

## CHAPTER 128.

## CREDITORS' ACTIONS.

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**128.01 Jurisdiction.** The circuit courts shall have supervision of proceedings under the provisions of this chapter and may make all necessary orders and judgments therefor; and all assignments for the benefit of creditors shall be subject to the provisions of this chapter.

**128.02 Assignment; mistakes; amendments.** (1) Voluntary assignments for the benefit of creditors may be made to an assignee who is a resident of this state, who shall, before taking possession of the property assigned and before taking upon himself any trust conferred by the assignment, file the assignment and deliver to the clerk of the circuit court of the county in which such assignor resides or has his principal place of business at the time of the assignment, a bond as required by section 128.09.

(2) No assignment shall be void because of any defect, informality or mistake therein or in the bond, inventory or list of creditors accompanying the same; and the court may direct the amendment of the assignment or of any other paper to effect the intention of the assignor or assignee, or to obtain a distribution of the assignor's assets as provided in this chapter, and any such amendment shall relate back to the time of the execution of the paper. No mistake in filing a copy instead of an original or any like mistake or inadvertent failure to comply with the provisions of this chapter shall void the assignment. No creditor shall, in case a debtor has attempted to make an assignment for the benefit of creditors, or in case of the insolvency of any debtor, by attachment, garnishment or otherwise, obtain priority over other creditors upon such assignment being adjudged void, or in consequence of any sale, lien or security being adjudged void; but in all such cases the property of such debtor shall be administered for the ratable benefit of all his creditors under the direction of the court by the assignee or by a receiver.

**128.03 Liens by legal proceedings; assignment.** When a lien has been obtained by legal proceedings against the property of a debtor he may, within thirty days thereafter, make an assignment of all his nonexempt property for the benefit of all his creditors, whereupon such lien shall be dissolved and the property shall be turned over to the assignee.

**128.04 Definition of insolvency; time.** A person shall be deemed insolvent within the provisions of this chapter whenever the aggregate of his property, exclusive of any property which he may have conveyed, transferred, concealed or removed, or permitted to be concealed or removed, with intent to defraud, hinder or delay his creditors, shall not, at a fair valuation be sufficient in amount to pay his debts, or if an execution be returned unsatisfied or if he shall make an assignment for the benefit of creditors.

**128.05 Assignee's consent, recording copy of assignment.** (1) The assignee shall indorse in writing his acceptance of the assignment, and shall file such assignment with the clerk of the court in the county where the debtor has his residence or principal place of business. The court shall, upon the filing of such assignment, order such assignee to administer the debtor's estate pursuant to this chapter, and he shall be vested with the powers of a receiver.

(2) A certified copy thereof may be recorded in the office of the register of deeds of any county wherein lands are conveyed by such assignment in the same manner and with the same effect as other conveyances.

**128.06 Assignee required to comply, when.** (1) The assignee under a voluntary assignment not previously filed under the provisions of this chapter shall upon petition of any creditor without proof of the insolvency of the assignor be required to file the assignment and comply with the provisions of this chapter.

**128.07 Preferred creditors.** (1) A person shall be deemed to have given a preference if, being insolvent, he has procured or suffered a judgment to be entered against him in favor of any person, or made a transfer of any of his property, and the effect of the enforcement of such judgment or transfer will be to enable any one of his creditors to obtain a greater percentage of his debt than any other of such creditors of the same class.

(2) If the debtor shall have given a preference within four months before the filing of a petition, or an assignment, or after the filing of the petition and before the appointment of a receiver, or after the filing of an assignment and before the qualification of the assignee, and the person receiving it, or to be benefited thereby, or his agent acting therein, shall have had reasonable cause to believe that the enforcement of such judgment or transfer would effect a preference, it shall be voidable by the receiver or assignee, and he may recover the property or its value from such person.

**128.08 Receiver; custodian.** (1) The court within the proper county may sequester the property of a debtor and appoint a receiver therefor:

(a) When an execution against a judgment debtor is returned unsatisfied in whole or in part.

(b) When a corporation has been dissolved or is insolvent or is in imminent danger of insolvency or has forfeited its corporate rights.

(2) Upon application duly made, the court shall appoint as receiver the person nominated by the petitioning creditor or creditors, subject to s. 128.10.

**128.09 Bond.** In order to qualify, the receiver or assignee shall give to and file with the clerk of the court a bond sufficient to cover all property likely to come into his hands, conditioned in the usual manner with surety to be approved by the judge having supervision of the proceedings.

**128.10 Meetings of creditors; removal or death of receiver.** (1) The court may provide for hearings and meetings of creditors to elect a receiver or to pass upon matters submitted to creditors by a majority vote in number and amount of claims.

(2) The court may, upon notice and hearing, remove any receiver or assignee who is shown to be incompetent or to have become disqualified, or to have wasted or misapplied any of the trust estate; and shall remove any assignee or receiver upon the application of a majority of the creditors who shall represent a majority in number and amount of claims against said estate, and order a settlement of his account and the surrender of all the estate to a successor, and shall appoint the person named in such petition or some suitable person as his successor, who shall qualify in the manner provided by this chapter; and in place of any receiver or assignee who shall die or be removed, may appoint another who shall give bond and administer said estate pursuant to the provisions of this chapter.

**128.11 Provisional remedies.** In all actions authorized by this chapter appropriate provisional remedies may be had and final relief administered to the equal distribution of all assets recovered among the creditors of the debtor, and the court may make such orders for the payment of costs and expenses as may be just. An action or proceeding authorized herein for the benefit of all creditors may be taken by a creditor although his demand is not due at the commencement thereof.

**128.12 Dismissal; intervention.** (1) After the designation of a receiver or custodian by the court, proceedings under this chapter shall not be dismissed for want of prosecution or by consent of parties until after notice to creditors, and the court shall, before entertaining an application for dismissal, require the debtor to file a list, under oath, of all his creditors, with their addresses, and shall cause notice to be sent to all such creditors of the pendency of the application and shall fix a date for such hearing so as to allow parties in interest an opportunity to be heard.

(2) When proceedings have been commenced under this chapter and are not diligently prosecuted or are so delayed as to cause possible injury to other creditors, any creditor may intervene for the purpose of obtaining a continuance of the administration or dismissal of the proceedings.

**128.13 Inventory of assets.** With the filing of an assignment or within ten days after the appointment of a receiver, the debtor shall file with the clerk of the court a correct inventory of his assets and a list of his creditors, stating the place of residence of

each and the amount due to each, which inventory and list shall be verified by his oath, but no mistake therein shall affect the rights of any creditor.

**128.14 Notice; injunction; time of filing claims.** (1) The court shall require creditors to file their verified claims within three months from the date of the filing of an assignment or the appointment of a receiver and may enjoin proceedings by any other creditor against the insolvent. The receiver or assignee shall be required to give notice promptly to all creditors of the pendency of the proceeding, the injunction against other actions and the time within which creditors are required to file claims. Such notice shall be given by mail directed to the last known address of each creditor and shall be published once a week for three successive weeks in a newspaper in the county or, if none, in an adjoining county.

(2) Creditors not filing claims within the time limited may be precluded from participation in any dividend which may be declared.

**128.15 Objections to claims; appeal; secured claims.** (1) At the expiration of the period of time limited for the filing of claims, the receiver or assignee shall file with the clerk proof of publication of notice and a list of the creditors to whom such notice was made with the debts thereof respectively verified by his affidavit, and also a list of claims filed stating the names of creditors, residences and amounts claimed respectively. At any time thereafter the receiver or assignee or, upon his refusal or failure to act, any creditor may file written objections to any claim specifying the grounds thereof and serve a copy thereof in such manner as the court may order upon such claimant. Depositions may thereafter be taken as in civil actions. The court on the application of either party, shall fix by order a time when such objections shall be heard, which shall be served as therein prescribed upon the adverse party. Upon the final hearing the court shall make such order as shall be just and may compel the payment of costs in its discretion. An appeal may be taken from such order within thirty days from the entry thereof, but not afterwards, in the manner provided for taking appeals from orders in civil actions.

(2) Claims of secured creditors may be allowed to enable such creditors to participate in the proceedings but shall be allowed for such sums only as shall be proved to be due, over and above the value of the securities, and dividends shall be paid only upon the excess of the claim over the value of the security at the time of the commencement of the proceedings.

**128.16 Discovery.** The court may compel the debtor to discover any property alleged to belong or to have belonged to him, the disposition thereof and the consideration and all the circumstances of such disposition. Every officer, agent or stockholder of a corporation and every person to whom it shall be alleged that any transfer of property has been made, or in whose possession or control the same is alleged to be, may be compelled to testify in relation thereto and to the transfer or possession of such property; but such witness shall not be liable to criminal prosecution or proceeding for any act regarding which he is so compelled to testify.

**128.17 Order of distribution.** (1) The order of distribution out of the debtor's estate shall be as follows:

(a) The actual and necessary costs of preserving the estate subsequent to the commencement of the proceedings.

(b) Costs of administration including a reasonable attorney's fee for the representation of the debtor.

(c) Taxes, assessments and debts due the United States.

(d) Wages due to workmen, clerks, traveling or city salesmen or servants, which have been earned within 3 months before the date of the commencement of the proceedings, not to exceed \$600 to each claimant.

(e) Taxes, assessments and debts due this state or any county, district or municipality.

(f) Other debts entitled to priority.

(g) Debts due to creditors generally, in proportion to the amount of their claims, as allowed.

(h) After payment of the foregoing, the surplus, if any, shall be returned to the debtor.

(2) Debts to become due as well as debts due may be proved, but a lessor's claim shall be limited to past due rent, and to any actual damage caused him by a rejection of the lease on the part of the debtor or by its termination by force of its provisions. The lessor shall be entitled to payment in full, at the rate specified in the lease, for the period of any actual occupancy by the receiver or assignee.

(3) The receiver or assignee may pay or the court may order a dividend to be paid

at any time, making such provision as shall be necessary for the protection of claims in dispute.

(4) The receiver or assignee shall as soon as practicable, report to the court the amount due the employes of the debtor and the court shall order him to pay out promptly, if practicable, such wage claims as have priority under this chapter.

**128.18 Liens.** (1) Claims which for want of record or for other reasons would not have been valid liens as against creditors of the debtor armed with process, pursuant to which such property has been attached or levied upon, shall not be liens against the estate.

(2) Whenever a creditor is prevented from enforcing his rights as against a lien created or attempted to be created by his debtor the receiver or assignee shall be subrogated to and may enforce such rights of such creditors for the benefit of the estate.

(3) A lien created by, or obtained in or pursuant to any action which was begun against, a person within four months before the commencement of proceedings for the appointment of a receiver herein, or the filing of an assignment hereunder, shall be dissolved by the appointment of a receiver or the qualification of the assignee, and the receiver or assignee shall be subrogated to the rights of the holder of such lien for the benefit of all creditors, if:

(a) It appears that said lien was obtained and permitted while the debtor was insolvent, and that its existence or enforcement will work a preference, or

(c) That such lien was sought and permitted in fraud of the provisions of this chapter.

(4) Liens given or accepted in good faith and for a present consideration which have been properly recorded or filed shall, to the extent of such present consideration only, not be affected by the provisions of this chapter.

(5) That all conveyances, transfers, assignments or incumbrances of his property, or any part thereof, made or given by a debtor within four months prior to the filing of a petition or assignment hereunder with the intent and purpose on his part to hinder, delay or defraud his creditors, or any of them, shall be null and void as against the creditors of such debtor except as to purchasers in good faith and for a present fair consideration; and all property of the debtor conveyed, transferred, assigned or incumbered as aforesaid shall, if the same be not exempt from execution, be and remain a part of the assets and estate of the debtor and shall pass to his receiver or assignee, whose duty it shall be to recover and retain the same for the benefit of the creditors; and all conveyances, transfers or incumbrances of his property made by a debtor at any time within four months prior to the filing of a petition or assignment hereunder, and while insolvent, which are null and void as against creditors by the laws of this state, shall pass to the receiver or assignee and be by him recovered for the benefit of the creditors.

(6) That all levies, judgments, attachments or other liens obtained through legal proceedings against a person who is insolvent at any time within four months prior to the filing of a petition or assignment hereunder, shall be deemed null and void in case a receiver is appointed or an assignee qualifies hereunder, and the property affected by the levy, judgment, attachment or other lien shall be deemed wholly discharged and released from the same, and shall pass to the receiver or assignee as a part of the estate of the debtor unless the court shall on due notice, order that the right under such levy, judgment, attachment or other lien shall be preserved for the benefit of the estate; and thereupon the same may pass to and shall be preserved by the receiver or assignee for the benefit of the estate.

**128.19 Title to property.** (1) The receiver or assignee upon his qualification shall be vested by operation of law with the title of the debtor as of the date of the filing of the petition or assignment hereunder, except so far as it is property which is exempt, including

(a) Property transferred by him in fraud of his creditors.

(b) Property which prior to the filing of the petition or assignment he could by any means have transferred or which might have been levied upon and sold under judicial process against him.

(c) Rights of action arising upon contracts or from the unlawful taking or detention of or injury to his property.

(2) The receiver or assignee may avoid any transfer by the debtor of his property which any creditor might have avoided and may recover the property so transferred or its value from the person to whom it was transferred unless he was a bona fide holder for value prior to the filing of the petition or assignment hereunder.

**128.20 Settlement of receiver's or assignee's accounts.** (1) Every receiver or assignee shall within six months after the time limited for filing claims or within such fur-

ther time as the court shall allow, file with the clerk of the court, a full and itemized statement verified by his oath of the property by him received, the manner of his dealing therewith, the amount of money realized by him, the condition of the property and funds in his possession, the names and residences of the debtor's creditors, the dividends paid them, his receipts and disbursements with his claim for compensation and administration expenses. If any receiver or assignee shall neglect to apply promptly for a settlement of his account, the court may, upon application of any creditor, compel the making and filing of such account or settlement thereof and in such case the receiver or assignee may be denied compensation.

(2) Upon filing such report the receiver or assignee may apply to the court upon not less than ten days' notice thereof by mail to the respective creditors named therein, for a final settlement of such account, and the court shall fix a time and place for the hearing of objections or taking of evidence and by order settle and adjust such accounts and the compensation and expenses of such receiver or assignee whether objection be made or not and such order shall be conclusive upon all parties including the sureties of the receiver or assignee, but the receiver or assignee or any creditor may appeal from such order within thirty days from the entry thereof in the manner prescribed for appeals in civil actions except that the receiver or assignee may file his notice and undertaking with the clerk without other service thereof. The receiver or assignee shall be discharged of his trust and his bond canceled upon compliance with the final order of the court.

**128.21 Voluntary proceedings by wage earners for amortization of debts. (1)** Any person whose principal source of income consists of wages or salary aggregating not over \$5,000 a year, may file a verified petition with the circuit court in the county of his residence stating that he is unable to meet his current debts as they mature, but is able to make regular future payments on account sufficient to amortize said debts over a period of not more than 2 years, and that he desires the aid of the court to effectuate the amortization. The petition shall also set forth the names and addresses of any creditors who have levied any executions, attachments or garnishments, and of any garnishees, and the court shall forthwith, by order, require that proceedings for the enforcement of such executions, attachments or garnishments be stayed during the pendency of proceedings under this section. The petition shall be accompanied by a filing fee of \$10; which fee shall be applied as sub. (6) directs. No state suit tax to be collected on these proceedings.

(2) After the filing of a petition under this section and until the dismissal of the proceedings, no execution, attachment or garnishment may be levied or enforced by any creditor seeking the collection of any claim which arose prior to the proceedings, unless such claim is not included by the debtor in the claims to be amortized pursuant to subsection (3). With respect to the claims to be amortized the time between the filing of the petition and the dismissal of the proceedings shall not be counted as a part of the period of any statute of limitation.

(3) On the filing of the petition the court shall appoint a disinterested trustee. The trustee shall forthwith meet with the debtor; make up a list of his creditors, with their addresses and the amounts owing to each, which the debtor shall sign and verify; and send notices to each of the amount claimed to be due him, and of a meeting to be held in the trustee's office not less than five nor more than ten days thereafter, for the purpose of considering an amortization plan and of determining the claims to be covered by the plan. Upon conclusion of the meeting the trustee shall either (a) report to the court that no equitable plan of amortization is feasible or needed in which case the court may forthwith dismiss the proceedings, or (b) recommend to the court a plan of amortization calculated by weekly or monthly payments, to discharge in full the claims of the creditors listed in the plan within a period of not exceeding two years. The trustee shall attach to said plan the written consents and objections, if any, of the creditors present or represented at the meeting, and an analysis, with his recommendations regarding the disposition, of any claim whose amount is in dispute or appears to be uncertain. The court shall forthwith enter an order approving the plan and determining, for the purposes of the plan, the amounts of the claims, unless in any such written objection a creditor shall ask for a hearing respecting the plan or the amount of his claim, or the person to be trustee, in which case the court shall set a date for a hearing as soon as may be, on notice of the debtor, the trustee and creditors. At such hearing the court shall enter an order either approving the plan, if satisfied that it is feasible and equitable, and determining, for the purposes of the plan, the amounts of the claims, or dismissing the proceedings, or making and approving such modification of the plan as the court deems just; and the court may appoint a different trustee if the one appointed is objected to.

(4) If the plan or a modification thereof is approved the debtor shall make the periodic

payments therein provided for to the trustee, and may make additional payments from time to time to the trustee, and the trustee shall distribute the payments pro rata among the creditors listed in the plan, less (a) a deduction for his compensation to be fixed by the court at the time of approving the plan in an amount not exceeding seven per centum of each distribution, if the payments are made through an assignment to the trustee of a portion of the debtor's wages or salary, and not exceeding ten per centum if no such assignment is made, and (b) a further deduction equal to the amount of the postage necessary for the mailing of payments and of the notices of the meeting provided for in subsection (3) hereof, and of any correspondence with creditors. If any payment is so small as to make its immediate distribution impractical or needlessly expensive, the trustee shall deposit it in a special trustee account, and may make additional deposits until the amount is large enough for distribution, but no payments shall remain undistributed for longer than ninety days.

(5) If the debtor defaults in any payment provided for under the plan for a period of more than thirty days the trustee shall, and before the end of any such period may, report the matter to the court with his recommendations, and the court shall thereupon either dismiss the proceedings or, if satisfied from the trustee's report that the debtor is in good faith and should be able to make good the default, extend the period of grace for not to exceed thirty days, at the end of which period the trustee shall again report to the court and if all defaults have not then been cured the court shall forthwith dismiss the proceedings. If the debtor makes preferential payments to creditors during the pendency of the proceedings, or appears for any reason to be abusing the privileges of this section, the trustee shall promptly report the matter to the court and the court may dismiss the proceedings. If the claims of all creditors as listed in the plan are satisfied in full, the trustee shall, upon completion of the final distribution, report to the court and the court shall thereupon dismiss the proceedings.

(6) Whenever the proceedings are dismissed under any of the provisions of subs. (3) or (5), the trustee shall report to the court an itemized and verified list of his out-of-pocket expenses, and of his receipts and expenditures, if any, and the court shall thereupon direct the clerk to pay to the trustee \$6 of the filing fee and also direct that the remaining \$4 be applied as clerk's fees, unless the court on its own motion or on the complaint of any creditor or the debtor finds that the trustee did not satisfactorily discharge his duties, in which case the court may direct the return to the debtor of all or any part of the fee and may require the trustee to return to the debtor all or any part of the commissions, if any, received by the trustee under sub. (4).

(7) Neither the determination of the amount of any claim for the purposes of the plan, nor the acceptance of payments thereunder, shall affect the right of any creditor to litigate his claim and obtain judgment thereon, or the right of the debtor to dispute it, and the amount of any judgment shall be substituted by the trustee for the amount fixed in the plan.

(8) Any secured creditor who wishes to realize on his security shall give the trustee at least five days' notice in writing of the time, place and manner of the proposed realization, and shall notify the trustee of the amount realized, by which amount his claim as listed under the plan shall be reduced.

(9) Within four years after the dismissal of a proceeding instituted by a debtor under this section the debtor may not again file a petition under this section.

(10) The supreme court may from time to time promulgate rules and forms, not inconsistent with this section, to carry out the intent of this section and to promote its effectiveness, and may cause forms of petitions to be printed and distributed to the clerks of the circuit courts who shall, upon request, and without charge, assist debtors in the preparation of their petitions.

(11) The court in its discretion upon application, may amend or modify the plan of amortization and may make such other orders relating to the proceedings or the plan of amortization as are required.

**128.25 Uniform act governing secured creditor's dividends in liquidation proceedings.** (1) DEFINITIONS. As used in this section, unless the context or subject matter requires otherwise:

(a) "Liquidation proceeding" includes all assignments for the benefit of creditors, whether voluntary or by operation of law; administration of insolvent decedents' estates; liquidations of insolvent banks; equity receiverships where the subject under receivership is insolvent; and any other proceedings for distribution of assets of any insolvent debtor, whether a person, decedent's estate, partnership, corporation or business association.

(b) "Liquidator" means any person administering assets in any liquidation proceeding as defined in this section.

(c) "Insolvent debtor" means any insolvent person, decedent's estate, partnership, corporation or business association involved in a liquidation proceeding as defined in this section.

(d) "Secured creditor" means a creditor who has either legal or equitable security for his debt upon any property of the insolvent debtor of a nature to be liquidated and distributed in a liquidation proceeding, or a creditor to whom is owed a debt for which such security is possessed by some indorser, surety, or other person secondarily liable.

(e) "Creditor's sale" includes any sale effected by the secured creditor by judicial process or otherwise under the terms of his contract or the applicable law for the purpose of realizing upon his security.

(2) SECURED CREDITOR'S CLAIM MUST DISCLOSE SECURITY. In a liquidation proceeding every secured creditor's claim against the general assets shall disclose the nature of the security. When a decedent's estate already in the course of administration is judicially declared insolvent or when in an equity receivership it is determined that the subject under receivership is insolvent, secured creditors having claims on file which do not comply with this subsection shall make disclosure within a time to be fixed by the court.

(3) EFFECT OF CONCEALMENT. Any secured creditor who with intent to evade the provisions of this section fails to disclose the existence of the security shall not be entitled to receive or retain dividends out of the general assets, unless he thereafter releases or surrenders to the liquidator the security which he has failed to disclose, or unless he procures such release or surrender if the security is in the possession of an indorser, surety, or other person secondarily liable for the insolvent debtor.

(4) VALUE OF SECURITY CREDITED UPON CLAIMS. Dividends paid to secured creditors shall be computed only upon the balance due after the value of all security not exempt from the claims of unsecured creditors and not released or surrendered to the liquidator, is determined and credited upon the claim secured by it.

(5) DETERMINATION OF VALUE BY SECURED CREDITOR. (a) *By collection.* When the asset constituting the security is an obligation for the payment of money, the secured creditor may determine its value by collection or by exhausting his remedies thereon and then surrendering the obligation to the liquidator.

(b) *By creditor's sale.* When the asset constituting the security is something other than an obligation for the payment of money, the secured creditor may determine its value by creditor's sale.

(6) ALTERNATIVE DETERMINATIONS OF VALUE. Where valuation under the provisions of subsection (5) is impracticable or would cause undue delay, the court, upon petition by either the secured creditor or the liquidator, may order the value of the security determined by any of the following methods:

(a) By compromise, if the secured creditor and the liquidator agree upon a value. The liquidator may redeem such assets by payment of the agreed value, if authorized by the court.

(b) By litigation, through proceedings in the liquidation proceeding. The liquidator may redeem such assets by paying the value so determined, if authorized by the court.

(c) By liquidator's sale of the assets which, when completed and approved by the court, shall pass to the purchaser good title, free and clear of all liens of the secured creditor, such liens to be transferred to the proceeds of the sale. The order of sale may be either conditional, requiring the sale to be made by the liquidator only if the secured creditor does not complete a determination by collection or creditor's sale as set forth in subsection (5) within a time fixed by the court; or absolute, requiring the sale to be made by the liquidator within a time fixed by the court. This paragraph shall not apply to security upon real estate of insolvent decedents' estates administered by the probate court.

(7) EXEMPT SECURITY NOT CREDITED. When any creditor has legal or equitable security upon assets which are exempt from process for the satisfaction of unsecured debt and are duly claimed as exempt by the insolvent debtor, the value of such security shall not be credited upon the claim. Amounts realized by the creditor from such security after liquidation proceedings are begun shall be disregarded in computing dividends, unless the dividend so computed exceeds the sum actually owing upon the claim, in which event only the amount owing shall be paid.

(9) UNIFORMITY OF INTERPRETATION. This section shall be so construed as to make uniform the law of those states which enact it.

(10) SHORT TITLE. This section may be cited as Uniform Act Governing Secured Creditors' Dividends in Liquidation Proceedings.