legal assumptions previously outlined). However, the law requires the court to wait ten days from the date of submission to receive any objections. This ten-day period is a mandatory deadline for objecting creditors. If no objection is submitted within this period, the court proceeds to approve the plan without any further action (Article 92(b)). An objecting creditor must file the objection with the court registry within ten days of the plan's submission, stating one of the aforementioned grounds. The court then verifies the timeliness and validity of the objection. If the court finds merit in the objection, it must notify the debtor and the insolvency agent to respond. The court may also appoint an expert to assess the feasibility of the pre-packaged plan, especially if that is the basis of the objection.

While the law does not explicitly state the response period, Article 92(c)(3) implies that the full procedure including notification, expert evaluation, and responses—must be completed within ten days from the end of the objection period. This ten-day period is considered a procedural (organizational) time frame intended for managing the trial

process not binding on litigants. Therefore, if the judge has a justifiable reason to delay the decision, they are legally permitted to do so (Khalil, 2001).

Section Three: Court Approval, Objections, and Termination of the Pre-Packaged Reorganization Plan

Part One: Court Approval of the Plan The implementation of the pre-packaged reorganization plan must be concluded with the court's approval. Obtaining the required majority of creditor votes is not sufficient on its own; the plan must be officially approved by the court. Furthermore, creditors may object to the plan even if the required majority has been met, which obligates the court to examine such objections. To address these possibilities, this section discusses two key points: (1) court approval of the pre-packaged reorganization plan, and (2) objections to the plan.

Court Approval of the Plan

The court shall approve the pre-packaged reorganization plan if it receives the legally required majority and no objections are submitted by creditors. If objections are submitted, and the court rejects them in accordance with the procedures discussed below, the court then issues a decision approving the plan and declaring the end of the preliminary phase, as well as the suspension of any insolvency proceedings taken against the debtor (Article 74 of the Jordanian Insolvency Law). The court's approval serves as a necessary oversight measure to ensure the plan meets all legal conditions particularly the voting thresholds discussed previously and to safeguard the rights of dissenting creditors and review objections, if any.

The competent court is the one that previously approved the filing of the pre-packaged plan and received the voting results. Once the court approves the plan, it becomes binding

on all creditors and effective from the date of the court's decision. A key question arises: Does the court's approval become automatic upon satisfaction of legal conditions, or does the court have discretion to approve or reject the plan? The researcher believes that the court is obligated to approve the plan once all legal conditions are met, in alignment with the objectives of the Insolvency Law. The court's discretion lies solely in verifying the conditions, not in arbitrarily accepting or rejecting the plan. If the court rejects the plan, such rejection must be justified.

The Jordanian legislator has given the court limited discretionary power to approve a standard reorganization plan even if the required majority is not achieved, provided specific conditions under Article 91 are met. While pre-packaged plans are voted on through written documentation rather than creditor meetings, the same rules may be applicable by analogy. These conditions are:

1. Implementation of the plan must not place creditors of the same class in a worse position than if the business were liquidated.
2. No harm should be caused to any member of any class in comparison with members of the same rank from other classes.
3. No creditor from any class should receive more than the total value of debts owed to that class.

Thus, if these three conditions are met, the court's approval would not harm the rights of creditors, and the plan can still serve its intended purpose. This request may be made by the debtor or the insolvency administrator, who must provide a comprehensive evaluation of the plan's viability.

Part Two: Objection to the Pre-Packaged Reorganization Plan

According to Article 73(c) of the Jordanian Insolvency Law, the objection procedures applicable to standard reorganization plans also apply to pre-packaged plans. The court's

decision on an objection is subject to appeal. Creditors who opposed the approval of the plan may file an objection based on one of four exclusive grounds:

1. Violation of the Insolvency Law regarding the plan's preparation requirements.
2. Violation of the law regarding the formation of the voting majority.
3. Failure to meet the conditions of Article 91, which safeguard creditors from unfair prejudice (Articles 91 and 92(b)).
4. Lack of feasibility of the plan, as claimed by creditors representing at least 20% of the total debts (Article 92(c)(1)).

After the insolvency administrator verifies that the plan has received the required majority, they must submit it to the court. The court must then wait ten days from the date of submission to receive any objections. This ten-day period is mandatory; if no objection is filed within this timeframe, the court may approve the plan without further proceedings (Article 92(b)). The objecting creditor must submit their objection in writing within ten days, stating one of the above legal grounds. If the court finds the objection timely and legally justified, it must notify the debtor and the insolvency administrator, granting them a time limit to respond. If the objection is based on lack of feasibility, the court may appoint an expert to assess the plan.

Although the Insolvency Law does not specify a response period, Article 92(c)(3) implies that the entire process, including notification, expert appointment, and responses, must be completed within ten days from the end of the objection period.

This ten-day period is organizational, and the court may extend it if justified by case circumstances. The court must render its decision on the objection within the prescribed period. If the objector proves any of the first three grounds and the debtor or administrator fails to refute them, the court must reject the plan. As for the fourth ground (lack of feasibility), the court retains discretion, based on expert opinion, to approve the plan despite the objection.

All parties involved creditors, the debtor, or any interested party—may appeal the court’s decision (whether of approval or rejection) within ten days from the date of issuance (Article 93(a)). The appeal must be filed in writing within this period. Failure to comply renders the court’s decision final. If the appeal meets all requirements, the appellate court must decide the case within ten days from receiving the file (Article 93(b)). If the plan is approved, the preliminary phase ends, and the plan begins producing its legal effects (Article 74). If rejected, the court announces the end of the preliminary phase, and the case moves to standard reorganization proceedings unless the debtor requests to proceed directly to liquidation (Article 75).

It is worth noting that only the debtor may request liquidation at this stage, since the debtor has not yet ceased payments. Creditors or the Companies Controller may only request liquidation after payment default occurs (Article 6(b)).

Important Question: Can Creditors Appeal the Court’s Approval of the Plan Without Filing an Objection?

Although the law does not explicitly address this scenario, based on general procedural rules specifically Article 176 of the Jordanian Code of Civil Procedure it is permissible to appeal the court’s approval even if no objection was previously filed. This is in line with the fundamental principle of two-tiered litigation, which ensures judicial accountability and allows litigants the opportunity to correct legal or factual errors before a higher court.

Part Three: Termination of the Pre-Packaged Reorganization Plan

The pre-packaged reorganization plan is temporary by nature. It is designed to address exceptional conditions affecting the debtor, such as financial distress or operational disruptions. Once the plan's objectives are met, and the underlying causes of distress are resolved, the plan terminates naturally. However, several non-standard scenarios may also lead to termination, either before or after implementation, as outlined below.

First: Termination Before Implementation

1. Failure to obtain 25% initial creditor approval prevents the debtor from submitting the plan to court (Article 69(b)(1)).
2. Failure to submit the plan within 30 days of insolvency declaration results in forfeiture of the right to proceed (Article 69(b)(2)).
3. Negative administrator assessment, indicating the plan cannot be executed or the business has ceased operating, leads to termination (Articles 67(c), 70(a), 78(a)).
4. Failure to achieve the final required majority after voting leads the court to announce the end of the preliminary phase and a shift to other proceedings (Article 75).

Second: Termination After Approval

1. Valid objections on legal grounds (defective preparation, voting irregularities) can result in plan rejection, even after court approval (Article 92(b)).
2. Objection based on lack of feasibility may lead to termination if the court, assisted by an expert, confirms the plan is not viable (Article 92(c)(1–2)).
3. Material breach during implementation (e.g., failure to pay installments, preferential treatment of certain creditors) allows the supervisor, creditor committee, or any creditor to request termination. If the debtor fails to refute the claim within five days, the court may terminate the plan and begin liquidation proceedings (Article 96).
4. What constitutes a material breach? The researcher believes this is subject to the court's discretion. A breach is considered material if it affects creditors' rights, such as delayed payments or unequal treatment. If a creditor or stakeholder fails to report the breach promptly, this may be construed as implicit consent, and they lose the right to object.
5. Criminal misconduct during the preliminary or implementation phases (e.g., concealment, fraud, falsification of records) also justifies termination and triggers both civil and criminal consequences Article 113/b of the Jordanian Insolvency Law No. (21) of 2018 relates to the deadlines and time limits set in insolvency procedures and

is considered one of the fundamental provisions that regulate the course of procedures and the associated rights.

6. Successful implementation of the plan entitles the debtor to request formal closure of the plan. The court, upon verification, issues a decision to end the plan (Article 97(a)) this is the natural end of the plan.

Termination of the Pre-Packaged Reorganization Plan Even After Its Execution

The pre-packaged reorganization plan may also be terminated even after its execution. Once the court issues a decision declaring the plan successfully implemented, this decision must be published in accordance with the provisions of Article 139 of the Jordanian Insolvency Law, to allow interested parties to file objections if they have valid grounds. These parties may submit their objection to the court's decision within ten days from the date of publication (Article 97(b) of the Jordanian Insolvency Law).

The researcher believes that the scope of objection in this context lies in the existence of any material breaches in implementing certain provisions of the plan that only became apparent after its execution. If an objection is filed within the legal timeframe, the court shall hear the debtor and the supervisor of the plan's implementation. Based on the submissions, the court will issue a decision either confirming the natural termination of the reorganization plan or initiating liquidation proceedings, and this must occur within five days from the date of the objection. Moreover, any interested party may appeal the court's decision within ten days from the date of issuance or notification, as applicable (Article 97(d) of the Jordanian Insolvency Law).

7. Conclusion

After thoroughly addressing the topic of the mechanism for implementing a Pre-Packaged Reorganization Plan, including its requirements, approval, voting process, and termination, the researcher reaches a set of findings and recommendations, outlined as follows: The Jordanian legislator has aligned with the laws of other jurisdictions by

enacting the Insolvency Law, which represents a significant step in the country's economic reform process. Global and domestic economic crises affecting business establishments are key reasons behind enacting this law, as it aims to protect companies from collapse and grant them an opportunity to restructure and remain in the market. The debtor's awareness of their financial situation plays a major role in choosing the appropriate path, and a debtor should not opt for a pre-packaged plan if it does not align with their actual financial standing. Gradual resolution of business distress is highly effective, and the Jordanian legislator wisely divided insolvency into sequential phases, allowing for a more organized and gradual response to financial crises. Many economic challenges can be overcome before they escalate, especially if the debtor utilizes the pre-packaged plan provided under the preliminary phase, which can, in some cases, eliminate insolvency altogether. The legislator has regulated the plan's procedures in a well-structured manner. The viability and sustainability of the business are the cornerstone criteria for approving and adopting this plan. The legislator has explicitly established this viability as a condition for approval. The Insolvency Administrator plays a critical role in the success of the plan. The report they prepare may determine whether the debtor can proceed with this route or not. The legislator's classification of creditors into categories during the voting process reflects a clear concern for protecting creditors' rights. Speed and flexibility are among the most significant advantages of the pre-packaged reorganization plan. The legislator allowed the debtor more room to negotiate directly with creditors, outside the formal court procedures, giving the process both efficiency and adaptability. Time is of the essence in insolvency proceedings, especially with pre-packaged plans. The legislator emphasized the importance of timeframes, although the procedural deadlines were not always precisely defined, which can create practical challenges. Confidentiality is key to the success of pre-packaged plans. However, the legislator has not set clear penalties or procedures regarding breaches of confidentiality by any creditor. The legislator has intertwined many procedures of the pre-packaged plan with those of the standard reorganization plan such as voting, majority formation, and objection mechanisms which may cause confusion for practitioners and researchers. The

legislator has clearly defined creditor classifications, including the registration and verification of debts, how creditors vote on the plan, and how each class of creditors is paid thus safeguarding creditor rights and facilitating plan acceptance. The court plays a significant role in the pre-packaged plan: it must approve the plan, may include certain creditors in the vote, and has discretionary authority to approve the plan even when all conditions are not fully met. The court is also involved in many aspects of the plan's implementation the legislator has shown a strong interest in protecting creditor rights by: Classifying creditors by voting rights, prioritizing debt recovery, Allowing objections to the reorganization plan.

Recommendations

1. The researcher recommends that the Jordanian legislator separate the procedures of the pre-packaged reorganization plan from those of the standard reorganization plan. This would enhance clarity and ease of implementation.
2. The researcher recommends that the legislator reconsider the legal timeframes governing this plan including submission, preparation, voting, objections, and court review and regulate them more precisely.
3. It is recommended that the legislator impose specific penalties on any party who discloses the confidentiality of the pre-packaged reorganization plan, in order to preserve its intended function and ensure its success.
4. The researcher suggests that the legislator set special qualifications for Insolvency Administrators due to their critical, influential, and central role in the success or failure of the pre-packaged reorganization plan.

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Eighth: Laws and Regulations

Jordanian Laws

1. Civil Procedures Law No. 24 of 1988.
2. Jordanian Investment Law No. 67 of 2033.
3. Jordanian Insolvency Law No. 21 of 2018.
4. Jordanian Commercial Law No. 12 of 1966.
5. Jordanian Companies Law No. 22 of 1997.
6. Jordanian Civil Law No. 43 of 1976.
7. Insurance Supervision Law No. 33 of 1999.

Regulations

- Insolvency Regulation No. 8 of 2019, issued pursuant to Article 141 of the Insolvency Law No. 21 of 2018, published in the Official Gazette, 2019.

Guides

- Legislative Guide to Insolvency Law (UNCITRAL), United Nations Commission on International Trade Law, 2005.