

THE LAW OF GEORGIA  
ON BANKRUPTCY PROCEEDINGS

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The law of Georgia on Bankruptcy proceeding is in forth  
from January 1, 1997.

Article 1. The purpose of the Law

The purpose of this Law of Georgia on Bankruptcy Proceedings is a substantial resolution of economic and financial difficulties of an insolvent debtor through a sanction or liquidation by the court. Liquidation on the basis of bankruptcy is inadmissible without previous verification of possibilities of sanction. Herewith, unreal and unjustified sanction must not delay necessary liquidation.

CHAPTER 1  
OPENING OF BANKRUPTCY PROCEEDINGS

Article 2. Foundation to the Bankruptcy Proceedings

1. The rule for bankruptcy proceedings is used in the insolvency of physical or juridical person subjected to the private laws. Bankruptcy proceedings against juridical person also takes place when it is involved in debt.

2. Incapability for fulfillment of the obligations within the term established by debtor or cessation of repayment by debtor is considered as insolvency. Possible or temporary insolvency shall not be the basis for bankruptcy proceedings.

3. Whenever the property of debtor (assets) is not able to cover its obligations (liabilities), the case is considered as insolvency. The foundation for estimation of debtor s property is the possibility of continuation of operation of the enterprise (sanation), if it is more justifiable, than liquidation. The court examining the case of bankruptcy shall consider the validity of sanation or liquidation according to the last balance of juridical person or according to other important facts.

Article 3. Jurisdiction

The court (court examining the case of bankruptcy) shall examine the case in accordance with permanent residence or residence of the debtor.

Article 4. The Rule of Examination of Bankruptcy  
Case in the  
Court

The rule provided by the civil procedural legislation of Georgia shall be used for bankruptcy proceedings in the court, besides exceptional cases specified by this Law.

#### Article 5. Bankruptcy Mass

Bankruptcy proceedings includes the insolvent debtor's property in Georgia and abroad owned by him or her at the moment of opening of proceedings except the things and requests not subjected to independent forcible execution in accordance with civil procedural legislation of Georgia (bankruptcy mass).

#### Article 6. Application on Bankruptcy

1. Bankruptcy proceedings may be opened only on the basis of application. The right to bring in an application is granted to the debtor, also to any creditor (bankruptcy creditor) who has the valid property pretensions to the debtor at the moment of opening of bankruptcy proceedings. Bankruptcy creditor shall substantiate insolvency or liabilities of debtor in the application. Application on bankruptcy shall be presented to the debtor under the rule for production of suit established by the civil procedural legislation.

2. Within a month's period of the receipt of application the court shall check the matter of opening of bankruptcy proceedings, clear out all important circumstances for bankruptcy proceedings, in particular, interrogate the witnesses and experts and hear the debtor. The court is authorized to take decision without oral examination of the case.

3. The court is entitled to take decision on prior providing for bankruptcy mass protection, in particular, to appoint the temporary intendent.

4. Other measures for forcible execution begun against the debtor shall be considered temporarily ceased.

5. In the exercise of the measures indicated in paragraphs 2,3 and 4 of this article, the court is entitled the right to take into account the possibility of prolongation of debtor's manufacturing activity or transference of enterprise owned by debtor to the third person.

#### Article 7. Obligation of Debtor

1. The debtor shall present to the court examining the case of bankruptcy:

a) full list of his or her property, indicating estimated value of separate objects.

b) the list of creditors, indicating existing obligations, also the names and addresses of creditors.

c) the list of debtors, indicating existing requests, also the names and addresses of the debtors.

2. The debtor shall confirm the completeness and rightness of the lists presented to the court by him or her. Physical person (debtor) and the leader of juridical person (debtor) shall to be explained, that if they consciously give the false testimony, criminal responsibility shall be charged on them.

#### Article 8. Decision on Bankruptcy Proceedings

The court shall hear the insolvent debtor before taking decision on opening or postponing of bankruptcy proceedings or in the event of refusal to it the court

may hear the Ministry of State Property Management, representatives of that chamber, the member of which the debtor is, also the agent of the bank to which the insolvent debtor has permanent business links.

#### Article 9. Refusal to the Opening of Proceedings

1. Opening of proceedings may be refused if the property of debtor is so little, that it is impossible to meet requirements provided by Article 19 of this Law. Opening of proceedings is also refused whenever insolvency or debts is irradicated after the application has been brought in.

2. The court s decision on refusal to the opening of proceedings shall to be presented to the debtor and declarant creditor.

#### Article 10. Decision on Postponing of Proceedings

1. The court is entitled to demand the plan of sanation from the debtor.

2. If the debtor presents the plan of sanation within the term established by the court (this term shall not be less than three weeks and more than three months) the latter is entitled to postpone bankruptcy proceedings no more than with three months in order to give the chance to the debtor to use the extrajudicial sanation. Postponing is permitted, if the debtor is able to name the guarantor in the plan of sanation, who in his turn, shall demand postponing.

3. If within the period of postponing the debtor present the agreement on sanation or the agreement on sanation concluded with all creditors, the following procedure shall be ceased. In all other cases bankruptcy proceeding shall be opened.

#### Article 11. Decision on Opening of Proceedings

1. Bankruptcy proceedings is considered opened, if the court have taken the relevant decision (decision on opening of bankruptcy). Under this decision:

a) insolvent debtor shall be adjudicated as bankrupt;

b) insolvent debtor shall be prohibited to dispose his property;

c) the question of insolvent debtor s property management shall be arranged and bankruptcy intendant shall be appointed;

d) all creditors to the insolvent debtor shall be charged within the term established by court (the term for presentation of requests), to present their requests indicating the foundation of the debt and sum in appropriate currency, to the court they shall also be notified, that in the event of expiration of this term the distribution shall take place without taking into account their requests.

e) all those persons who are entitted to demand the property or guarantee right over the thing refered to insolvent debtor s property, shall be charged to declare on this right before the bankruptcy intendant within the period of requests presentation.

f) the person who owns the thing refered to the insolvent debtor s property or is obliged before the

debtor to exercise some responsibilities shall be prohibited to fulfil these obligations and shall be charged to fulfil them before the bankruptcy intendant.

g) the day and hour for opening of bankruptcy proceedings shall be fixed.

i) first meeting of creditors shall be convened, the day of session for verification of creditors requests by the court shall be defined and in the event of creditors shall be notified the place, day and hour of the session.

2. The court shall immediately notify the decision on opening of proceedings to all banks, to which the insolvent debtor has the business links.

#### Article 12. Promulgation of the Decision on Opening of Proceedings, Publicity

1. Decision on opening of proceedings shall be published on the board of the court as the declaration or in the official bulletin of the court or shall be distributed through the press or through electronic information means. After two days of implementation of one of these measures the publication shall be entered in force towards all participants. In the case of necessity the court have to take measures to publish the decision on opening of proceedings in those foreign countries where the physical and juridical persons related to the case of bankruptcy are present or the property, or part of it referred to the bankruptcy mass is placed.

2. Public or priuate mass media shall publish the decision on opening of bankruptcy on the basis of agreement. The minister of justice shall be authorized to arrange the question related to the publishing and to cover the expenses spent by these organs.

3. Decision on opening of proceedings, besides the persons and organs enumerated in Article 8, shall be communicated to:

a) relevant department of communication;

b) registration departments with the request to place the decision on opening of bankruptcy in appropriate register, in particular in the book (public register) and in enterprising register.

4. The court shall send the decision on opening of proceedings to those who declared before the expiration of the requests presentation term, that they have the demands to the insolvent debtor or are responsible before him to fulfil obligations.

## CHAPTER II Bankruptcy Proceedings

#### Article 13. Bankruptcy Limitations

1. After the decision on opening of bankruptcy proceedings is adopted, insolvent debtor shall not have the right to dispose and manage the bankruptcy mass. If the time of opening of proceedings is not indicated in the decision then, 12 p.m. of the day, when the decision,

has been passed shall be considered as the moment of opening.

2. Bankruptcy intendant shall manage and dispose bankruptcy mass and movable property, land plots or building in ownership of debtor or exploited by him.

3. At opening of bankruptcy proceedings the forcible execution measures which are begun against insolvent debtor in behalf of separate creditors but are not finished shall become invalid and forcible executive proceedings shall be transferred to the court examining the case of bankruptcy.

4. After publishing of the decision on opening of bankruptcy proceedings realization of obligations before the insolvent debtor shall be canceled if the result is not involved in the bankruptcy mass. The obligation shall be considered realized if the creditor approves that he did not know about opening of bankruptcy proceedings.

5. If at the moment of opening of bankruptcy proceedings the requirements have been reckoned under the rule provided by the civil procedural Laws of Georgia, bankruptcy intendant or creditor may declare about such action in the course of bankruptcy proceedings, If the requirement of creditor emerged in such situation, when in accordance with paragraph 1 of Article 17 of this Law the mean of ensuring could become disputable, it is inadmissible to reckon the requirement.

#### Article 14. Special Guaranteeing Measures

1. The court is entitled to perform the following special guaranteeing measures, (except the general measures specified in Article 6 of this Law) against the insolvent debtor:

a) to bring the debtor and arrest him forcibly in accordance with the rule provided by the procedural Laws (if the debtor is a physical person).

b) to detain parcels sent by post and telegraph. After the verification of creditors requirements the court may transfer them to the bankruptcy intendant.

c) to take measures against the debtor under the rules provided by the laws, to detain him or her in order to make the debtor to perform the following actions:

to give written assent and warrants, to transfer authorization, to perform other actions, including private actions on purpose for realization of the part of his or her property abroad, in behalf of bankruptcy mass.

2. To take special guaranteeing measures in separate cases shall be permitted at the moment of opening of bankruptcy proceedings.

#### Article 15. Functions of Bankruptcy Intendant

1. Bankruptcy intendant, who shall be appointed by the court examining the case must be the experienced physical person, independent from the insolvent debtor or creditors. The document on appointment shall be given to the bankruptcy intendant. After the expiration of his or her authorization term, the document shall be given back to the court. The authorities of the bankruptcy intendant shall be indicated in this document. Bankruptcy intendant shall be responsible for the fulfilment of the obligations imposed to him or her. If bankruptcy

intendant can not prove, that the damage has not been caused by his or her fount, he or she shall be charged to pay all damages.

2. Bankruptcy intendant shall be authorized and obliged to accept the bankruptcy mass immediately in his or her governing and to manage or dispose it honestly.

3. Bankruptcy intendant shall be entitled to prolong fully or partially the activity of enterprise for a certain period. Before the first session of the court bankruptcy intendant has no right to perform the actions, which may implicate or impede the prolongation of enterprise activity or transfer it to the third person for governing.

4. Bankruptcy intendant shall describe the property and draw up the balance immediately after his or her appointment and to present both documents to the court examining the case.

5. The court examining the case shall supervise activity of bankruptcy intendant. The court may dismiss the bankruptcy intendant from the post and appoint another person, if the considerable reasons are at hand.

#### Article 16. Fulfillment of Bilateral Agreement

1. If for the moment of opening of bankruptcy proceedings the bilateral agreement is not fulfilled by the debtor or by the other side or is fulfilled partially, bankruptcy intendant is entitled to fulfil the agreement or to refuse it. In the event of refusal the other party shall not be entitled to have privileged requirement.

2. Labor relations in the enterprise of an insolvent debtor, regardless the agreed term of their cessation, may be ceased by the bankruptcy intendant or worker within two weeks term.

3. Lease or hire relations of an insolvent debtor shall remain in force, if the debtor is hirer or lessee. Bankruptcy intendant shall be entitled to cease these relations within the term provided by the Law in spite of the agreed term of their cessation.

#### Article 17. Appeal of Juridical Action

1. Bankruptcy intendant shall be entitled to appeal the juridical act of an insolvent debtor if:

a) it was committed on purpose to damage the creditor and that purpose was known for the third person.

b) throughout, this act the insolvent debtor paid the money to the persons in his or her close encirclement after getting into debts and by this action damaged creditors and if the persons close to debtor can not prove, that they did not know the intention to damage the creditors.

c) this act was performed after the debt arising and it was committed in order to transfer property values to the persons in close encirclement of the debtor.

d) this act was performed by the debtor after the cessation of payment obligation or after bringing in an application for opening of bankruptcy proceedings, against those persons, for whom in the performance of the act the insolvency of the debtor and the fact of bringing in an application was known or subject to the situation

was to be known.

2. To bring in a claim shall be permitted only within three months after the opening of bankruptcy proceedings.

3. If for authenticity of juridical act it is necessary to place it in register, in particular in book (public register), the mentioned act is considered performed for that time, when other preconditions for its authenticity are fulfilled expression of debtors will become obligatory for registry for registration in register and the other party requires to register it.

#### Article 18. Bankruptcy Table

1. The court examining the case of bankruptcy shall draw up table of declared requirements (bankruptcy table) in following regular succession of requirements satisfaction:

a) requirements for wages and rates of wages for three months before the opening of bankruptcy proceedings, if these requirements are not to be satisfied at first in accordance with Article 19.

b) not guaranteed requirements, including requirements by the banks for repayment of invested pecuniary credits and requirements by the supplier against the enterprise.

c) requirement by the organ of social insurance, medical or pension funds as well as by the unemployment insurance.

d) taxes and dues subjected to payment before the opening of proceedings, as well as the requirement by international organizations.

e) other requirements

2. The requirement of one kind shall be met in proportion to their amount.

3. At the sitting held for verification of creditors requirements every presented requirement shall be considered separately in accordance with its kind and amount and bankruptcy interendant and bankruptcy creditor shall be entitled to express their view and to enter in dispute. The debtor shall give explanation about the requirements. After verification of every requirement the court shall enter the results of verification in the bankruptcy table.

4. Creditor, who has the disputable requirement can present the requirement against the arguing party only through bringing in the complaint.

If the disputable requirement is based on the execution document, bankruptcy interendant or arguing creditor itself shall bring a suit, which shall be examined by the court under the rule established by law.

#### Article 19. Requirement which shall be Met at First

With the assent of the court bankruptcy interendant shall at first pay from the means at hand under the following order of succession.

a) the minimum sum, necessary to keep the members of the insolvent debtors dependants with the special assent of the court, examining the case.

b) costs emerged in result of abrogation of an agreement or fulfillment of it, or fulfillment of rights

and requirements of insolvent debtor or in result of use of mortgage right.

c) expenditures of the court for proceedings, including the reward established by the court for the bankruptcy intendant as well as the reward for the members of the committee, if it is established by the court.

Article 20. The Third Person Entitled the Property  
or Mortgage  
Right

1. The thing which is the ownership of the third person shall be given back to the authorized person by the bankruptcy intendant not only for the purpose of providing. If bankruptcy intendant refuses to give it back, the authorized person is granted the right to bring a suit and demand returning of the thing or to confirm his or her right in accordance with paragraph 4 of Article 18.

2. The thing which is the ownership of the third person for the purpose of providing, also the thing burdened with mortgage right, may be sold by the bankruptcy intendant. From the gain recieved after realization, if it is sufficient, the requirement of the third person shall be met no more than by  $\frac{3}{4}$  in its amount, if other conditions are not specified by the law. The rest of the sum as the due (due for the process) shall be used to cover the costs for realization and bankruptcy proceedings. If the bankruptcy intendant appeals the existance of the right, the authorized person may bring an action in accordance with paragraph 1 of Article 20.

3. Realization of the thing, to which the third person has the pretension, shall postponed till the adoption of the decision on the property or mortgage right existance.

Article 21. Requirements Declared Lately

1. The court examining the case shall enter the requirements recieved after the expiration of the term of their presentation into the bankruptcy table. They shall be chacked at the supplimentary sitting held for verification of creaditor s requirements. It is inadmissible to chack and acknowledge the requirements presented lately after the final list is approved in accordance with paragraph 1 of Article 27.

2. The documents on requirements aknowledged and declared lately shall be given back, indicating that these requirements in accordance with paragraph 2; Article 27, shall be presented to insolvent debtor after the bankruptcy proceedings is finished.

Article 22. Meeting of Creditors and Committee of Creditors

1. The meeting of crediors shall be invited upon the request of bankruptcy intendant, as well as upon the request of the committee of creditors or those creditors, who in accordance with declared requirements own no less than  $\frac{1}{5}$  of the sum.

2. Verified and acknowledged requirements shall give



the right to take part in voting. In the course of verification the question whether the disputable requirement is given the right to vote or not and in what quantity, shall be considered along with the parties. In the lack of agreement the decision shall be taken by the court examining the case., of bankruptcy. The court is entitled to change the decision in result of additional requirement of one of the parties. On the basis of counter claim by the bankruptcy intendant or one of the creditors, the court shall take decision on the question, what kind of right to participation in voting or in what quantity the unchecked requirement gives.

3. The meeting of creditors shall be entitled to elect the committee of creditors among the bankruptcy creditors. Other competent persons may also be elected as the members of the committee. The court examining the bankruptcy case, in the event of necessity, shall be entitled to appoint the temporal committee before the elections.

4. The bankruptcy intendant elected by the first meeting of creditors shall report to it about the insolvency of the debtor, as well as about the state of the case and the measures implemented before it. The court examining the case shall take decision on the following representation of the report by the bankruptcy intendant. At the first meeting of creditors the other bankruptcy intendant may be elected, who shall also appointed by the court. The court shall be entitled to refuse to appoint the bankruptcy intendent if considerable arguments are at hand. Incompetence of the candidatures is considered as important argument for refusal.

5. The meeting of creditors shall be led by the court examining the bankruptcy case. At the meeting every creditor has the vote proportional with his or her requirements. The decisions shall be taken by a majority vote of the creditors present at the meeting. For the receipt of it more than half of the sum of the requirements amount is necessary. When the votes are equally divided, the decision shall be taken by the bankruptcy creditors present at the meeting.

6. The meeting of creditors shall examine the question on prolongation or closure of the activity of an insolvent debtor s enterprise, as well as consider the bankruptcy deal. The court examining the case shall take decision on prolongation of activity of the enterprise in the form of resolution.

7. The court examining the case shall, on the basis of an application by the bankruptcy intendant or one of the creditors in minority, refuse to fulfill the decision adopted by the meeting or creditors, if this decision is controversial to the purpose of proceedings or to general interests of creditors.

8. The committee of creditors shall help and control the bankruptcy intendent in the performance of his or her activity. It is authorized to demand from the bankruptcy intendant to represent the report and financial accounting. It shall be entitled to control directly the question for representation. Such juridical actions, as to receive credits, to assume responsibility, to

acquisite or alienate land plots, to direct the processes for the bankruptcy mass and so on, having influence on the governing property and are caused by prolongation of the activity of the enterprise, need the consent by the majority vote of the members present at the meeting.

### CHAPTER III Court Sanation

#### Article 23. Initiative for the Agreement and Proposals

1. Bankruptcy proceedings may be finished on the basis of court sanation, in particular, under the bankruptcy deal.

2. Insolvent debtor, every bankruptcy creditor, the meeting of creditors or the committee of creditors, every partner or owner of the capital, as well as the bankruptcy intendant shall be entitled to bring an application on the bankruptcy deal in the court examining the bankruptcy case. Bankruptcy intendant shall be imposed to draw up the proposal for the deal. This proposal shall not impede the presentation of different proposals by any other declarant. Besides, the court shall be entitled to draw up the proposal itself.

3. In the proposal on the deal the way of satisfaction of creditors shall be indicated, as well as to ensure them or not and the form of ensuring. Herewith, ensured and privileged creditors shall be satisfied no less than with  $\frac{2}{3}$  of the amount. All creditors of one order shall be granted the equal rights.

4. The proposal on the deal, may stipulate the prolongation of the activity of the enterprise by the insolvent debtor through reorganizational measures or without them or trasference to the third person for the purpose to prolong the activity of the enterprise.

#### Article 24. Concluding of Bankruptcy Deal

1. The meeting of creditors (sitting for deal) for voiting the proposal on deal shall be held after the main sitting for verification of creditors requirements and before giving permission for final distribution. The sitting for verification and for dealing may be held together. The proposal shall be notified to all participants not later than invitation to the sitting for dealing.

2. For adoption of proposal on the deal the majority votes of ensured and privileged group of creditors, as well as the majority votes of non-privileged creditors shall be necessary. The creditors giving assent shall collect at least  $\frac{2}{3}$  of the requirements amount in the group of ensured and privileged creditors, and no less than  $\frac{3}{4}$  in the group of non-privileged creditors. The written assent shall be equalized to the application of presence if it is represented at the beginning of voting.

3. The bankruptcy deal shall be confirmed by the decision of the court. Before the taking decision, an insolvent debtor shall be heard. Confirmation shall be refused, if the deal violates generally acknowledged

norms, in particular, it is concluded in a dishonest way, causes the unjustifiable damage to the creditors, as well as if other considerable arguments are at hand.

#### Article 25. Results of Bankruptcy Deal

1. The deal confirmed and gone into force also operates towards the creditors of bankruptcy, who did not take part in bankruptcy proceedings and voting, or voted against the deal.

2. After the confirmed deal has gone into force, the bankruptcy intendant shall, under the rule and as soon as possible, sell the bankruptcy mass and dispose the gain according to the bankruptcy deal. Realization of the property may be also implemented through the measures specified in paragraph 4 of Article 23.

3. Subject to the deal, gone into force, the independent forcible execution shall be implemented on the basis of the copy of the decision on confirmation of the deal and elaboration of the extract from the bankruptcy table. Herewith, on the basis of creditor's application the creditors shall be given the execution paper from the bankruptcy table, as well as the copy of the decision on the deal and its conformation.

4. To bring a claim shall not be permitted any more in accordance with the first requirement.

### CHAPTER IV

#### Finishing the Bankruptcy Proceedings

#### Article 26. Realization of the Property and Meeting of Requirements

1. If the use of court sanation has become impossible, in particular, the court examining the bankruptcy case has refused to confirm the bankruptcy deal or has abolished the confirmed deal, the bankruptcy intendant shall, under the rule and as soon as possible, sell the bankruptcy mass and direct the gain for distribution in accordance with a final schedule.

2. On the basis of a decision taken by the court examining the case, realization of a property may be postponed for a certain period or ceased under the application by the bankruptcy intendant or some other participant. This term may be prolonged by the decision of the court in compliance with pre-conditions of paragraph 1 of this Article.

3. After finishing of realization, the bankruptcy intendant shall draw up the final schedule on the basis of bankruptcy table.

4. At the end of the official duties, the bankruptcy intendant shall present to the meeting of creditors the final account. This report along with appropriate documents, and remarks of the committee of creditors if it appointed, shall be presented to the court examining the case on purpose to be acquainted to the participants, not later, than three days before the sitting of the court. The insolvent debtor or any creditors has the right to bring a counter claim against the final account.

If the counter claim is not brought at the sitting, the account shall be considered as approved and acknowledged.

#### Article 27. Distribution

1. The final schedule shall be considered at the last meeting of the creditors together with creditors and bankruptcy intendant. The last schedule shall be amended at the meeting, as well as alterations and additions shall be entered into it. After that it shall be confirmed by the court.

2. After the confirmation of the final schedule, bankruptcy intendant shall distribute the gain and notify to that creditor, the requirement of which was not fulfilled fully or partially, that unsatisfied requirement towards the insolvent debtor may be presented in a way of forcible execution. The creditors shall be given the copies of execution papers from the bankruptcy table. In exchange for execution paper from the table the court shall be entitled to ensure, in separate cases, the execution protection of an insolvent debtor under the application by the debtor within a year's term in accordance with the rule provided by the civil procedural Laws of Georgia.

3. The thing which has not been sold may be transferred with estimated value to the creditors as the passed and acknowledged requirements. In other cases it shall be returned to the debtor.

4. After distribution, the bankruptcy intendant shall draw up the final schedule, which shall be checked by the court.

#### Article 28. Additional Distribution

1. If after finishing the final distribution the sum remained in the bankruptcy mass shall be free towards the same mass or the sum delivered from the bankruptcy mass shall be returned back to it, the bankruptcy intendant shall additionally distribute them under the instruction of the court, on the basis of final schedule. The court shall check the account on governing and distribution of such sums.

2. The same rule shall operate, if after the final distribution or finishing the case the objects related to the bankruptcy mass are found out.

#### Article 29. Results of Distribution

1. If after distribution, as well as after the final distribution the free sum is not remained in the bankruptcy mass, the court examining the bankruptcy case shall take decision on finishing of bankruptcy proceedings and on liquidation of debtor (juridical person) or on the exemption of debtor (physical person) from the debts.

2. The decision on liquidation of a juridical person shall be sent to the relevant organ (which registered the debtor) by the court. The court shall enter the physical person into the register of insolvent persons.

CHAPTER V  
Other Common Rules

Article 30. Cessation of Bankruptcy Proceedings

1. The bankruptcy proceedings shall be ceased:

a) after the final verification of the final distribution, final account and report of the bankruptcy intendent by the court;

b) after the decision confirming the bankruptcy deal has gone into force;

c) if in time proceedings it is found out, that it is impossible to cover the costs for proceedings;

d) if the debtor, in time of proceedings requires to cease the proceedings and all creditors are agreed;

e) if in time of proceedings the basis for bankruptcy proceedings is abolished.

2. the decision on cessation of proceedings shall be given to debtor, as well as to bankruptcy intendant. It shall be published in accordance with Article 12.

3. The decision shall not be submitted to an appeal, if the bankruptcy proceedings is ceased in accordance with subparagraphs a) and b) of paragraph 1 of Article 30.

Article 31. Complaint

1. The insolvent debtor or any interested person shall be entitled to complain the decision taken by the court examining the bankruptcy case, if other conditions are not specified by the law.

2. The complaint shall be brought in the court examining the bankruptcy case within a month period. The calculation of a term for that decision subjected to publication or handing, shall begin from the day they have been published or handed, but for the other decisions from the day they have been taken. The complaint shall be brought in written form. The complaint may also be based on the new facts and proofs.

3. The decision shall be taken by the court.

4. It shall not be permitted to postpone bringing of a complaint. The above court shall be entitled to take the temporary decision under the rule established by the law.

5. the court examining the bankruptcy shall satisfy the complaint if it considers it well grounded. In other case it shall be presented for examination to the court above.

Article 32. Court Expenditures

1. The court expenditures includes the state excise and the costs related to the proceedings in accordance with civil procedural laws.

2. State excise, as a rule, shall be calculated from the price for the complaint, brought for bankruptcy proceedings. The price for complaint shall be calculated from the sum of bankruptcy mass with subtraction of the mortgage cost, as well as the ensuring rights cost at the

moment of finishing of bankruptcy proceedings. the state excise is 2% of the complaint cost. The minimum amount of an excise is 30 Lars. The price of a complaint shall be defined by the decision of the court examining the bankruptcy case.

3. The excise shall be payed in full amount:

- a) by the court examining the bankruptcy case in order to direct the proceedings;
- b) at the opening of proceedings or in case of refusal to it;
- c) for the work implemented before every sitting, held for verification of creditors requirements;
- d) after the final distribution for finishing proceedings through bankruptcy deal;
- e) for every examination of the complaint.

4. The excise shall be payed in half amount:

- a) for taking decision on extrajudicial sanation in accordance with Article 10.
- b) for bankruptcy proceedings of the physical person.

5. The expenditures perform only the expenditures for the court examining the bankruptcy case. As a rule, it shall be defined by the civil procedural laws of Georgia. The expenditures named in subparagraph b) of Article 19 is not attributed to these expenditures.

#### Article 33. Reward for Bankruptcy Intendant

1. The bankruptcy intendant is granted the right to demand the appropriate reward and his or her expenditures to be payed. The amount of reward and expenditures shall be established by the court.

2. The question of reward of the members of the creditors committee shall be settled at the court's discretion. In other cases paragraph 1 of Article 33 shall be used.

### CHAPTER VI Special Bankruptcy Proceedings

#### Article 34. Recognition of Bankruptcy Proceedings

Examined Abroad and Particular Bankruptcy Proceedings

1. The case of bankruptcy examined aboard, or bankruptcy deal, regardless the operation of international treaty, shall be acknowledged with all results in connection with creditors and immovable property in Georgia, except the cases when:

- a) the court which have examined the bankruptcy case abroad is not considered as competent under the legislation of Georgia.

- b) bankruptcy proceedings taking place aboard contradicts to the basic principles of Georgia's legislation, in particular, to the rights of the persons.

2. If the insolvent debtor, on the property of which the proceedings, stipulated by paragraph 1 of Article 34, is opened abroad, and who leads the branch in Georgia, the business of which is ended, or leads the unit manufacturing agricultural production, then the recognition of proceedings shall not exclude opening of separate proceedings in Georgia, which shall include the immovable property existing only in Georgia of the insolvent debtor. The right to participate in this proceedings shall be given only to those creditors, whose requirements were arisen because of the activity of a branch or the unit manufacturing agricultural production (particular bankruptcy proceedings).

3. In exchange for the insolvent debtor the right to bring application is granted to the bankruptcy intendent, who is appointed in bankruptcy proceedings abroad. The creditor can bring an application, if he is a person named in paragraph 2 of Article 34 of this Law and if he proved his interests towards particular bankruptcy proceedings. It shall not be necessary to substantiate or verify the foundation of bankruptcy proceedings.

4. The creditors taking part in bankruptcy proceedings abroad shall be entitled to participate in particular bankruptcy proceedings in Georgia, for unsatisfied part of their requirements, only in that case, when they prove their special interests.

5. The local bankruptcy intendent shall be appointed for particular bankruptcy proceedings. He or she shall have close business links with the bankruptcy intendant, appointed for bankruptcy proceedings abroad. The alien bankruptcy intendent shall take part in particular bankruptcy proceedings as the representative of the interests of bankruptcy proceedings abroad and shall be entitled to bring any application especially the proposals for the deal useful for the case.

6. The left property shall be given back to the alien bankruptcy intendant.

#### Article 35. Bankruptcy Proceedings on Hereditary Property

1. The independent bankruptcy proceedings on the property of estate-leaver on behalf of creditor may be carried out as if estate-leaver were alive. The right to bring in an application is entitled to the inheritor or to the executor of the will.

2. If the bankruptcy proceedings is going on towards the property inherited by the successor, then the creditors of the successor shall be excluded from the proceedings and restricted in presentation of requirements.

#### Article 36. Bankruptcy Proceedings for the Enterprises of the Type of Concern

For the bankruptcy proceedings against the societies, which have the status of juridical person dependent on the concern, any special rules are not specified by this Law, except the following one. In particular only the relations of a debtor is considered as the foundation to bankruptcy. Participation of other

enterprise or its dominated influence on subjected enterprise shall not be taken into account. The proceedings shall be implemented independently.

#### Article 37. Bankruptcy Proceedings for Credit Institutions

1. The National Bank of Georgia, as the representative of Georgia and supervisory organ is obliged to ensure the liquidity and solvency of all the banks and credit institutions through permanent supervising on them. The state is obliged to ensure establishment of guarantee fund of deposits. The state is directly responsible before the private persons for fulfilment of these obligations.

2. The right to bring in an application is entitled only to the supervisory body, though the court examining the case of bankruptcy is not limited only by this application. The proceedings begun because of the claim is subjected to Article 31 of this Law.

3. Private depositors because of their depository requirements, which do not exceed the half of the revenue per year, got from not independent activity or in the case of independent enterprise the of the half year before the opening of proceedings, shall receive the order higher than the ones enumerated in subparagraphs a), b), c) and d) of point 1 of Article 18. This order shall operate till the depositors are repayed the sum in indicated amount from the guarantee fund.

4. All measures connected with sanitation, including the bankruptcy deal is in need of assent by the supervisory organ.

#### Article 38. Bankruptcy Proceedings Against Insurance Company

1. The authorization of insurance company, as well as supervisory organ of insurance is defined by the rules of point 1,2,3, of Article 37 of this Law.

2. In bankruptcy proceedings against life insurance company every insured person is entitled to demand his or her lost part to be satisfied at first from the reservation fund, which insured them.

3. Every person insured by insurance company against the damage is entitled to demand to be satisfied at first (point 1 Article 18) in connection with reimburse of insurance relations caused by the opening of bankruptcy proceedings.

#### Article 39. Bankruptcy Proceedings Against Household Farms

1. Household farm is not subjected to bankruptcy till the different arrangement specified by law.

2. Household farms because of the requirement of agricultural production supply (in accordance with Article 39, paragraph 1) are given priority in accordance with Article 18 (paragraph 1, subparagraph b)).

#### Article 40. Bankruptcy Proceedings in the Case of Joint Activity



1. In that caes, when several persons act jointly for economic purpose and are not unified under the rule established by the law on Manufacturers , bankruptcy proceedings may be opened. All objects of the property which were used only for economic activity shall be considered as bankruptcy mass in spite to which participant it belongs. The persons who work together and get profit in connection with the requirements of joint work shall not be considered as bunkruptcy creditors in accordance of subparagraph a), paragraph 1, Article 18.

2. If the general sum of obligations (bankruptcy mass) is more than 100 Lars, the court examining the case is entitled to take decision on simpliflicated bankruptcy proceedings.

The decision shall be executed by the bankruptcy intendant independently under the supervision of the court. Bankruptcy intendant shall accordingly present the table worked out by him or her for approval, as well as the concluded bankruptcy deals.

Simpliflicated proceedings may be also carried out against the enterprises specified by the Law on Manufacturers .

Article 41. Subjects not Submitted to bankruptcy

The state administrative - territorial units are not submitted to bankruptcy as well as the public organizations.

The President of Georgia  
Eduard Shevardnadze.

Tbilisi,  
25 June, 1996.