

**577.08 PROOF OF CLAIMS; ORDER OF PAYMENT.**

No claims or demands, except debts owing to the United States or to the state, or taxes or assessments against the debtor or the property assigned, shall be paid, unless proofs thereof, verified by the creditors, be presented to the assignee. After payment of the charges and expenses of making the assignment and executing the trust, the assignee shall pay the debts of the assignor in the order following:

(1) debts owing to the United States and to the state, and all taxes and assessments against the debtor or the property assigned, shall first be paid in full;

(2) the claims of employees sustaining injury in the course of their employment and entitled to the compensation under the provisions of chapter 176, shall next be paid in full if there be sufficient wherewith to do so, and, if not, they shall be paid pro rata; provided, that claims under this clause shall not be allowed if the assignor carried workers' compensation insurance as provided by law at the time the injury was sustained;

(3) wages, except cash value of all compensation paid in any medium other than cash, of servants, laborers, mechanics, and clerks for services performed for the debtor within three months next preceding the assignment shall next be paid in full if there be sufficient wherewith to do so, and, if not, they shall be paid pro rata; but, to entitle any creditor to payment under this clause, the creditor's proof of claim must set forth facts showing entitlement hereunder;

(4) the cash value of all compensation paid in any medium other than cash, including but not limited to credits for vacation pay, sick leave and other fringe benefits past earned with a cash value;

(5) all other debts shall be paid in full if there be sufficient left wherewith to do so, and, if not, they shall be paid pro rata; provided, that no debt for which the creditor holds a mortgage, pledge, or other security shall be paid until the creditor has exhausted the security, or has surrendered it to the assignee.

**History:** (9789) *RL s 4618; 1925 c 256; 1971 c 741 s 2; 1975 c 359 s 23; 1986 c 444*