

The Law of Georgia on Insolvency Proceedings

Chapter I General Provisions

Article 1 The Purpose of the Law

The purpose of this law is to equally protect the rights of a debtor and of a creditor (creditors), to resolve future financial problems if possible and to satisfy creditors' claims, and if the latter is not possible – to satisfy creditors' claims via distribution of the amount generated from sale of debtor's property.

Article 2 Scope of the Law

1. This law regulates insolvency issues of business entities / companies established in conformance with the Law of Georgia on Entrepreneurship, noncommercial legal entities identified by the Civil Code of Georgia, unregistered unions and co partnerships.
2. This law does not apply to:
 - a. Physical persons (with exception of individual entrepreneurs);
 - b. Legal entities of public law
 - c. Banks, non-banking deposit institutions and insurance companies, whose insolvency issue is regulated by special law.

Article 3 Definition of Terms

Terms used in this law have the following meaning:

- a. Insolvency – inability of a debtor to satisfy creditor's claim;
- b. Debtor expecting insolvency – debtor, who will or may become insolvent in near future, in case if he/she does not take appropriate measures;
- c. Claim – any debt or request on fulfillment of an obligation, the obligation or responsibility for fulfillment of which request/debt is on the debtor at the moment the application regarding insolvency is received in proceedings, and which include, but are not limited to: unspecified claims, conditional claims, undue claims and penalties;
- d. Unspecified claim – claim, which is not yet specified, including claims on restitution of inflicted loss, violation or non-fulfillment of a contract or other claims arising from civil transactions;

- e. Conditional claim – claim, initiation of which depends on future and unknown event and which in addition includes guarantee-related obligations that depend on fulfillment of basic obligations by the debtor;
- f. Undue claim – claim that is not yet due for repayment by the moment of receiving the application on insolvency into proceeding;
- g. Assets/property received as security of the claim – property encumbered with mortgage, pledge or banned by the court, and also the property received as security under the tax Code of Georgia.
- h. Registration with uncertain data – title registration without requesting a cadastral survey sketch, on the basis of technical parameters of the item indicated in the Title document, which is confirmed by the document about establishment of such right;
- i. Creditor – person, who has justified financial claim (including undue claim) towards the debtor by the moment the insolvency application is filed;
- j. New creditor – a creditor that is identified after the court ruling about receiving the insolvency application into proceedings is rendered.
- k. Secured creditor - a creditor or a new creditor whose claim is secured by mortgage, pledge or other means of securing the liability, established by the Tax Code of Georgia;
- l. Creditors" decision – decision of creditors' meeting or creditors' committee (if such committee exists);
- m. Participant – solidary obligation society, special partnership, partner of LLC, shareholder of stock society, member of cooperative, noncommercial legal entity in cases determined by law, participant of partnership/society, member of unregistered union;
- n. Related person:
 - n.a) a relative of a physical person, who belongs to I or II group of legal successors under the Civil Code of Georgia.
 - n.b) company, in which the person directly or indirectly owns a share, the volume of which share allows him/her to influence decision-making process in the company;
 - n.c) member of the Board / managing body of the company, in which the person directly or indirectly owns a share, the volume of which share allows him/her to influence decision-making process in the company
 - n.d) member of the Board / managing body of legal entity and/or person with the representative authority;
 - n.e) partner or founder of legal entity, who is able to influence decision-making process in the legal entity
- o. Relative – person under article 31, part 2 of the Civil Procedures Code of Georgia;
- p. Foreign creditor – physical person, who factually is not on the territory of Georgia for more than 182 days in any 12 month period, or legal entity, whose legal address is outside Georgia, except for the case when non-resident legal entity has a subsidiary (representation, agency) on the territory of Georgia;

- q. Trusted property – property that belongs to debtor by the moment of opening an insolvency proceedings, also property acquired and/or produced from the moment of opening an insolvency proceedings in Georgia and also abroad, with exception of items and claims that are not subject to compulsory enforcement under Georgian legislation;
- r. Rehabilitation – aggregation of procedural, management and executive acts, which are accomplished in conformance with this law and aim at complete and step-by-step satisfaction of creditors' claims, in conformance with the rules and conditions established by law, through improvement of future financial and logistical conditions, development of management system, increase of success and profitability of debtor's commercial activity and possible optimization of trusted property;
- s. Bankruptcy proceedings – aggregation of procedural and executive acts, accomplished in conformance with this law and aim at complete satisfaction of creditors' claims, in conformance with the rules and conditions established by law, mainly through sale of trusted property;

Law of Georgia for November 6, 2009, № 2003 - SSM I, №35, 19.11.2009, article 267.

Article 4 Court Jurisdiction

1. Special jurisdiction is established for cases under this law.
2. Cases under this law are examined by Tbilisi City Court and by Kutaisi City Court.
3. For the purpose of examining the cases under this law, Tbilisi City court jurisdiction includes East Georgia and Kutaisi City Court jurisdiction – West Georgia.
4. The court examines the insolvency case according to the address of the debtor; the insolvency case of unregistered unions and partnerships – by factual location of the debtor.
5. Any dispute, except for the pending disputes at the Court of Appeals and the Supreme Court, shall be handed over to the courts listed in paragraph 2 of this article within 30 days from promulgation of court ruling regarding receipt of insolvency application into proceeding.
6. In case of termination of the insolvency proceedings, the disputes mentioned paragraph 5 of this law shall be examined and decided by the courts listed in paragraph 2 of this article.

Article 5 Procedural norms applied in insolvency proceedings

1. During examination of insolvency cases under this law, special procedural norms established by this same law shall apply.
2. In case if this law does not include any special norm that regulates specific issue, insolvency cases shall be subjected to the norms of The Civil Procedures Code of

Georgia. Such application of the law is allowed only in case if it is not in conflict with the purpose of this law.

Article 6 Procedural costs relating to insolvency proceedings

1. Person filing an application on opening the insolvency proceedings has to deposit GEL 5 000 to the court account. In case of termination of the proceedings, court and trustee/supervisor fees shall be covered from this amount. In any other cases, the above-mentioned amount is returned to the applicant.
2. State fee for filing an application on opening the insolvency proceedings makes GEL 5 000.
3. The debtor is released from fees.
4. Paragraph 1 of this article does not apply to the debtor, if the debtor applies for bankruptcy under article 17, paragraph 1 of this law.

Chapter II

Claims

Article 7 Filing a private claim into the court

1. Any ruling rendered by the judge on insolvency proceedings can only be appealed by private claim.
2. Parties of insolvency proceedings, upon whom the ruling is rendered, can file a private claim; the claim can also be filed by the parties that are directly affected by this ruling.
3. Private claim must be filed in writing and to the court that rendered the ruling.

Article 8 Term of filing a private claim into the court

1. Private claim can be filed into the court within 5 days from the moment the ruling is rendered. This term cannot be prolonged.
2. If the party authorized to file a private claim was attending publishing of the ruling, the term for filing such claim will commence from the moment of its promulgation.

Article 9 The result of filing a private claim into the court

1. Filing a private claim shall not suspend accomplishment of the procedural act stipulated by the court ruling that was appealed.

2. If the court deems such private claim admissible and justified, then it will satisfy the claim. Otherwise, such private claim and case materials will be handed over to a higher court within 5 days from the ruling.

Article 10 Examination of a private claim by higher court

1. Higher court shall examine the private claim and shall render its decision within 14 days.
2. The ruling of higher court is final and cannot be appealed.

Article 11 Resolution of dispute by the general rule of appeal

1. Parties of insolvency proceedings have the right to apply to the court through general rule of appeal in case of the claims that are not listed in creditors' roster.
2. Appealing party must prove the circumstances that support his/her claims.
3. In cases under paragraph 1 of this article, the claim will be filed into the court that examines the insolvency case within 5 days from the first meeting of creditors. The court must take the case into proceedings within 5 days' time and finalize its examination within 20 days from the moment of acceptance.
4. The decision of the first instance court can be appealed at the court of appeals, within 5 days from the moment of rendering the decision. Appellate court is obliged to take the case into proceedings in 5 days' time and finalize its examination within 20 days from the moment of acceptance.
5. The decision of the appellate court can be appealed at the court of cassation, within 5 days from the moment of rendering the decision. Cassation court is obliged to take the case into proceedings in 3 days' time and finalize its examination within 20 days from the moment of acceptance.
6. Paragraphs 4 and 5 of this article also apply to the disputes relating to debtor's property mentioned in article 4, paragraph 5 of this law.

Law of Georgia for November 6, 2009, № 2003 - SSM I, №35, 19.11.2009, article 267.

Article 12 Suspension of insolvency (bankruptcy, rehabilitation) proceedings

1. The court objectively, completely and thoroughly examines the evidence at the hearing.
2. If case materials show that satisfaction of the claim stipulated by article 11 of this law substantially changes the result of insolvency proceedings, in case of existence of important circumstances the court may render a motivated decision regarding the date of first creditors' meeting and the claim stipulated by article 11 of this law, after the

final decision of the court enters into force, but no more than 90 days of deferral (6.11.2009. N2003) .

3. Insolvency (bankruptcy, rehabilitation) proceedings cannot be terminated on the basis of third party's claims.

Law of Georgia for November 6, 2009, № 2003 - SSM I, №35, 19.11.2009, article 267.

Chapter III Insolvency Application

Article 13 Basis for filing the insolvency application into the court

Basis for filing the insolvency application into the court is insolvency or expected insolvency of a debtor.

Article 14 Persons authorized to file insolvency application into the court

The following persons are authorized to file insolvency application into the court:

Insolvent debtors or debtors with expected insolvency;

Legal entity of public law, under the Ministry of Finance of Georgia – Revenue Service, if the amount of debt is no less than GEL 50 000 and at least 60 calendar days have passed since the due date.

Creditor, if he/she presents at least 2 valid court decisions rendered in favor of other creditors, which are already subjected to compulsory enforcement, with total amount exceeding GEL 50 000;

Creditor (s), whose claim, according to the latest financial statements, exceeds 30 % of total claims to the debtor and at least 30 calendar days have elapsed since the due date.

2 creditors together, if at least 30 calendar days have elapsed since the due date of both claims and the debtor has not made a written counterclaim against creditor's claim. In addition, total amount of these 2 creditors' claim must exceed GEL 150 000;

At least 3 creditors together, if at least 30 calendar days have elapsed since the due date of each claim and the debtor has not made a written counterclaim against creditors. In addition, total amount of these creditors' claim must exceed GEL 50 000.

Persons mentioned in this article (except for paragraph 1, subparagraph "a"), have the right to file insolvency application into the court only in case if the debtor was notified in writing about the overdue claim (s) at least 30 days prior to filing the application. The notification must inform the debtor about the application to the court in case of non-fulfillment of the claim.

The insolvency application may be revoked by the applicant before the court renders its ruling about taking the case into proceedings

Law of Georgia for November 6, 2009, № 2003 - SSM I, №35, 19.11.2009, article 267.

Law of Georgia for November 12, 2009, № 3806 - SSM I, №66, 03.12.2010, article 414.

Article 15 the form of insolvency application

1. The insolvency application must include:
 - a) The name of the court, in which the application is to be filed;
 - b) Name and address of applicant (s); if the applicant is legal entity – its name, legal address, and identification number (if such exists);
 - c) Representative's name and address, if the application is filed by the applicant's representative;
 - d) Debtor's name, legal address and identification number (if such exists);
 - e) Basis for filing the application;
 - f) List of documents attached to the application.
2. The insolvency application must include all the evidence proving the circumstances mentioned in the application; if the applicant fails to obtain the evidence and submit to the court due to some reasons, the court may obtain them on the basis of the applicant's justified motion.

Law of Georgia for November 6, 2009, № 2003 - SSM I, №35, 19.11.2009, article 267.

Article 16 Filing of the insolvency application into the court by the debtor

Besides the data listed in article 15 of this law, insolvency application filed into the court by the debtor must include:

List of property known to the debtor; amount on debtor's bank accounts; debtor's bank details and bank addresses;

List of secured creditors with indication of current liabilities, items of security and names (titles) and addresses (identification numbers) of creditors;

List of other creditors known to the debtor, with indication of current liabilities, creditors' names (titles) and addresses (identification numbers) of creditors;

- a. Copy of the decision made by the person (body) authorized to represent the debtor; it must indicate that the debtor is insolvent or faces expected insolvency and it must justify / explain current condition of insolvency / expected insolvency.

Law of Georgia for November 6, 2009, № 2003 - SSM I, №35, 19.11.2009, article 267.

Article 17 Debtor's request about bankruptcy proceedings

If in the insolvency application a debtor requests bankruptcy, then the meeting of creditors appoints bankruptcy manager and bankruptcy proceedings commence in accordance with the rules established by this law.

Before final decision is made by the Conciliation council, the debtor may at any stage request initiation of bankruptcy proceedings.

Article 18 filing the insolvency application into the court by the creditor (s)

Besides the data listed in article 15 of this law, insolvency application filed into the court by the creditor must include:

- a. The amount claimed by the creditor (in case of several creditors – by each creditor) from the debtor
- b. The grounds of generation of a debt, date (s) and indication about security for such debt;
- c. Information that the debt is due and is subject to payment and confirmation that the debtor was notified in writing, 30 days prior, about the overdue claim.
- d. Evidence that the debtor is insolvent;
- e. Evidence that the debtor is duly informed about the fact of filing the insolvency application into the court.

1. Party that files unjustified or poorly justified insolvency application against the debtor shall be liable for any loss/damage caused to the debtor.

Chapter IV

Opening of insolvency proceedings and its results

Article 19 Term of opening the insolvency case

1. The court decides the issue of opening the insolvency case within 5 days from the date of application.
2. In case if the application on insolvency meets all requirements established by this law, the court will render the ruling on opening the insolvency case.
3. If the court makes the decision on opening the insolvency case, the insolvency case is deemed open from the date of filing the application.

Article 20 refusal to open the insolvency case

1. If the insolvency application does not meet the requirements of this law, the court will rule on existing deficiencies and will give 5 business days to the applicant to correct such deficiencies. If the applicant corrects these deficiencies in due term, the court will render the ruling on opening the insolvency case. Otherwise the court will rule on refusal and will return the application to the applicant.
2. The same applicant will not be able to open the insolvency case against the same subject on the same grounds during 3 months from the moment of ruling on refusal.
3. Limitation under paragraph 2 of this article does not apply to newly revealed circumstances.

Article 21 Ruling on opening of insolvency proceedings

1. By the ruling on opening of insolvency proceedings:
 - a. The trustee / supervisor is appointed;
 - b. The date of the meeting of creditors is determined (time interval between the ruling and the meeting of creditors must be no less than 30 days).
2. From the moment the court rule on opening of insolvency proceedings:
 - a. The debtor is not allowed to enter into any deals or terminate any existing deals without the trustee's consent; in case of the absence of trustee's consent – without the court's consent;

- b. Any creditor is entitled to present its claims to the court, with indication of the grounds of debt;
- c. Compulsory enforcement against the debtor is suspended and no new measures of compulsion are allowed;
- d. Securing of the debts incurred before the court ruling on insolvency proceedings is restricted; repayment of debts and imposition/payment of interests, forfeitures, penalties (including tax-related) is stopped.
- e. For the purpose of uninterrupted operation, the company is entitled to assume new contractual obligations, upon the trustee's consent, or in case of absence of trustee's consent – upon the court's consent.

3. From the moment the court rules on opening of insolvency proceedings, person authorized to manage and represent the debtor, will protect the interests of the debtor during insolvency (bankruptcy, rehabilitation) proceedings.

Law of Georgia for November 6, 2009, № 2003 - SSM I, №35, 19.11.2009, article 267.

Law of Georgia for November 12, 2010, № 3806 - SSM I, №66, 03.12.2010, article 414.

Article 22 informing the debtor

- 1. Persons mentioned in article 14 of this law (except for paragraph 1, subparagraph "a" of this article) are obliged to inform the debtor about the date of application, name of the court, subject and volume of dispute before they file the application on insolvency into the court.
- 2. The court is obliged to immediately inform the debtor about the application on insolvency, which was filed.
- 3. The debtor is obliged to attend and participate in examination of the application.
- 4. If the court rules on opening the insolvency proceedings, the debtor and the creditor (s) must be immediately notified, in accordance with the rule established by Chapter VIII of the Civil Procedures Code of Georgia, and the application on insolvency and copies of all attached documents must also be provided to them.

Article 23 Result of unpardonable non-reporting of the debtor to the court

In case if the debtor does not appear in front of the court due to unpardonable reasons, the meeting of creditors will appoint the bankruptcy manager and bankruptcy proceedings will begin in conformance with the rules of this law.

Article 24 obligation of the person, authorized to manage and represent the debtor, to submit information to the trustee

1. During 30 days upon opening an insolvency proceedings, the person, authorized to manage and represent the debtor, is obliged to provide the trustee with information about the property, liabilities, financial status and operation of the debtor, as well as about pending court disputes by the moment of opening the insolvency proceedings.
2. Creditors are also entitled to obtain information mentioned in paragraph 1 of this article.
3. Non-submission of information mentioned in paragraph 1 of this article, deliberate delay or misrepresentation / falsification of the information shall result in criminal responsibility of the responsible person.

Law of Georgia for November 6, 2009, № 2003 - SSM I, №35, 19.11.2009, article 267.

Article 25 obligation to publish the court ruling

Court ruling on opening of the insolvency proceedings must be immediately published on the board of the court and on the website of "Legislative Newsletter of Georgia". The court may rule on publication of the ruling in other print media, including national and/or international news media.

Law of Georgia for June 24, 2011, № 4948 – webpage, 13.07.2011.

Article 26 Trustee

1. Within the scope of insolvency proceedings, the trustee is the legal entity of public law under the Ministry of Justice of Georgia – National Enforcement Bureau (hereafter referred to as "National Enforcement Bureau"); the court sends its ruling on opening of insolvency proceedings to the National Enforcement Bureau and notifies upon its appointment as trustee.
2. Rights and obligations of the Trustee:
 - a. to assume control over management and representation of the company during the term of its authority;
 - b1) (Removed – 24.06.2011, №4948);
 - b. to examine and evaluate debtor's credit and debt liabilities;
 - c. to prepare the report on insolvency of the debtor and to submit it to the court and the conciliation council;
 - d. to prepare and provide organizational support to the meeting of creditors and the committee of creditors during the term of its authority;

- e. upon request, to provide the court and the conciliation council with the information regarding the insolvency proceedings;
- f. To keep the trusted property and to protect it from damage and destructions;
- g. To exercise the authority stipulated by this law, in relation to limitation of the right to manage the trusted property; in case of disagreement upon this issue, the court shall grant the consent in form of its ruling;
- h. To establish all creditors and immediately inform them about opening of insolvency proceedings;
- i. To conclude contracts and use third parties' services for execution of its authority.

3. The cost of service rendered by the National Enforcement Bureau in relation to execution of the authority of the Trustee is determined by the Minister of Justice of Georgia. The cost of service shall be covered from the trusted property. In case if insolvency proceedings are terminated, the costs incurred by the trustee shall be covered by the initiator of the insolvency proceedings, in conformance with article 6, paragraph 1 of this law.
4. The authority of a trustee is terminated immediately upon approval of the decision under article 33, paragraph 3, subparagraph "a" or "c" of this law by the court, and in case if the decision on rehabilitation is made – upon approval of creditors' decision on appointment of rehabilitation manager by the court, under article 44, paragraph 2 of this law.
5. Creditor of debtor is authorized to apply to the court with motivated and reasonable motion regarding recusal of the trustee's representative. Final decision is made by the court within 2 business days from the date the motion about recusal is filed by the creditor or debtor.
6. (removed – 17.06.2011, №4828)

Law of Georgia for November 6, 2009, № 2003 - SSM I, №35, 19.11.2009, article 267.

Law of Georgia for April 27, 2010, № 2981 - SSM I, №24, 10.05.2010, article 147.

Law of Georgia for June 17, 2011, № 4828 – webpage, 28.06.2011.

Law of Georgia for June 24, 2011, № 4948 – webpage, 13.07.2011.

Article 27 Meeting of creditors

1. The meeting of creditors is held at the court of insolvency proceedings. The meeting of creditors is prepared and organized by the trustee - during the term of its authority, or by bankruptcy / rehabilitation manager - during the bankruptcy or rehabilitation period. The meeting of creditors is chaired by the judge.
2. The rule of holding the meeting of creditors and rule of making decisions is determined by this law.
3. Special meeting of creditors can be held by the trustee, creditor (s) who has at least 10 % of total votes of creditors, or debtor. The court send notifications about special

meeting and the agenda immediately upon receiving the request about holding a special meeting. A special meeting must be held at court, on the fifth day from the date of request.

4. The meeting of creditors is authorized if it is attended by or if includes at least 51 % of total votes of the creditors, in spite of the fact whether the rest of creditors were notified about the meeting or not, unless otherwise is determined by this law. In addition, the notification about the meeting must be published in the "Legislative Newsletter of Georgia".
5. The meeting of creditors examines the issue in conformance with this law and makes the decision:
 - a) About appointment of the member of Conciliation Council;
 - b) About appointment of bankruptcy / rehabilitation manager;
 - c) About establishment of the committee of creditors, determination of its membership, scope of authority, and rule of operation;
 - d) About other issues under its authority.
6. The decisions at the meeting of creditors are made by simple majority of votes, unless otherwise is determined by this law.
7. The votes are determined as follows: claim of GEL 1 – 1 vote (rounded to lesser value).
8. If the meeting of creditors is not held or fails to make the decision, the second meeting shall be held in 7 days' time and with the same agenda; this meeting will be capable of decision-making, despite the number of votes.
9. If the second meeting is not held or it fails to make the decision, then, within reasonable time period but no later than 5 days, the court makes the decision regarding the date of the meeting.
10. Holding of a meeting is not required when the creditor owning more than 50 % of votes, agrees to the issue in writing. Such written agreement equals to the Minutes of the Meeting and is considered to be the decision of the meeting.
11. The meeting may last up to 3 business days, with exception of cases under paragraph 17 of this article. On the basis of a reasonable written request of the creditors with more than 51 % of votes, the judge may prolong the term.
12. (removed)
13. All secured and unsecured creditors, who file their written claims to the court, have the right to attend the creditors' meeting. Debtor also has the right to attend the meeting.
14. At the first meeting the trustee shall report about the property, financial situation and liabilities of the debtor, as well as its secured creditors.
15. Creditors and debtor attending the meeting must be allowed to comment on the trustee's report and ask questions.
16. In case if, in its insolvency application, a debtor requests opening of bankruptcy proceedings under article 17 of this law, first meeting of creditors shall appoint the bankruptcy manager.

17. Duration of the first meeting of creditors must not exceed 7 business days. The judge may prolong this term on the basis of a reasonable written request of simple majority of creditors.
18. First meeting of creditors examines creditors' claims and establishes Conciliation Council.

Law of Georgia for November 6, 2009, № 2003 - SSM I, №35, 19.11.2009, article 267.

Article 28 Committee of creditors

1. Committee of creditors is a facultative body.
2. The rule establishment of the committee, selection and dismissal of its members, decision-making rules, number of members and scope of authority is determined by the meeting of creditors via simple majority of votes.

Article 29 Examination of creditors' claims

1. Within 30 days from moment the court ruling on opening of insolvency proceedings is published, creditors must submit their claims towards the debtor to the trustee and the court. The claims must include justifying documentation and other evidence. The trustee is authorized to claim additional information and evidence from the claimant.
2. Each claim presented at the first meeting of the creditors is examined in order to determine its volume and resolve the issue of its satisfaction. Creditors' claims are examined one by one and in sequence.
3. The judge listens to the trustee, parties and renders the ruling upon satisfaction or rejection of the claim on the basis of factual circumstances.
4. Creditor, who has both secured and unsecured claims, is examined as two creditors (creditor, who at the same time is a new creditor, or any two out of these three types, is viewed as three or two creditors).
5. Foreign creditor may be given additional reasonable time to submit its claims. Foreign creditor's claims are examined by the same rule as other claims.
6. All claims are expressed in national currency.
7. On the basis of the examination of claims the judge will prepare the register of creditors' claims.
8. The register of creditors' claims must include the following data:
 - a) Name and address of creditor (s); if the creditor is legal entity – its name, legal address, and identification number (if such exists);
 - b) Amount of creditor's claim;
 - c) Sequence of satisfaction of creditors' claims;

- d) Amount of debt and any change in the sequence of creditors

The register of claims is signed by the judge. The court is obliged to provide the trustee, members of conciliation council, debtor, bankruptcy or rehabilitation manager with a verified copy of the register within 5 days upon the request.

Law of Georgia for November 6, 2009, № 2003 - SSM I, №35, 19.11.2009, article 267.

Article 30 Rule of satisfaction of delayed claims submitted to the court by the creditors

1. Upon expiration of the timeframe established by law, the court makes decision upon satisfaction or rejection of claim after hearing parties' arguments and in consideration of factual circumstances.
2. Request of the owner of delayed claim shall be satisfied in conformance with the sequence under article 40, paragraph "g" of this law and in proportion to the claims of the same range of creditors.

Law of Georgia for November 6, 2009, № 2003 - SSM I, №35, 19.11.2009, article 267.

Article 31 Results of recognition of the claims submitted by creditors to the court

Recognition of the claims submitted by a creditor to the courts establishes the right of a creditor to attend the meeting of creditors, vote in proportion to the volume of its claim and exercise other rights granted by law.

Article 32 Conciliation Council

1. Conciliation Council is a collegial body, established on fair and equal grounds, which body substantially examines the issue of expected insolvency. In case of rehabilitation of a debtor, Conciliation Council also examines the rehabilitation plan.
2. Conciliation Council is established at the first meeting of creditors, upon completion of examination of creditors' claims.
3. Conciliation Council consists of three members.
4. One member of the Conciliation Council is appointed by the debtor; the other member is elected at the meeting of creditors, by the majority of votes. If the meeting of creditors fails to elect the second member of the Conciliation Council, then the second member will be appointed by the judge, at the end of the first meeting of creditors.

5. The third member of the Conciliation Council will be selected by the agreement of two members appointed by the debtor and creditors (or judge).
6. If the members of the Conciliation Council fail to agree on the third member, then the third member shall be appointed by the judge, at the end of the first meeting of creditors.
7. Debtor and creditors may appoint any capable, independent, unbiased, fair and experienced physical person with relevant higher education as a member of the Conciliation Council. Before nomination, such person's written consent is required.
8. The Conciliation Council makes decisions by majority of votes. The members have no right to refrain from voting.
9. The authority of the Conciliation Council terminates immediately upon making the decision about termination of bankruptcy or insolvency proceedings; in case of rehabilitation – upon examination and approval of rehabilitation plan.

Law of Georgia for November 6, 2009, № 2003 - SSM I, №35, 19.11.2009, article 267.

Article 33 Substantial resolution of debtor's insolvency issue

1. The Conciliation Council studies debtor's insolvency during 30 days from the moment of its establishment.
2. The Conciliation Council is authorized to invite the debtor, the creditors, other related persons and ask for their explanations.
3. The Conciliation council is authorized to make one of the following decisions:
 - a) On bankruptcy;
 - b) On rehabilitation;
 - c) On termination of insolvency proceedings;
4. If the Conciliation Council makes decision on termination of insolvency proceedings, the same applicant will not be able to file the claim against the same subject on the same grounds during 3 months from the date of the decision.
5. Limitation mentioned in paragraph 4 of this article does not apply to newly revealed circumstances in relation to the case.
6. On each decision of the Conciliation Council the Report is drawn up and signed by all three members.
7. The decision of the Conciliation Council on bankruptcy, rehabilitation or termination of insolvency proceedings is published in accordance with the rule mentioned in article 25 of this law.

Article 34 termination of insolvency proceedings

1. The Conciliation Council makes decision on termination of insolvency proceedings if there is no grounds for insolvency or such grounds were eliminated after filing of an application or if the debtor is able to cover the overdue debt without damaging other creditors.
2. The court renders the ruling about termination of insolvency proceedings on the basis of the decision of the Conciliation Council.
3. Court ruling about termination of insolvency proceedings must be handed over to the debtor and the creditor in accordance with the rules established by Civil Procedures Code of Georgia.

Article 35 harmful actions for creditors

1. The following actions, carried out during 6 months before filing of the insolvency application to the court, shall be deemed harmful to the creditor:
 - a. Debtor's action that prevents equal and proportionate satisfaction of creditors and grants privilege to a specific creditor, in comparison to other creditors of the same range;
 - b. Deals done or other actions carried out by the debtor, resulting in depreciation of trusted property;
2. If a privileged creditor or a counteragent under paragraphs "a" and "b" of this article is a person related to a debtor or debtor's relative, then the term mentioned in paragraph 1 of this article shall be 1 year.

Chapter V Bankruptcy

Article 36 Opening of bankruptcy proceedings

1. Bankruptcy proceedings commence in accordance with the decision of the Conciliation Council, from the moment of publishing court ruling on bankruptcy. Court ruling on bankruptcy is published in accordance with the rule established by this law.
2. Bankruptcy proceedings shall commence in case if by the insolvency application the debtor requests bankruptcy, in accordance with the rule mentioned in article 17 of this law.

Article 37 Bankruptcy manager

1. Bankruptcy manager manages and represents the company during bankruptcy proceedings. Bankruptcy manager has the authority under the law of Georgia on entrepreneurs and is full authorized to manage, execute and represent the subjects. During Bankruptcy proceedings, the managerial and representative authority of the company Director is suspended.
2. If Bankruptcy manager is not appointed by the meeting of creditors, or the creditors fail to nominate Bankruptcy manager, then the court appoints the National Enforcement Bureau as the Bankruptcy manager.
3. Bankruptcy manager may be physical person or legal entity. Bankruptcy manager must be independent from the parties, unbiased, honest (in case of legal entity – with good business reputation). Bankruptcy manager cannot be a person that carries out the same operation as the debtor.
4. Bankruptcy manager and creditors conclude the agreement, which determines the scope of authority, fees and liability of the Bankruptcy manager. Bank guarantee and/or liability insurance may be used to secure the liability.
5. In case if the National Enforcement Bureau is appointed as the Bankruptcy manager, the service fee shall be determined by the Minister of Justice of Georgia. Service fee shall be covered from the trusted property.
6. In case if the Bankruptcy manager, selected by the creditors, fails to duly fulfill the obligations under this law, the court shall be entitled to consider the issue of replacement of Bankruptcy manager on the basis of the application of one of the creditors. In case if the application is satisfied, the court appoints the National Enforcement Bureau as the Bankruptcy manager. The change must be registered in accordance with the rule established by this law.

Law of Georgia for November 6, 2009, № 2003 - SSM I, №35, 19.11.2009, article 267.

Law of Georgia for April 27, 2010, № 2981 - SSM I, №24, 10.05.2010, article 147.

Law of Georgia for June 17, 2011, № 4828 – webpage, 28.06.2011.

Article 38 Rule and conditions of auction

1. Trusted property can be sold via auction, except of financial mortgage subject, which can be sold in accordance with the law of „payment system and payment service”(shall be enacted on July 1, 2012)
2. Trusted property is sold via auction by the National Enforcement Bureau, which complies with the principles of protecting creditors' interests.

2.1 If the National Enforcement Bureau is not acting as Bankruptcy manager, then the Bankruptcy manager selected by the creditors will apply to the National Enforcement Bureau with application regarding rendering of auction services and will submit the auction documentation approved by the court; these documents must contain accurate information about the debtor, creditors and their claims, property for sale and its market value. National Enforcement Bureau is authorized to request additional

information, if such information is necessary for auction services. In case of

submission of incomplete auction documentation, National Enforcement Bureau is authorized to refuse to render auction service.

- 2.2 Fee for auction service rendered by National Enforcement Bureau is determined by the Minister of Justice of Georgia. Service fee shall be covered from trusted property.
3. Information about the auction must be published via mass media. In case if the information is spread via internet, the official website that will post the information about holding the auction shall be decided by the Minister of Justice of Georgia.
4. National Enforcement Bureau makes decision about holding the auction and publishes the date of auction 14 days prior to commencement of the auction.
5. The information about the auction must include:
 - a. Starting and ending time of the auction (duration of the auction must not be less than 7 days);
 - b. Debtor's name and legal address;
 - c. Location of trusted property and its maximum description possible;
 - d. Initial price of the trusted property;
 - e. The amount of bid;
 - f. Other conditions of the auction.
6. Limitation of the list of auction participants or application of other limitations is restricted, if such is not determined by the legislation.
7. Once the information about the auction is published, any person may apply to National Enforcement Bureau and request additional information about the auction. Availability of information is ensured by the Bankruptcy manager.
8. The auction is held according to the rules and conditions stipulated by the Order of the Minister of Justice of Georgia regarding approval of the forms, rules and procedures of compulsory auctions, except for the special rule under this law.
9. First auction is held 30 days after appointment of Bankruptcy manager, in order to sell the trusted property as one complex. Disaggregated sale of trusted property on the first auctions is prohibited. Initial price of the trusted property is determined on the basis of expert's report, by 50 %v of its market price. National Enforcement Bureau, if acting as Bankruptcy manager, is entitled to evaluate the trusted property and determine its market price or invite a competent person for the purpose of establishing the market value of the property.
 - 9.1 If the property is not sold on the first auction, person will be able to acquire the property before the second auction for the nominal price announced at the first auction.
10. If the trusted property is not sold on the first auction, then the second auction is held 30 days after the first auction. The second auction is announced the same way as the first auction; there will be an indication that the auction is held for the second time. On the second auction the trusted property may be sold as a whole complex or in parts. Decision about the form of disaggregated sale of trusted property on the second auction can be made by the majority of votes at the meeting of creditors, within 7 days

from completion of the first auction. In such a case, the creditors decide initial price of each lot. If creditors fail to make the above decision in due term, on the second auction the trusted property shall be sold as a whole complex. In such a case, initial price of the trusted property will be 25 % of the initial price for the first auction.

11. (Removed – 17.06.2011, №4828)
12. If the property is not sold on the second auction, upon the agreement between secured and new creditors, secured creditors' claims may be satisfied by handing over the items of security into their ownership. In such a case, procedural fees and service fee for the National Enforcement Bureau will be covered by secured creditors.
 - 12.1 If trusted property is not sold on the second auction, creditors are entitled to get the property in kind, within 60 days after the second auction; the offer shall be made by the Bankruptcy manager. Refusal to accept the property in kind will be equal to refusal of claim, and the property will be distributed among other creditors in row. If creditors of all ranks refuse to take the property in kind, it will serve as the basis for termination of insolvency proceedings and commencement of liquidation of the company. In cases mentioned in this paragraph, in kind distribution of the property among the creditors shall be done as per its market price, in sequence as the money generated from sale would be distributed. Whole complex of the property shall be handed over to creditors, under their share ownership. Procedural fees and service fee for the National Enforcement Bureau will be covered by creditors that received the property in kind.
13. Buyer (s) of the entire complex of trusted property of Legal Entity of Private Law may be registered as sole partner of the company. After the transfer of the title, the company is transferred to a new buyer free from debts and unencumbered. If after conclusion of the purchasing agreement, legal entity primary owner of trusted property sold on the auction happens to own some property, by the title it will belong to a new buyer.
14. If trusted property, presented at the auction, is not registered into the public register, then the Bankruptcy manager shall register it at the public register with unspecified data, within 3 days from announcement of the auction, as per paragraph 5 of this article. Further specification of the record of Public register is the obligation of a new owner, after the transfer of the ownership. In case if any error is found during specification of the record, the risk is assumed by the new owner.
15. If suspension of the company operation creates threat to health and/or life of humans, and uninterrupted operation of the company cannot be ensured, or holding of the auction within the established term will cause significant decrease of sale price, then reasonable reduction of the term of auction and accelerated sale of trusted property is possible by motivated decision of the court; in such a case potential buyers must be informed and the information must be made publicly available.
16. Upon completion of the auction the report is drawn up; the report includes the results of the auction.

17. The notice about the results of the auction is published in the same media that published the information about holding the auction.

Law of Georgia for November 6, 2009, № 2003 - SSM I, №35, 19.11.2009, article 267.

Law of Georgia for June 17, 2011, № 4828 – webpage, 28.06.2011.

Article 39. Specific authority of the secured creditors

1. After checking creditors' claims on the meetings of the creditors, secured creditors take the decision unanimously on arising new debts of the debtors.
2. Secured creditors have the right to suspend enforcement of the following decisions taken by creditors:
 - a. About the substantive conditions of agreement concluded with the bankruptcy or rehabilitation manager;
 - b. About determining the terms for rehabilitation.
3. While exercising this right by the secured creditors, the enforcement of the decision shall be suspended and the issue will be solved by negotiations. If case of failure to reach an agreement the matter shall be ruled by the court.
4. If there are no secured creditors, their authority shall be exercised by the creditors' meeting, which takes decision by simple majority of votes present.

Article 40. Ranking of creditors when meeting the claim

1. Creditors claims shall be met with following ranking:
 - a. First rank – procedural costs and fees for the service of National Bureau of Enforcement;
 - b. Second rank – Indebtedness of the debtor arisen after the court renders ruling on opening insolvency proceedings;
 - c. Third rank – all costs and reimbursements related to the appointment of the trustee and carrying out his/her obligations;
 - d. Fourth rank – all secured claims, including the ones secured as per tax code of Georgia;
 - e. Fifth rank – tax indebtedness, except the claims prescribed by paragraph 4 of this Article;
 - f. Sixth rank – all other acknowledged unsecured claims;
 - g. Seventh rank – creditors' claims presented after the deadline for filling the claims;
2. Each claim shall be met after the claims of the previous rank are fully upheld, unless otherwise unanimously agreed by the creditors. The cases prescribed by paragraph 5¹ of article 46 of this law shall be the exception to this rule.
3. In case the distributable amount is not enough for meeting the claims of one rank, these claims will be met proportionally to the claims of each creditor of this rank.

4. Bankruptcy manager shall be entitled to cover the creditors' claims by lump sum payment or by installments.

4¹ With the prior written approval of creditors, bankruptcy manager shall be entitled to satisfy the creditors' claims by observing general rules before the sale of the encumbered property and in the process of its sale, by the amounts recovered as a result of full or partial sale of the debtor's property at the moment of commencing the insolvency proceedings and allocated on the account of National Bureau of Enforcement. In such procedural costs, fee for the service of the National Bureau of Enforcement and indebtedness of the debtor arisen after the court renders ruling on opening insolvency proceedings shall have priority rank.

5. In case of receiving partial refusal on the claims prescribed by Article 29 of this law the creditor of any rank shall be authorized to gain priority in meeting the claims of one rank creditors. The approval of all the creditors within the rank will be required for this.
6. In case of receiving partial refusal on the claims prescribed by Article 29 of this law, the creditor stipulated by paragraph 5 of this Article shall have the right to request re-grouping in above rank. The approval of all the creditors in the above rank will be required for this.
7. The results of exercising authorities prescribed by paragraphs 5 and 6 of this Article by the creditors, decisions taken in accordance to paragraph 5¹ of Article 46 of this Law regarding fully satisfying claims in advance prescribed by subparagraphs "F" and "G" of paragraph one of this Article, shall be registered in the creditors' claims registry.
8. The ranks, claims and procedures prescribed by this Article shall cover bankruptcy case proceedings and rehabilitation process.
9. The rank of satisfying creditors' claims prescribed by this article does not apply to those creditors whose claims are secured by financial mortgage. Their claims secured by financial mortgage have priority rank to be fulfilled in accordance with the law of „payment system and payment service”(shall be enacted on july 1, 2012)Georgian Law, dated as of November 6, 2009 №2003 - სსტ I, №35, 19.11.2009 წ., art. 267

Georgian Law, dated as of June 17, 2011 №4828 –websites, 28.06.2011

Article 41. Rules for meeting the claims of the secured creditors

Unless portage (pledge) agreement provides otherwise:

- a. If in case of selling the property partially, the encumbered thing is sold at a price more than the claim of the secured creditor, the creditor will receive only the amount claimed while the remaining amount will be deposited in the joint claims in accordance to Article 40 of this Law.
- b. If the selling price of the encumbered thing to be sold on the auction is less than the claim of the secured creditor, such creditor will receive the amount received through the sale of given thing, while the remaining debt will be proceeded as unsecured claims in accordance to subparagraph "F" of paragraph one of Article 40 of this Law.

Article 42. Completion of the bankruptcy case proceeding

1. Bankruptcy case proceeding will be completed immediately upon the sale of the trusted property by the bankruptcy manager and distributing the proceeds recovered through sale.
2. After the sale of the trusted property, bankruptcy manager compiles debtor's bankruptcy report and presents it to creditors and court.
3. In accordance to the information provided by the bankruptcy manager and creditors, the court issues the ruling on completion of the bankruptcy case proceeding and revocation of the company's registration in the entrepreneur's registry.
4. The amount recovered after the sale of trusted property shall be distributed immediately after the completion of the process. The part of the remaining amount shall be kept on the deposit account of the National Bureau of enforcement for 3 months.

Georgia law, dated as of November 6, 2009 №2003 - SSM I, №35, 19.11.2009., Art 267

Georgia law, dated as of June 17, 2011 №4828 - websites, 28.06.2011.

Chapter VI Rehabilitation

Article 43. The timeline for preparation of rehabilitation plan

1. Timeline for preparation of the rehabilitation plan shall be counted according to the decision of the conciliation council from the date when the court ruling on rehabilitation was published. The court ruling on the rehabilitation shall be published according to the rule prescribed by this law.
2. Timeline for preparation of the rehabilitation plan is set by the creditors. It should not exceed 60 days. The prolongation of working out draft rehabilitation plan shall be possible by the decision of the creditors having more than 51% of votes.

Georgian law, dated as of November 6, 2009 №2003 - SSM I, №35, 19.11.2009., Art.267

Article 44. Rehabilitation Manager

1. Rehabilitation process is managed by the rehabilitation manager.
2. Creditors appoint the rehabilitation manager and determine the timeline of working out the draft rehabilitation plan within 3 days after publishing the court ruling on rehabilitation. Creditors' decision is approved by court by ruling.
3. Rehabilitation manager can be a physical person as well as legal entity. Rehabilitation manager should be independent, unbiased, and benevolent (in case of legal entity – having

business reputation) party. The person, who conducts the same or similar activity as a debtor, cannot be appointed as a rehabilitation manager.

4. During the rehabilitation process, the rights and responsibilities of the rehabilitation manager and the director of a company shall be determined by the creditors' meeting. Based on the decision of the creditors' meeting, the agreement shall be concluded between rehabilitation manager and creditors, which indicated the scope of the authority of a rehabilitation manager, his/her remuneration and scope of responsibilities. Letter of credit and/or insurance of the responsibility shall be used as means of securing responsibility.

^{4¹} Rehabilitation manager shall be entitled to temporarily assign his/her rights and responsibilities to another person by duly notarized power of attorney if it is envisaged in the rehabilitation plan.

Extracted.

Making new investment in the share capital of the company during the rehabilitation process for increasing share capital of the company is permissible according to the shareholders' decision of this company if there is no prior written approval between the rehabilitation manager and secures creditors on the issues.

Extracted - 24.06.2011, №4948

Georgian law dated as of November 6, 2009; 2003 - SSM I, №35, 19.11.2009., Art.267

Georgian law dated as of April 27 2010, №2981 - SSM I, №24, 10.05.2010., Art.147

Georgian law dated as of June 24 2011, №4948 – website, 13.07.2011.

Article 45. The rule of submitting the draft rehabilitation plan

Draft rehabilitation plan shall be prepared and submitted to the conciliation council within the timeline established for the preparation of the draft in accordance to paragraph 2 of Article 43 of this Law.

Draft rehabilitation plan should satisfy the criteria prescribed by the requirements of Article 46 of this Law.

Georgian law dated as of November 6, 2009; 2003 - SSM I, №35, 19.11.2009., Art.267

Article 46. Rehabilitation Plan

A debtor, a creditor or a rehabilitation manager or some of them simultaneously shall be assigned to prepare a rehabilitation plan by the creditors' decision.

The person in charge of preparing the rehabilitation plan shall be responsible to conduct consultations with the secured creditors, other creditors and the person responsible for handling and representing the debtor.

Rehabilitation plan shall be submitted in a written form and should cover all important issues related to the financial hardship of a debtor, with the consideration that after solving these problems the debtor overcomes insolvency or anticipated insolvency.

Rehabilitation plan determines accrual of interest on debts and its payment.

Rehabilitation plan will not consider the proposals, according to which the timeline and conditions of meeting the claims of different creditors of one rank may differ, unless otherwise prescribed by the decision of all creditors within the same rank. The case stipulated by paragraph 5¹ of this shall be the exception.

5¹. Rehabilitation plan may consider full advance satisfaction (extraordinary, before satisfaction of any claim of the previous rank) of the claims of the sixth and the seventh rank (for the purpose of this paragraph, hereinafter – claims on social indebtedness) prescribed by subparagraphs "f" and "g" of paragraph one of Article 40 of this law, which arise out of labor relationship between a debtor and debtor's employees and/or ex-employees (salary, business trip expenses, subsistence, compensation and other related indebtedness) and which is depicted in the rehabilitation plan. In accordance to this paragraph, in case of taking decision on satisfying the claims on social indebtedness fully in advance, claims on subsequent tax indebtedness relevant to (connected to) the claims of social indebtedness should be simultaneously satisfied. In case of taking decision on satisfying in advance claims on social indebtedness and claims on relevant tax indebtedness, the timeline of meeting the same fourth rank claims (secured claims), which according to the rehabilitation plan is determined to be satisfied within the closest timeline after the full, advance satisfaction of the claims on social indebtedness, shall be postponed until the end of the timeline determined by the rehabilitation plan for the satisfaction of the fourth rank claims (secured claims).

1. Rehabilitation plan is reviewed by the Conciliation Council upon submitting the draft rehabilitation plan and completes within 10 days.
2. During the process of discussing the rehabilitation plan, the Conciliation Council consults with creditors, debtor and rehabilitation manager. Changes may be introduced in the plan during the consultations.

Georgia Law dated as of November 6, 2009; №2003 - SSM I, №35, 19.11.2009 ., Art.267

Article 47. Approving the rehabilitation plan by the creditors

1. The rehabilitation plan discussed and approved by the Conciliation Council shall be approved by the secured creditors within 7 (seven) days from receiving the plan from the Conciliation Council.
2. If any of the secured creditors oppose the approval of the rehabilitation plan, other secured creditor may propose him/her one of the following:
 - a. Apportion of the secured items from the trusted property, sale and satisfaction from the proceeds.
 - b. Redemption of debt according to the data in the creditors' claims registry.
3. Secured creditor, who opposes the approval of the rehabilitation plan, shall be responsible to accept the proposal of other secured creditors prescribed by paragraph 2 of this Article.
4. If all the secured creditors oppose the approval of the rehabilitation plan, other creditors shall be entitled to propose him/her one of the following:
 - a) Apportion of the secured items from the trusted property, sale and satisfaction from the proceeds.
 - b) Redemption of debt according to the data in the creditors' claims registry.
5. Secured creditors, who oppose approval of the rehabilitation plan, shall be responsible to accept the proposal of other creditors prescribed by paragraph 4 of this Article

Article 48. The results of submitting inaccurate or false data in a rehabilitation plan or hiding the information

If by deliberate or gross negligence the rehabilitation plan shows inaccurate or false information on debtor's property and/or his/her activities, or information important for the case is hidden, the court takes the decision: in case of the rehabilitation manager – about dismissal of the rehabilitation manager; in case of a debtor – about bankruptcy of a debtor; in case of a creditor – about the losing voting right of a creditor.

Article 49. The scope of freeing the debtor or transforming the debts

1. Rehabilitation plan may consider full or partial freeing of a debtor from a debt or transforming the debts.
2. A debtor may be freed from debts fully or partially or the debts may be transformed by all creditors' approval.

3. If any of the creditor opposes freeing a debtor fully or partially from debts or transforming debts, other creditor may propose him/her redemption of the debt in accordance to the data registered in the creditors' claims registry.

4. If the creditor opposes freeing a debtor fully or partially from debts or transforming debts, shall be obliged to accept the proposal of other debtors.

Article 50. Implementation of the rehabilitation plan

1. Rehabilitation manager shall be in charge of implementation of the approved rehabilitation plan.

2. Creditors meeting shall supervise the implementation of the rehabilitation plan.

For

ensuring the supervision, each creditor shall be entitled to get and/or observe the debtor's annual report, also the part of the rehabilitation plan which directly relates to the terms and conditions of satisfying the creditor's claim. Rehabilitation manager shall be authorized to submit full information on the progress of the rehabilitation plan to the secured creditors within the timeline defined by the rehabilitation plan.

Georgia law, dated as of November 6,2009 №2003 - SSM I, №35, 19.11.2009 ., Art.267

Article 51. Introducing amendments to the rehabilitation plan

1. Rehabilitation plan may be altered if the creditors deem that it is impossible to comply in total or with the part of the plan and it may only be implemented only upon introducing changes in the plan.

2. Introducing changes in the rehabilitation plan shall follow the same rules as the approval of the plan in accordance to Article 47 of this Law. Rehabilitation manager prepares and submits for approval amendment of the rehabilitation plan unless otherwise stated by the creditors. .

Georgia law, dated as of November 6,2009 №2003 - SSM I, №35, 19.11.2009 ., Art.267

Article 52. Completion or suspension of the rehabilitation plan

1. Rehabilitation ends with the realization of the rehabilitation plan.

2. Rehabilitation shall be terminated if the court decides on termination due to the fact that the plan is not complied to.

3. Creditor (creditors), who own at least 10% of creditors' general votes, shall be entitled to address the court with the grounded proposal on impossibility of complying with the plan, by indicating the paragraphs of the plan which are violated at the time of submission.

4. The court hears the proposal of the creditors prescribed by paragraph 3 of this Article within 14 days after its submission and decides on termination or rejecting the termination of the rehabilitation plan.

5. Termination of the rehabilitation plan leads to bankruptcy of a debtor.

Georgia law, dated as of November 6,2009 №2003 - SSM I, №35, 19.11.2009 ., Art.267

Article 53. Activities and deals concluded before termination of the rehabilitation plan

Despite the termination of the rehabilitation plan, all the activities and deals concluded before the termination shall stay in force.

Chapter VII Insolvency case proceeding abroad

Article 54. Recognition and enforcement of the decision on insolvency cases abroad

1. Insolvency case proceeding abroad should be known regarding property existing in Georgia and creditors, except the cases when:

- a. Court, which heard the insolvency case did not have a jurisdiction according the Georgian legislation;
- b. Insolvency case proceeding abroad contradicts to substantial principles of Georgian Legislation, namely, to basic rights of individuals.

2. The rule for recognition and enforcement the insolvency case proceedings abroad shall be determined by Georgian Law on Conflict of Laws.

Article 55. Separate proceeding in Georgia of after the recognition of insolvency case abroad.

If a debtor, whose property is involved in the case proceeding abroad in accordance to Article 54 of this Law, leads the branch in Georgia, which concludes deals or is a company producing agricultural products, the recognition of insolvency case proceeding abroad does not preclude commencement of a separate insolvency proceeding in Georgia, which will cover the property existing inside the country. Only the creditors whose claim arose as a result of the activities of the branch or the company producing agricultural products shall be involved in such proceeding.

2. Relevant authorized person appointed for the insolvency case proceeding abroad shall be entitled to submit address instead of a debtor on commencing the separate insolvency proceeding. Creditor shall be entitled to submit the address, if he/she is a person determined by paragraph one of this Article and will substantiate his/her interest regarding the separate insolvency case proceeding.

3. The creditors participating in the insolvency case proceeding abroad may participate in separate case proceeding in Georgia for the part of the claim that was not satisfied during such proceeding abroad, if they substantiate their interest in court.

4. Trustee should be appointed for the separate insolvency case proceeding, who will cooperate with the substantially authorizes person appointed on insolvency case proceeding abroad.

5. The property remaining after the separate insolvency case proceeding shall be returned to the substantially authorized person appointed on insolvency case proceeding abroad.

Chapter VII¹

The Rule of Registration the Decisions Related to Insolvency Case Proceeding

Georgian law dated as of June 24, 2011 №4948 – websites, 13.07.2011§.

Article 55¹. Decision subject to registration

1. Decisions of the cases on commencing, termination of insolvency, bankruptcy or rehabilitation case proceedings, on appointing trustee of the insolvency case proceedings, bankruptc or rehabilitation manager (also on changing them), on abolishing the registration of the legal entity on the grounds of completion of the rehabilitation and bankruptcy case proceeding shall be registered in the entrepreneurs' and non-enterpreural (non-commercial) legal entities registry.

2. Insolvency, bankruptcy or rehabilitation case proceeding shall be deemed commenced, terminated, the authority of the trustee, bankruptcy or rehabilitation manager shall be deemed initiated (also their change), the rehabilitation case proceeding shall be deemed completed and the abolishment of the registration of the legal entity on the grounds of completion of the rehabilitation and bankruptcy case proceeding shall be deemed finalized based on the relevant decisions after registering it in the enterpreneurs' and non-enterpreural (non-commercial) legal entities registry.

3 registration authority carries an obligation to inform Georgian national bank immediately about decisions of the cases on commencing, termination of insolvency, bankruptcy orrehabilitation case proceedings, on appointing trustee of the insolvency case proceedings,bankruptcy or rehabilitation manager (also on changing them), on abolishing the registration of the legal entity on the grounds of completion of the rehabilitation and bankruptcy case proceeding toward an participant enterprise of an important payment system, which is operate in accordance with the law of „payment system and payment service”(shall be enacted July 1, 2012)

Georgian Law dated as of June 24, 2011 №4948 – websites, 13.07.2011.

Article 55². Registration rule of the court decisions

1. The court decision prescribed by this Law shall be registered in accordance to Georgian Laws on “Public Registry” and “On Entrepreneurs”.

2. The court is entitled to conclude authorisation agreement according to the rule prescribed by the Georgial Legislation with the National Bureau of Public Registry, legal entity of public law under the supervision of the Ministry of Justice of Georgia, in accordance to goals of entrepreneurs and non-enterpreneurial (non-commercial) legal entities and public registry.

Georgian Law dated as of June 24, 2011 №4948 – websites,
13.07.2011

Chapter VIII
Transitional and Concluding Provisions

Article 56. Scope of Law

1. This law covers insolvency cases, on which the address on insolvency has been submitted after enactment of this Law.

2. Insolvency cases, on which the address has been submitted according to the Georgian Law “On bankruptcy Case Proceedings” dated as of June 25, 1996, bankruptcy and rehabilitation process should complete within 1 month after the enactment of this Law.

3. After the expiration of the timeline prescribed by paragraph 2 of this Article, the entities under the process of bankruptcy and rehabilitation shall not be subject to Georgian Law “On bankruptcy Case Proceedings” dated as of June 25, 1996 and they will be obliged to commence the insolvency proceeding in accordance to this Law.

Georgia Law Dated as of March 18, 2008 №5970 - SSM I, №8, 28.03.2008 ., Art.58

Article 57. Null and Void Normative Acts

Law of Georgia on Bankruptcy Case Proceedings dated as of June 25, 1996 shall be declare null and void upon the enactment of this Law.

Article 58. Enactment of the Law

This Law shall be enacted from August 15 2007.

President of Georgia

M. Saakashvili

Tbilisi,

March 28, 2007

№4522-ІІ

Introduced Amendments:

1. Georgian Law dated as of March 19, 2008 №5970 - SSM I, №8, 28.03.2008 ., Art.58
2. Georgian Law dated as of November 6, 2009 №2003 - SSM I, №35, 19.11.2009 წ., Art.267
3. Georgian Law dated as of April 27, 2010 №2981 - SSM I, №24, 10.05.2010 ., Art.147
4. Georgian Law dated as of November 12, 2010 №3806 - SSM I, №66, 03.12.2010 წ., Art.414
5. Georgian Law dated as of June 17, 2011 №4828 - websiteo, 28.06.2011წ.
6. Georgian Law dated as of June 24, 2011 №4948 – website, 13.07.2011წ.