

# LAW OF GEORGIA

## ON INSOLVENCY PROCEEDINGS

### Chapter I - General Provisions

#### Article 1 - Aim of the Law

This Law aims to provide equal protection of the interests of debtors and creditors, to resolve, whenever possible, debtors' financial problems and to satisfy creditors' claims, or where this is not possible, to satisfy creditors' claims by distributing the proceeds generated from the realisation of the debtor's property.

#### Article 2 - Scope of the Law

1. This Law regulates the insolvency issues of business entities established under the Law of Georgia on Entrepreneurs, and of non-entrepreneurial (non-commercial) legal entities, unregistered unions and partnerships established under the Civil Code of Georgia.

2. This Law shall not apply to:

- a) natural persons (except for individual entrepreneurs);
- b) legal entities under public law;
- c) banks, non-bank depository institutions and insurance companies, the insolvency issues of which are regulated under special legislation.

#### Article 3 - Definition of terms

The terms used in this Law shall have the following meaning:

- a) insolvency - inability of a debtor to satisfy a creditor's matured claim;
- b) debtor facing imminent insolvency - a debtor that will or may become insolvent in the near future unless appropriate measures are taken;
- c) claim - any debt or a request to perform obligations, the duty or responsibility for the fulfilment of which rests with the debtor at the moment when the insolvency petition is admitted, and which includes, without any limitation, unliquidated claims, contingent claims, unmatured claims and penalties;
- d) unliquidated claim - a claim that has not been specified yet and includes claims connected with the compensation of inflicted damage, breach or non-fulfilment of a contract or other claims arising out of civil transactions;
- e) contingent claim - a claim the origination of which depends on a future and uncertain event and which, at the same time, comprises guarantee-related obligations which depend on the fulfilment of basic obligations by the debtor;
- f) unmatured claim - a claim that is not due at the moment when the insolvency petition is admitted;
- g) assets received as security to support a claim - property encumbered by mortgage or lien or seized by a court, as well as property received as a security under the Tax Code of Georgia;
- h) registration with unspecified characteristics - registration of title to real property without requesting a cadastral survey sketch, on the basis of the technical characteristics of the immovable property referred to in the document of title, which is confirmed by a document establishing such title;
- i) creditor - a person who has a justified financial claim (including an unmatured claim) against a debtor at the moment of filing for insolvency;
- j) new creditor - a creditor whose existence becomes known after a court ruling on the admission of an insolvency petition has been rendered;
- k) secured creditor - a creditor or a new creditor whose claim is secured by a mortgage, lien or other means of securing liabilities under the Tax Code of Georgia.
- l) creditors' decision - a decision of a creditors' meeting or a creditors' committee (if such committee exists);
- m) contributory - a partner of a general partnership, of a limited partnership or of a limited liability company, a shareholder of a joint-stock company, a member of a cooperative, a member of a non-entrepreneurial (non-commercial) legal person in cases specified by law, a member of a partnership, or a member of an unregistered union;
- n) related person:
  - n.a) a person, who is a relative of a natural person and who falls under the first or second degree heirs on intestacy, according to the Civil Code of Georgia;



- n.b) an enterprise in which a person, directly or indirectly, holds such share that effectively allows him/her to influence the decisions of the enterprise;
- n.c) a member of the managing body of an enterprise where a person directly or indirectly holds such share that effectively allows him/her to influence the decisions of the enterprise;
- n.d) a member of the managing body of a legal person and/or a person who holds a representative authority;
- n.e) a partner or a founder of a legal person, who may effectively influence the decisions of that legal person;
- o) relative - a person defined under Article 31(2) of the Civil Procedure Code of Georgia;
- p) foreign creditor - a natural person whose actual presence in the territory of Georgia does not exceed 182 days in any 12-month period or a legal person whose legal address is outside Georgia, except where a non-resident legal person has a branch (representative office, agency) in the territory of Georgia;
- q) trust property - property that is in the ownership of a debtor at the moment of the opening of insolvency proceedings, as well as any property acquired and/or produced (created) in Georgia or abroad from the moment of the opening of insolvency proceedings, except for the property and claims that are not subject to compulsory enforcement under the legislation of Georgia;
- r) rehabilitation – the combination of procedural, managerial and administrative actions carried out in accordance with this Law and aimed at a gradual and full satisfaction of creditors' claims in accordance with the procedure and conditions established by law, mainly by improving the financial and logistical situation of a debtor, by streamlining the management system, by increasing the productivity and profitability of the commercial activities of a debtor, or by conducting the possible optimisation of trust property;
- s) bankruptcy proceedings – the combination of procedural and administrative actions carried out in accordance with this Law and aimed at satisfying creditors' claims to the fullest possible extent in accordance with the terms and conditions established by law, mainly through the realisation of trust property;
- t) qualified credit institution - a legal person that is considered as such by the Financial Supervision Agency of Georgia and that raises funds from natural persons and grants loans using the raised funds in accordance with the Organic Law of Georgia on the National Bank of Georgia;

**[u) Automated Insolvency System– the system specified under Article 3<sup>1</sup> of this Law. (Shall enter into force from 1 January 2017)]**

*Law of Georgia No 2003 of 6 November 2009 - LHGI, No 35, 19. 11.2009 Article 267*

*Law of Georgia No 6321 of 25 May 2012 – web-site, 12.6.2012*

*Law of Georgia No 6604 of 29 June 2012 – website, 12.7.2012*

*Law of Georgia No 142 of 21 December 2012– web-site, 30.12.2012*

*Law of Georgia No 1869 of 25 December 2013 – website, 28.12.2013.*

*Law of Georgia No 2922 of 11 December 2014 – website, 23.12.2014*

*Law of Georgia No 4195 of 3 September 2015 – website, 10.9.2015*

*Law of Georgia No 4642 of 16 December 2015 – website, 25.12.2015*

### **[Article 3<sup>1</sup> - Automated Insolvency System]**

1. The Automated Insolvency System ('the Automated System') ensures the performance, through electronic means, of activities envisaged by law in the process of insolvency proceedings, including the publication and exchange of information among persons (entities) referred to in this Law.

2. Any court ruling rendered in the process of insolvency proceedings shall be published in the Automated System no later than 2 business days after the ruling has been rendered. The decisions made by a creditors' meeting, a conciliation board, a trustee, a bankruptcy manager and a rehabilitation manager and the documents relating to them shall be published in the Automated System in cases referred to in this Law. The publication of the given information and/or documents in the Automated System shall be considered as their official publication.

3. Any publication, transmission, receipt or any other action provided for by this Law performed through the Automated System in the process of insolvency proceedings shall have official legal force. The information and/or documentation transmitted through the Automated System shall be deemed submitted to the relevant addressee or received by the addressee upon the publication of that information and/or document in the System. **(Shall enter into force from 1 January 2017)]**

*Law of Georgia No 6604 of 29 June 2012 – website, 12.7.2012*

*Law of Georgia No 142 of 21 December 2012– web-site, 30.12.2012*

*Law of Georgia No 1869 of 25 December 2013 – website, 28.12.2013.*

*Law of Georgia No 2922 of 11 December 2014 – website, 23.12.2014*

*Law of Georgia No 4642 of 16 December 2015 – website, 25.12.2015*



#### Article 4 - Court Jurisdiction

1. A special jurisdiction shall be established for cases provided for in this Law.
2. The cases provided for in this Law shall be heard by the Tbilisi City Court and Kutaisi City Court.
3. For hearing the cases provided for in this Law, Eastern Georgia falls under the jurisdiction of the Tbilisi Civil Court and Western Georgia falls under the jurisdiction of the Kutaisi Civil Court.
4. A court shall review insolvency cases according to the debtor's legal address, and insolvency cases of unregistered unions and partnerships according to the actual location of the debtor.
5. Any dispute over the debtor's property, except for disputes at the Court of Appeals and at the Supreme Court of Georgia, shall be referred to the courts specified in paragraph 2 of this article within 20 days from the publication of the court ruling on the admission of the insolvency petition.

[5. Any dispute over the debtor's property, except for disputes pending at the Court of Appeals and at the Supreme Court of Georgia, shall be referred to the courts specified in paragraph 2 of this article within 20 days after the publication in the Automated System of the court ruling on the admission of the insolvency petition. **(Shall enter into force from 1 January 2017)**]

- 5<sup>1</sup>. Any disputes relating to a debtor's property arising after the admission of an insolvency petition shall be reviewed by the courts referred to in paragraph 2 of this Law.
- 5<sup>2</sup>. If a creditors' meeting decides that it has an interest in the disputed property, the dispute with respect to such property shall be conducted pursuant to paragraphs 5 and 5<sup>1</sup> of this article. If a creditors' meeting decides that it has no interest in the disputed property, the proceedings on the debtor's disputed property shall be terminated.
- 5<sup>3</sup>. In the case where a property is not disputed, but may become the subject of a dispute, a creditors' meeting shall decide whether it has any interest in such property and whether to initiate court proceedings in relation to the given property. If creditors have an interest in the given property, the dispute over that property shall be reviewed pursuant to paragraph 5<sup>1</sup> of this article.
6. If insolvency proceedings are terminated, the disputes under paragraphs 5, 5<sup>1</sup>, 5<sup>2</sup> and 5<sup>3</sup> of this article shall be reviewed by the courts referred to in paragraph 2 of this article.

*Law of Georgia No 5668 of 28 December 2011 – website, 16.1.2012*

*Law of Georgia No 6604 of 29 June 2012 – website, 12.7.2012*

*Law of Georgia No 142 of 21 December 2012 – web-site, 30.12.2012*

*Law of Georgia No 1869 of 25 December 2013 – website, 28.12.2013.*

*Law of Georgia No 2922 of 11 December 2014 – website, 23.12.2014*

*Law of Georgia No 4642 of 16 December 2015 – website, 25.12.2015*

#### Article 5 - Procedural norms to be applied in insolvency proceedings

1. The special procedural norms established under this Law shall be applied to insolvency proceedings envisaged under this Law.
2. The provisions of the Civil Procedure Code of Georgia shall be applied to insolvency proceedings only where this Law does not contain special provisions regulating the given issue. Analogy of law shall be used unless this conflicts with the goals of this Law.

*Law of Georgia No 5667 of 28 December 2011 - website, 30.12.2011*

#### Article 5<sup>1</sup> - Time limits of insolvency proceedings ending in bankruptcy

1. Insolvency proceedings initiated by a debtor in the case specified in Article 17 of this Law shall end with the debtor's bankruptcy no later than 207 days after proceedings have been initiated.
2. Insolvency proceedings initiated by a creditor (creditors) specified in Article 14(1)(b)-(f) of this Law shall end with the debtor's bankruptcy no later than 225 days after proceedings have been initiated.
3. The time limits under paragraphs 1 and 2 of this article may not be extended, except in the cases provided for by Article 12(2) of this Law.

*Law of Georgia No 5668 of 28 December 2011 – website, 16.1.2012*

#### Article 6 - Insolvency proceedings expenses



1. A person filing an insolvency petition shall credit GEL 5 000 to the court's deposit account. The procedural expenses and the service fees of the National Bureau of Enforcement, which are set under an order of the Minister of Justice of Georgia, shall be covered from the above amount in the case of the termination of the proceedings. In all other cases, the amount shall be refunded to the petitioner.

2. The state fee for submitting an insolvency petition is GEL 5 000.

3. A debtor shall be released from the payment of the state fee.

4. Paragraph 1 of this article shall not apply to a debtor if the debtor applies for bankruptcy under Article 17(1) of this Law.

*Law of Georgia No 5668 of 28 December 2011 – website, 16.1.2012*

## **Chapter II - Lodging Appeals**

### **Article 7 - Filing a complaint subject to a time limit with the court**

1. Any decision on insolvency proceedings delivered by a judge in the form of a ruling shall be appealed only by a complaint subject to a time limit.

2. A complaint subject to a time limit may be filed by the parties to the insolvency proceedings against whom the ruling has been rendered, as well as by persons to whom the ruling applies.

3. The complaint subject to a time limit shall be filed in writing at the court that has rendered the ruling.

### **Article 8 - Time limits for filing a complaint subject to a time limit**

1. A complaint subject to a time limit may be filed with the court within 5 days after the ruling has been served on the parties. This time limit may not be extended.

[1. A complaint subject to a time limit may be filed with the court within 5 days after the ruling has been published in the Automated System. This time limit may not be extended. *(Shall enter into force from 1 January 2017)*]

2. If a person authorised to file a complaint subject to a time limit was present during the pronouncement of the ruling, the running of the time limit for filing a complaint subject to a time limit shall commence from the moment of its pronouncement.

*Law of Georgia No 6604 of 29 June 2012 – website, 12.7.2012*

*Law of Georgia No 142 of 21 December 2012 – web-site, 30.12.2012*

*Law of Georgia No 1869 of 25 December 2013 – website, 28.12.2013.*

*Law of Georgia No 2922 of 11 December 2014 – website, 23.12.2014*

*Law of Georgia No 4642 of 16 December 2015 – website, 25.12.2015*

### **Article 9 - Effects of filing a complaint subject to a time limit**

1. The filing of a complaint subject to a time limit shall not suspend the performance of the procedural action stipulated by an appealed court ruling.

2. The court shall satisfy the complaint subject to a time limit if it finds the complaint admissible and justified. Otherwise, the complaint subject to a time limit and case materials shall be referred to a higher court within 5 days after the court ruling has been rendered.

### **Article 10 - Review of a complaint subject to a time limit by a higher court**

1. A higher court shall review a complaint subject to a time limit and make a decision within 14 days.

2. The decision of a higher court shall be final and may not be appealed.

### **Article 11 - Resolution of disputes through adversary proceedings**

1. Persons participating in insolvency proceedings and third parties may file adversary proceedings in respect of:

a) the claims that have not been included in the list of creditors;

b) the disputes over the creditor's property referred to in Article 4(5), (5<sup>1</sup>), (5<sup>2</sup>) and (5<sup>3</sup>) of this Law.



2. The plaintiff shall prove the circumstances on which plaintiff bases the claims.

3. In cases under paragraph 1 of this article, a complaint shall be filed with the court examining the insolvency case within 5 days after the first creditors' meeting has been held.

4. In cases under paragraph 1 of this article, the court shall admit the complaint within 5 days and complete the consideration of the case within 20 days from the admission of the complaint.

5. The decision of the court of first instance may be appealed to the Court of Appeals within 5 days after the decision has been made. The Court of Appeals shall admit the appeal within 5 days and complete the consideration of the case within 20 days from the admission of the appeal.

6. The decision of the Court of Appeals may be appealed to the Court of Cassation within 5 days after the Court of Appeals delivers the decision. The Court of Cassation shall admit the appeal within 3 days and complete the proceedings within 20 days from the admission of the appeal.

*Law of Georgia No 2003 of 6 November 2009 - LHGI, No 35, 19. 11.2009 Article 267*

*Law of Georgia No 5668 of 28 December 2011 – website, 16.1.2012*

## **Article 12 - Stay of insolvency (bankruptcy, rehabilitation) proceedings**

1. The court shall evaluate the presented evidence; the evaluation shall be based on a comprehensive, complete and objective examination of the evidence during the hearing.

2. If the examination of case materials reveals that the satisfaction of the claim under Article 11 of this Law will substantially change the consequences of the insolvency proceedings, where there are relevant circumstances, the court may make a reasoned decision to postpone the first creditors' meeting until the date when the final decision of the court on the claim specified in Article 11 of this Law enters into force, but for not longer than 90 days.

3. Insolvency (bankruptcy, rehabilitation) proceedings may not be stayed on the basis of a third party's complaint.

*Law of Georgia No 2003 of 6 November 2009 - LHGI, No 35, 19. 11.2009 Article 267*

## **Chapter III - Insolvency Petitions**

### **Article 13 - Grounds for filing an insolvency petition with the court**

The insolvency or imminent insolvency of a debtor shall serve as grounds for filing an insolvency petition with the court.

### **Article 14 - Persons authorised to file an insolvency petition**

1. The following persons may file an insolvency petition with the court:

a) debtors who are insolvent or facing imminent insolvency;

b) the Revenue Service, a legal entity under public law within the Ministry for Finance of Georgia, if the amount of debt is at least GEL 50 000 and at least 60 calendar days have elapsed since the due date of the tax payment;

b<sup>1</sup>) the Financial Supervision Agency of Georgia, with respect to the insolvency of qualified credit institutions;

c) a creditor who presents against the debtor at least 2 court decisions passed in favour of other creditors, where such decisions have already been subject to compulsory enforcement and the total amount exceeds GEL 50 000;

d) a creditor (creditors) whose claim, according to a recent financial statement, exceeds 30% of the total amount of claims asserted against the debtor and at least 30 calendar days have elapsed since the due date for the satisfaction of the claim;

e) two creditors jointly, if at least 30 calendar days have elapsed since the due date for the satisfaction of each of the claims and the debtor has not contested in writing the creditor's claim. The total amount of the given creditors' claims must exceed GEL 150 000;

f) at least 3 creditors jointly, if at least 30 calendar days have elapsed since the due date for the satisfaction of each of the claims and the debtor has not contested in writing the creditor's claim. The total amount of the given creditors' claims must exceed GEL 50 000.

2. The persons under this article, except for persons referred to in paragraph 1(a), shall have the right to file the insolvency petition only if the debtor has been notified in writing of an overdue claim (claims) by the creditor (creditors) no later than 30 days after the application date. The notification shall indicate that failure to satisfy the claim will result in the filing of the insolvency petition with the court.

3. The petitioner may withdraw the insolvency petition before the court ruling acknowledging the receipt of the insolvency petition has been rendered.

[4. The insolvency petition shall be submitted by the means of the Automated System in accordance with the provided format and procedures prescribed by the Automated System. (Shall enter into force from 1 January 2017)]



*Law of Georgia No 2003 of 6 November 2009 - LHGI, No 35, 19. 11.2009 Article 267*

*Law of Georgia No 3806 of 12 November 2010 - LHGI, No 66, 03.12.2010, Art. 414*

*Law of Georgia No 6321 of 25 May 2012 – website, 12.6.2012*

*Law of Georgia No 6604 of 29 June 2012 – website, 12.7.2012*

*Law of Georgia No 142 of 21 December 2012– web-site, 30.12.2012*

*Law of Georgia No 1869 of 25 December 2013 – website, 28.12.2013.*

*Law of Georgia No 2922 of 11 December 2014 – website, 23.12.2014*

*Law of Georgia No 4195 of 3 September 2015 – website, 10.09.2015*

*Law of Georgia No 4642 of 16 December 2015 – website, 25.12.2015*

## **Article 15 - Insolvency petition form**

1. An insolvency petition form shall include:

a) the name of the court where the application is to be submitted;

b) the full name and address of the petitioner (petitioners), or if a petitioner is a legal person, the name of the legal person, its legal address and identification number (if any);

c) the full name and address of the representative, if the application is submitted by the representative of the petitioner;

d) the name of the debtor, its legal address and identification number (if any);

e) the grounds for submitting the application;

f) the list of the documents attached to the application.

2. An insolvency petition shall be supported by relevant evidence confirming the circumstances indicated in it. If the petitioner can not obtain and submit such evidence to the court, the court may request and obtain the evidence on the basis of a reasoned motion of the petitioner.

*Law of Georgia No 2003 of 6 November 2009 - LHG I, No 35, 19.11.2009, Art. 267*

## **Article 16 - Filing of an insolvency petition with the court by a debtor**

1. In addition to the requirements under Article 15 of this Law, a debtor's insolvency petition submitted to the court shall also include:

a) a list of property known to the debtor and the amount available in the debtor's bank account(s), with information on the account(s)' details and bank(s)' addresses;

b) a list of secured creditors, indicating current claims and details of collateral, as well as the names (titles) and addresses (identification numbers);

c) a list of other creditors known to the debtor, indicating their current claims, their names (titles) and addresses (identification numbers);

d) a copy of the decision of the person (body) authorised to represent the debtor, which must indicate that the debtor is insolvent or is facing imminent insolvency.

2. If a debtor, in the insolvency petition, requests bankruptcy under Article 17 of this Law, and, at the same time, considers that in the event of the commencement of bankruptcy proceedings at the time of the filing of the insolvency petition the debtor will not be able to cover the procedural expenses from their property, the debtor's insolvency petition submitted with the court shall include the following details in addition to the ones required under paragraph 1 of this article:

a) a statement to the effect that in the event of the commencement of bankruptcy proceedings the debtor will not be able to cover the procedural expenses from their property;

b) evidence confirming the statement specified in sub-paragraph (a) of this paragraph.

*Law of Georgia No 2003 of 6 November 2009 - LHG I, No 35, 19.11.2009, Art. 267*

*Law of Georgia No 6388 of 5 June 2012 – website, 19.6.2012*

## **Article 17 - Debtor's request for bankruptcy proceedings**

1. When a debtor, in the insolvency petition, requests bankruptcy, then the creditors' meeting shall appoint a bankruptcy manager and bankruptcy



proceedings shall be commenced pursuant to this Law.

2. The debtor may request the commencement of bankruptcy proceedings at any stage before the final decision is made by the Conciliation Board.

#### **Article 18 - Filing of an insolvency petition with a court by a creditor (creditors)**

1. In addition to the details required under Article 15 of this Law, an insolvency petition submitted with the court by a creditor (creditors) shall also include:

- a) the amount claimed from the debtor by the creditor (in the case of creditors, the amount claimed by each creditor);
- b) the reasons for incurring the debt, the date (dates) of incurring the debt and whether or not the debt is secured;
- c) a statement that the debt is due and is subject to payment, and that the debtor has been notified in writing, 30 days before, about the overdue claim;
- d) evidence that the debtor is insolvent;
- e) evidence that the debtor has been notified about the filing of the insolvency petition with the court in accordance with the procedure established by this Law.

2. A person who files an insolvency petition against a debtor with no grounds or with insufficient grounds shall be liable for any damage caused to the debtor.

### **Chapter IV - Admission of insolvency petitions and its effects**

#### **Article 19 - Time limits for admitting insolvency petitions**

- 1. The court shall make a decision on the admission of an insolvency petition within 5 days after the application has been submitted.
- 2. The court shall render a ruling on the admission of an insolvency petition if this application meets the requirements under this Law.
- 3. If the court decides to admit an insolvency petition, the insolvency proceedings shall be deemed open from the date of the submission of the insolvency petition.

#### **Article 20 - Dismissal of insolvency petitions**

1. If an insolvency application does not meet the requirements under this Law, the court shall render a ruling about the defect in the insolvency petition and allow the petitioner 5 working days to remedy the defect. If the petitioner remedies the defect within the specified time limits, the court shall render a ruling on the admission of the petition. Otherwise, the judge shall render a ruling dismissing the petition, and shall return the petition to the petitioner.

[1. If an insolvency petition does not meet the requirements under this Law, the court shall render a ruling about the defect in the insolvency petition and allow the petitioner 5 working days to remedy the defect. If the petitioner remedies the defect within the specified time limits, the court shall render a ruling on the admission of the petition. Otherwise, the judge shall render a ruling dismissing the petition, and shall return the petition to the petitioner. The court shall publish the ruling under this paragraph in the Automated System no later than 2 days after the ruling has been rendered. (Shall enter into force from 1 January 2017)]

2. No insolvency suit may be commenced against the same debtor and on the same grounds by the same petitioner for 3 months after the court passes a ruling on the dismissal of an insolvency petition.

3. The restrictions under paragraph 2 of this article shall not apply when new circumstances relevant to the case are discovered and in the cases specified in paragraph 7 of this article.

4. If a debtor, in the insolvency petition, requests bankruptcy and the court decides, within the time limit specified in Article 19(1) of this Law and on the basis of the insolvency petition specified in Article 16 of this Law, that the debtor will not be able to cover procedural expenses from their property at the moment of submission of the insolvency petition, the court shall render a ruling on the dismissal of the insolvency petition and indicate in the ruling that the debtor shall be declared bankrupt by way of the annulment of the registration, provided that no creditors file an insolvency petition against the given debtor within 1 month after the publication of the ruling.

5. In order to inform the debtor's creditors, the court shall publish the following information in the Legislative Herald of Georgia no later than 3 days after the ruling under paragraph 4 of this Law has been rendered:

- a) information referred to in the ruling;
- b) information that the debtor's creditor may file an insolvency petition with the court for the commencement of insolvency proceedings against the same debtor and for the satisfaction of his claim out of the debtor's property.

[5. In order to inform the debtor's creditor, the court shall publish the following in the Automated System no later than 3 days after the ruling under paragraph 4 of this law has been rendered:



a) the information referred to in the ruling;

b) information that the debtor's creditor may file an insolvency petition with the court for the commencement of insolvency proceedings against the same debtor and for the satisfaction of his claim out of the debtor's property. ***(Shall enter into force from 1 January 2017)***

6. The debtor shall pay the fee for the publication of information under paragraph 5 of this article in the Legislative Herald of Georgia.

***[6. (Deleted - 29.6.2012 No 6604). (Shall enter into force from 1 January 2017)]***

7. A creditor who is interested in the satisfaction of his claim out of the property of a debtor specified in paragraph 4 of this article may submit an insolvency petition to the court pursuant to this Law within 1 month after the publication of the information under paragraph 5 of this article.

8. The restrictions under Article 14(1)(b-f) and Article 14(2) of this Law shall not apply to the cases specified in paragraph 7 of this article.

9. The court shall declare the debtor bankrupt if the creditor does not file an insolvency petition specified in paragraph 7 of this article within 1 month after the publication of the information specified in paragraph 5 of this article. The declaration of a debtor as bankrupt shall serve as grounds for annulling the debtor's registration.

***[9. The court shall declare the debtor bankrupt if the creditor does not file an insolvency petition specified in paragraph 7 of this article within 1 month after the publication of the information specified in paragraph 5 of this article. The declaration of a debtor as bankrupt shall serve as grounds for annulling the debtor's registration. The court shall publish the given information in the Automated System no later than on the second working day. (Shall enter into force from 1 January 2017)]***

10. In the case specified in paragraph 9 of this article, the debtor's property (if any) shall be distributed among his partners in proportion to each partner's share, unless otherwise agreed between the parties.

11. If the court questions the authenticity of the debtor's statement and of the evidence referred to in Article 16(2) of this Law or considers that the evidence presented by the debtor fails to confirm the debtor's statement that in the case of the commencement of bankruptcy proceedings the debtor will not be able to cover the procedural expenses, the court may render a ruling, under Article 19 of this Law, admitting the insolvency petition.

*Law of Georgia No 6388 of 5 June 2012 – website, 19.6.2012*

*Law of Georgia No 6604 of 29 June 2012 – website, 12.7.2012*

*Law of Georgia No 142 of 21 December 2012– web-site, 30.12.2012*

*Law of Georgia No 1869 of 25 December 2013 – website, 28.12.2013.*

*Law of Georgia No 2922 of 11 December 2014 – website, 23.12.2014*

*Law of Georgia No 4642 of 16 December 2015 – website, 25.12.2015*

## **Article 21 - Court ruling on the admission of an insolvency petition**

1. Under a court ruling on the admission of an insolvency petition:

a) a trustee shall be appointed;

b) the date of the creditors' meeting shall be fixed (the time interval between the ruling and the creditors' meeting shall be at least 30 days and not more than 40 days).

2. From the moment when a court ruling on the admission of an insolvency petition has been rendered:

a) the debtor may not enter into any transactions and/or terminate existing transactions without the consent of the trustee, or if such consent cannot be obtained, without the consent of the court;

b) any creditor may present their claims to the court with a statement of the reasons for the creation of the debt;

***[b) any creditor may, within the prescribed time limits, present their claims to the court by means of the Automated System with a statement of the reasons for the creation of the debt. (Shall enter into force from 1 January 2017)]***

c) any enforcement proceedings against the debtor shall be stopped and no new compulsory enforcement measures may be initiated;

d) security may not be provided for debts incurred before the passing of the court ruling on the admission of the insolvency petition; the repayment of debts, and the charging and payment of interest, default charges and penalties (including tax-related) shall be suspended;

e) for the purpose of continuing as a going concern, the enterprise may assume new contractual obligations with the consent of the trustee, or if such consent cannot be obtained, with the consent of the court.

***[2<sup>1</sup>. The consent under sub-paragraphs 2(a) and (e) of this article shall be obtained by means of the Automated System. (Shall enter into force from 1 January 2017)]***

3. A person authorised to manage and represent a debtor shall protect the debtor's interests in the insolvency (bankruptcy, rehabilitation) proceedings from the moment when the court renders a ruling on the admission of the insolvency petition.





*Law of Georgia No 2003 of 6 November 2009 - LHG I, No 35, 19.11.2009, Art. 267*

*Law of Georgia No 3806 of 12 November 2010 - LHGI, No 66, 03.12.2010, Art. 414*

*Law of Georgia No 5551 of 20 December 2011 – website, 29.12.2011*

*Law of Georgia No 5668 of 28 December 2011 – website, 16.1.2012*

*Law of Georgia No 6604 of 29 June 2012 – website, 12.7.2012*

*Law of Georgia No 142 of 21 December 2012 – web-site, 30.12.2012*

*Law of Georgia No 1869 of 25 December 2013 – website, 28.12.2013.*

*Law of Georgia No 2922 of 11 December 2014 – website, 23.12.2014*

*Law of Georgia No 4642 of 16 December 2015 – website, 25.12.2015*

## **Article 22 - Notifying a debtor**

1. Persons referred to in Article 14 of this Law, except for persons referred to in paragraph 1(a) of Article 14 of this Law, shall, before filing an insolvency petition with the court, notify the debtor in writing of the date of filing the insolvency petition, the name of the court, the subject-matter and the amount of the claim.

2. The court shall promptly inform the debtor of the receipt of the insolvency petition.

[2. The court shall promptly inform the debtor of the receipt of the insolvency petition and of the obligation to use the Automated System. **(Shall enter into force from 1 January 2017)**]

3. The debtor shall be obliged to be present and participate in the review of the insolvency petition.

4. If the court renders a ruling admitting the insolvency petition, the debtor and the creditor(s) shall be immediately notified pursuant to Chapter VIII of the Civil Procedure Code of Georgia and the insolvency petition, together with copies of the supporting documents, shall be sent to them.

[4. (Deleted - 29.6.2012 No 6604). **(Shall enter into force from 1 January 2017)**]

*Law of Georgia No 6604 of 29 June 2012 – website, 12.7.2012*

*Law of Georgia No 142 of 21 December 2012 – web-site, 30.12.2012*

*Law of Georgia No 1869 of 25 December 2013 – website, 28.12.2013.*

*Law of Georgia No 2922 of 11 December 2014 – website, 23.12.2014*

*Law of Georgia No 4642 of 16 December 2015 – website, 25.12.2015*

## **Article 23 - Effect of the debtor's failure to appear in court without any reasonable excuse**

If the debtor fails twice to appear in court without any reasonable excuse, the creditors' meeting shall appoint a bankruptcy manager and bankruptcy proceedings shall be commenced in accordance with this Law.

## **Article 24 - Obligation of a person authorised to manage and represent a debtor to submit information to the trustee**

1. A person authorised to manage and represent a debtor shall, within 20 days after the insolvency petition has been admitted, present to the trustee information on the debtor's property, liabilities, financial state and activities, as well as on any court disputes pending at the moment of the admission of the insolvency petition.

[1. A person authorised to manage and represent a debtor shall, within 20 days after the insolvency petition has been admitted, provide to the trustee, through the Automated System, information on the debtor's property, liabilities, financial state and activities, as well as on any court disputes pending at the moment of the admission of the insolvency petition. **(Shall enter into force from 1 January 2017)**]

2. Creditors may also obtain the information specified in paragraph 1 of this article.

3. Any failure to submit the information under paragraph 1 of this article, or any intentional delay or provision of false information, shall result in the criminal prosecution of the person responsible for the submission of the given information.

*Law of Georgia No 2003 of 6 November 2009 - LHG I, No 35, 19.11.2009, Art. 267*

*Law of Georgia No 5668 of 28 December 2011 – website, 16.1.2012*



*Law of Georgia No 6604 of 29 June 2012 – website, 12.7.2012*

*Law of Georgia No 142 of 21 December 2012– web-site, 30.12.2012*

*Law of Georgia No 1869 of 25 December 2013 – website, 28.12.2013.*

*Law of Georgia No 2922 of 11 December 2014 – website, 23.12.2014*

*Law of Georgia No 4642 of 16 December 2015 – website, 25.12.2015*

## **Article 25 - Obligation to publish court rulings**

A court ruling admitting an insolvency petition shall be promptly published on the court's notice board and on the website of the Legislative Herald of Georgia. The court may order the publication of the ruling in additional print media, including national and/or international media.

*Law of Georgia No 4948 of 24 June 2011 – website, 13.7.2011*

## **[Article 25 - Obligation to publish court rulings**

A court ruling on the admission of an insolvency petition shall be published in the Automated System by the court not later than the second working day after the ruling has been rendered. The court may order the publication of the ruling in additional print media, including national and/or international media. ***(Shall enter into force from 1 January 2017)***

*Law of Georgia No 6604 of 29 June 2012 – website, 12.7.2012*

*Law of Georgia No 142 of 21 December 2012– web-site, 30.12.2012*

*Law of Georgia No 1869 of 25 December 2013 – website, 28.12.2013.*

*Law of Georgia No 2922 of 11 December 2014 – website, 23.12.2014*

*Law of Georgia No 4642 of 16 December 2015 – website, 25.12.2015*

## **Article 26 - Trustee**

1. The trustee during insolvency proceedings shall be the National Bureau of Enforcement, a legal entity under public law under the Ministry of Justice of Georgia ('the National Bureau of Enforcement'), to which the court shall forward its ruling on the admission of an insolvency petition and shall notify the National Bureau of Enforcement of its appointment as trustee.

**[1. The trustee during insolvency proceedings shall be the the National Bureau of Enforcement, a legal entity under public law under the Ministry of Justice of Georgia ('the National Bureau of Enforcement'), to which the court shall forward, through the Automated System, its ruling on the admission of an insolvency petition and shall notify the National Bureau of Enforcement of its appointment as trustee not later than the second working day after the ruling has been rendered. *(Shall enter into force from 1 January 2017)***

2. The rights and duties of the trustee shall be:

a) to monitor the management and representation of the enterprise during the period of its authority;

a<sup>1</sup>) (deleted - 24.6.2011 No 4948);

b) to examine and evaluate the accounts receivable and accounts payable of the debtor;

c) to prepare a report on the debtor's insolvency and submit it to the court and the Conciliation Board;

**[c) to prepare a report on the debtor's insolvency and submit it to the court and the Conciliation Board by the means of the Automated System; *(Shall enter into force from 1 January 2017)***

d) to prepare and organise creditors' meetings and creditors' committee sessions during the period of its authority;

e) upon request, to submit to the court and the Conciliation Board information on the ongoing insolvency proceedings;

**[e)upon request, to submit to the court and the Conciliation Board information on the ongoing insolvency proceedings by means of the Automated System; *(Shall enter into force from 1 January 2017)***

f) to safeguard trust property and protect it from damage and destruction;

g) to exercise the powers under this Law relating to the restriction of the right to dispose of trust property; if a consensus cannot be reached on this issue, the court shall issue a permit in the form of a court ruling;

h) to identify all creditors and promptly inform them about the opening of insolvency proceedings.



[h) to identify all creditors and promptly inform them about the opening of insolvency proceedings and about the obligation to use the Automated System; **(Shall enter into force on 1 January 2017)**]

i) to enter into contracts and use third party services in order to exercise its powers;

j) to trace the debtor's assets before the first creditors' meeting;

k) to prepare a report on the debtor's assets to be traced, the existence of which is confirmed by documents, as well as on the reasonableness of the continuation or termination of the process of tracing the assets concerned, and to submit the report for a final decision to the creditors' meeting;

l) to prepare a report on the reasonableness of the initiation, continuation or termination of a dispute over the property of a debtor specified in Article 4 (5),(5<sup>1</sup>),(5<sup>2</sup>) and d(5<sup>3</sup>) of this Law and submit it to the creditors' meeting for a final decision.

[j) to trace the debtor's assets before the first creditors' meeting; to publish information about this in the Automated System;

k) to prepare a report on the debtor's assets to be traced, the existence of which is confirmed by documents, well as on the reasonableness of the continuation or termination of the process of tracing the given assets, and to publish the report in the Automated System and submit it to the creditors' meeting for a final decision;

l) to prepare a report on the reasonableness of the initiation, continuation or termination of a dispute over the property of a debtor specified in Article 4 (5)-(5<sup>3</sup>) of this Law, and to publish the report in the Automated System and submit it to the creditors' meeting for a final decision. **(Shall enter into force from 1 January 2017)**]

3. The amount of the service fee of the National Bureau of Enforcement relating to the exercise of the trustee's powers shall be determined by an order of the Minister of Justice of Georgia. The service fee shall be paid out of the trust property. If the insolvency proceedings are terminated, the person initiating the insolvency proceedings shall cover the expenses incurred by the trustee in accordance with Article 6(1) of this Law.

4. The authority of a trustee shall be terminated immediately after the court approves the decision specified in Article 33(3)(a) or (c) of this Law, and in the case where a decision is made on rehabilitation, immediately after the court approves the creditors' decision on the appointment of a rehabilitation manager under article 44 (2) of this Law.

[4<sup>1</sup>. The information on the termination of the powers of the trustee shall be published in the Automated System. **(Shall enter into force from 1 January 2017)**]

5. A creditor or a debtor may file a reasoned and justified motion with the court to remove the representative of the trustee. The court shall make the final decision on this issue within 2 days after the creditor or debtor has filed a motion to remove the trustee's representative.

6. (Deleted -17.6.2011 No 4828)

*Law of Georgia No 2003 of 6 November 2009 - LHG I, No 35, 19.11.2009, Art. 267*

*Law of Georgia No 2981 of 27 April 2010 - LHG I, No 24, 10.5.2010, Art. 147*

*Law of Georgia No 4828 of 17 June 2011 - web-site, 28.6.2011*

*Law of Georgia No 4948 of 24 June 2011 - website, 13.7.2011*

*Law of Georgia No 5668 of 28 December 2011 - website, 16.1.2012*

*Law of Georgia No 6604 of 29 June 2012 - website, 12.7.2012*

*Law of Georgia No 142 of 21 December 2012- web-site, 30.12.2012*

*Law of Georgia No 1869 of 25 December 2013 - website, 28.12.2013.*

*Law of Georgia No 2922 of 11 December 2014 - website, 23.12.2014*

*Law of Georgia No 4642 of 16 December 2015 - website, 25.12.2015*

## **Article 27 - Creditors' meeting**

1. A creditors' meeting shall be held in the court hearing the insolvency proceedings. A creditors' meeting shall be prepared and organised by the trustee during the period of its authority, and by the bankruptcy/rehabilitation manager during the period of rehabilitation or bankruptcy.. A creditors' meeting shall be presided over by a judge.

2. The procedure for the convocation of a creditors' meeting and the decision-making procedure shall be established by this Law.

3. An extraordinary creditors' meeting may be convened by the trustee, or a creditor (creditors) who holds at least 10% of the creditors' total votes, or by the debtor. The court shall send notice of the extraordinary creditors' meeting and its agenda immediately upon the receipt of a request for an extraordinary creditors' meeting. The extraordinary meeting shall be held in the court on the 5th day after the submission of the request to the court.

4. A creditors' meeting shall be duly constituted if attended or represented by at least 51% of the total votes of the creditors, irrespective of whether or not notice of the meeting has been served on the other creditors, unless otherwise provided for by this Law. In addition, notice of the meeting shall be published on the official website of the Legislative Herald of Georgia.



[2. The procedure for the convocation of a creditors' meeting and the decision-making procedure shall be established by this Law. The information on the convocation of a creditors' meeting, and the decisions and minutes of a creditors' meeting, shall be published in the Automated System no later than the second working day after the meeting.]

3. An extraordinary creditors' meeting may be summoned, via the Automated System, by the trustee, or by a creditor (creditors) who holds at least 10% of the creditors' total votes, or by the debtor. The court shall publish notice of the extraordinary meeting and its agenda in the Automated System immediately upon the receipt of the request for the extraordinary meeting. The extraordinary meeting shall be held on the 5th day after the submission of the request.

4. A creditors' meeting shall be duly constituted if attended or represented by at least 51% of the total votes of the creditors. *(Shall enter into force from 1 January 2017)]*

5. A creditors' meeting shall consider and decide the following issues in accordance with this Law:

- a) the appointment of the members of the Conciliation Board;
- b) the appointment of a rehabilitation manager;
- c) the formation of a creditors committee and the determination of its composition, scope of powers and rules of operation;
- d) other issues within its competence;
- e) the continuation or termination of the tracing of the debtor's assets under paragraph 15 of this article;
- f) determination, on the basis of the opinion submitted by the trustee under Article 26(2)(l) of this Law, of whether the creditors have interests in the property subject to current or future dispute.

6. If a creditors' meeting reviews the issue specified in paragraph 5(f) of this article, the following creditors shall have no voting rights in the decision making process:

- a) a creditor who represents a party to the dispute on the debtor's property;
- b) a creditor who represents a person related to a party to the dispute on the debtor's property.

7. The creditor specified in paragraph 6(b) of this article shall make a declaration about being related to a party to the dispute on the debtor's property.

8. Decisions in a creditors' meeting shall be made by a simple majority of those present and voting, unless otherwise provided for by this Law.

9. The number of creditors' votes shall be determined in accordance with the following procedure: a claim of GEL 1 – 1 vote (rounded to a lesser value).

10. If a creditors' meeting is not held, or if the meeting is unqualified to make decisions or fails to make a decision, a second meeting, which will be qualified regardless of the number of votes present, shall be convened within 7 days and with the same agenda.

11. If the second meeting is not held or if it fails to make a decision, the decision as to the date of the convocation of a meeting shall be made by the court within a reasonable period, but no later than 5 days.

12. A meeting need not be convened if a creditor who holds more than 50% of the votes agrees in writing to the issues on the agenda. The written consent shall be equal to the minutes of the meeting and shall be deemed a decision of the meeting.

[10. If a creditors' meeting is not held, or if it is unqualified to make a decision, or if it fails to make a decision, a second meeting, which will be qualified to make decisions regardless of the number of votes present, shall be convened via the Automated System within 7 days and with the same agenda.]

11. If the second meeting is not held or if it fails to make a decision, the decision as to the date of the convocation of a meeting shall be made by the court within a reasonable period, but not later than 5 days and the decision shall be published in the Automated System.

12. A meeting need not be convened if a creditor who holds more than 50% of the votes agrees to the issues on the agenda via the Automated System. The given consent shall be equal to the minutes of the meeting and shall be deemed a decision of the meeting. *(Shall enter into force from 1 January 2017)]*

13. The duration of a creditors' meeting shall not exceed 3 working days, except as provided for by paragraph 22 of this article. The judge may extend the above period for not longer than 4 days on the basis of a written and justified request of creditors who hold at least 51% of the total votes.

14. All secured and unsecured creditors who submit in writing to the court their claims in respect of the debtor within the period prescribed by law shall be entitled to attend a creditors' meeting. The debtor may also attend a creditors' meeting.

[14. All secured and unsecured creditors who submit to the court their claims in respect of the debtor via the Automated System within the period prescribed by law may attend a creditors' meeting. The debtor may also attend a creditors' meeting. *(Shall enter into force from 1 January 2017)]*

15. At the first creditors' meeting the trustee shall report on the debtor's assets, including on the assets to be traced, the existence of which is confirmed by documents; the trustee shall also report information on the debtor's financial state and liabilities, as well as on secured creditors.

16. If the first creditors' meeting decides to stop tracing the debtor's assets, the trustee shall stop tracing the given assets.

17. If the first creditors' meeting decides to continue tracing the debtor's assets, the trustee shall trace the given assets within 15 days and submit the results to the creditors' meeting. If the trustee or bankruptcy manager fails to trace the debtor's assets within the prescribed period, they shall stop tracing the given assets.



18. The occurrence of the circumstances specified in paragraphs 16 and 17 of this article shall not restrict the creditor's right to independently trace the debtor's assets and, in the case of successfully tracing such assets, to request the court to include the traced property in the list of the debtor's trust property 7 days before an auction is announced.

19. If the ownership rights to property have not been established, the court shall make a decision on the recognition of the debtor's ownership rights to such property at the first creditors' meeting. The court shall render a ruling on this issue, which will serve as grounds for registering the property held by the debtor, including for registering the property without specific characteristics.

[18. The occurrence of the circumstances specified in paragraphs 16 and 17 of this article shall not restrict the creditor's right to independently trace the debtor's assets and, in the case of successfully tracing such property, to request the court, via the Automated System, to include the traced property in the list of the debtor's trust property 7 days before an auction is announced.]

19. If the ownership rights to property have not been established, the court shall make a decision on the recognition of the debtor's ownership rights to such property at the first creditors' meeting. The court shall render a ruling on this issue and shall publish it in the Automated System. The given ruling shall serve as a basis for the registration of the property held by the debtor, including for the registration of property with unspecified characteristics. (*Shall enter into force from 1 January 2017*)

20. The creditors and the debtor attending the creditors' meeting, shall have the opportunity to make remarks and ask questions in respect of the trustee's report.

21. A bankruptcy manager shall be appointed at the first creditors' meeting if the debtor requests in the insolvency petition to initiate bankruptcy proceedings under Article 17 of this Law.

[21. A bankruptcy manager shall be appointed at the first creditors' meeting if the debtor requests in the insolvency petition to initiate bankruptcy proceedings under Article 17 of this Law and the given information shall be published in the Automated System. (*Shall enter into force from 1 January 2017*)]

22. The period of the creditors' meeting may not exceed 7 working days. A judge may extend the given period for not longer than 3 days on the basis of a written and justified request of the simple majority of the creditors.

23. The first creditors' meeting shall examine the creditors' claims and establish the Conciliation Board.

*Law of Georgia No 2003 of 6 November 2009 - LHG I, No 35, 19.11.2009, Art. 267*

*Law of Georgia No 5668 of 28 December 2011 – website, 16.1.2012*

*Law of Georgia No 6604 of 29 June 2012 – website, 12.7.2012*

*Law of Georgia No 142 of 21 December 2012– web-site, 30.12.2012*

*Law of Georgia No 1869 of 25 December 2013 – website, 28.12.2013.*

*Law of Georgia No 2922 of 11 December 2014 – website, 23.12.2014*

*Law of Georgia No 4642 of 16 December 2015 – website, 25.12.2015*

## **Article 28 - Creditors' committee**

1. A creditors' committee is an elective body.

2. The procedure for the formation of a creditors' committee, and for the election and dismissal of its members, as well as decision-making procedures, shall be determined by the creditors' committee by a simple majority of the votes.

[3. The information on a creditors' committee (if such exists) shall be published in the Automated System. (*Shall enter into force from 1 January 2017*)]

*Law of Georgia No 6604 of 29 June 2012 – website, 12.7.2012*

*Law of Georgia No 142 of 21 December 2012– web-site, 30.12.2012*

*Law of Georgia No 1869 of 25 December 2013 – website, 28.12.2013.*

*Law of Georgia No 2922 of 11 December 2014 – website, 23.12.2014*

*Law of Georgia No 4642 of 16 December 2015 – website, 25.12.2015*

## **Article 29 - Examination of creditor's claims**

1. Creditors shall submit their claims against the debtor to the trustee and the court within 20 days after the publication of the court ruling admitting the insolvency petition. The claims shall be accompanied by supporting documents and other evidence. The trustee may request additional, claim-related information and evidence from a person (a prospective creditor) who has complaints or claims against the debtor.

[1. Creditors shall submit their claims against the debtor to the trustee and the court by the means of the Automated System within 20 days after the



publication of the court ruling on the admission of the insolvency petition. The claims shall be accompanied electronically by supporting documents and other evidence. The trustee may request additional, claim-related information and evidence from a person (a prospective creditor) who has complaints or claims against the debtor. **(Shall enter into force from 1 January 2017)]**

2. The first creditors' meeting shall examine all submitted claims to determine their extent and settle the issue of their satisfaction. The creditors' claims shall be reviewed at the meeting one by one and in sequence.

3. The judge shall hear the trustee and the parties and, taking into account the factual circumstances, render a ruling recognising or rejecting the creditor's claims.

**[3. The judge shall hear the trustee and the parties and, taking into account the factual circumstances, render a ruling recognising or rejecting the creditor's claims. This ruling shall be published in the Automated System. (Shall enter into force from 1 January 2017)]**

4. A creditor who has both secured and unsecured claims shall be considered as two creditors (accordingly, a creditor who at the same time is a new creditor, a secured creditor or an unsecured creditor, or any two of these three types, shall be considered as three or two creditors).

5. Foreign creditors may be allowed an additional reasonable time to submit their claims. The claims of a foreign creditor shall be reviewed in accordance with the same procedure as applied to other claims.

6. All claims shall be expressed in the national currency.

7. The judge shall prepare the Register of Creditors' Claims on the basis of the examination of creditors' claims.

**[7. The judge shall prepare the Register of Creditors' Claims on the basis of the examination of creditors' claims and publish it in the Automated System. (Shall enter into force from 1 January 2017)]**

8. The Register of Creditors Claims shall contain:

- a) the full name and address of the creditor (creditors), or, if the creditor is a legal person, its name, legal address and identification number (if any);
- b) the amount of the creditor's claim;
- c) the order of priority to satisfy creditors' claims;
- d) the change in the amount of the debt and in the order of priority of creditors.

9. The Register of Creditors' claims shall be signed by the judge. The court shall transfer a certified copy of the Register of Creditors' Claims to the trustee, the members of the Conciliation Board, the debtor, the bankruptcy manager or rehabilitation manager, within 5 days upon request.

*Law of Georgia No 2003 of 6 November 2009 - LHG I, No 35, 19.11.2009, Art. 267*

*Law of Georgia No 5668 of 28 December 2011 – website, 16.1.2012*

*Law of Georgia No 6604 of 29 June 2012 – website, 12.7.2012*

*Law of Georgia No 142 of 21 December 2012– web-site, 30.12.2012*

*Law of Georgia No 1869 of 25 December 2013 – website, 28.12.2013.*

*Law of Georgia No 2922 of 11 December 2014 – website, 23.12.2014*

*Law of Georgia No 4642 of 16 December 2015 – website, 25.12.2015*

### **Article 30 - Procedure for satisfying claims submitted to the court by a creditor with delay**

1. If a claim is submitted to the court after the expiration of the statutory time limits, the court shall decide whether to recognise or reject the claim after hearing the parties and considering the factual circumstances.

2. A claim of a person who submitted the claim to the court with delay shall be satisfied, in the case of its recognition, in accordance with the order of priority referred to in Article 40(1)(g) of this Law and with the same proportionality as the claims of other creditors of the corresponding order of priority.

*Law of Georgia No 2003 of 6 November 2009 - LHG I, No 35, 19.11.2009, Art. 267*

### **[Article 30 - Procedure for satisfying claims submitted by a creditor to the court with delay**

**1. If a claim is submitted to the court via the Automated System after the expiration of the statutory time limits, the court shall decide whether to recognise or reject the claim after hearing the parties and considering the factual circumstances.**

**2. A claim of a person who submitted the claim to the court with delay shall be satisfied, in the case of its recognition, in accordance with the order of priority referred to in Article 40(1)(g) of this Law and with the same proportionality as the claims of other creditors of the corresponding order of priority. (Shall enter into force from 1 January 2017)]**





*Law of Georgia No 6604 of 29 June 2012 – website, 12.7.2012*

*Law of Georgia No 142 of 21 December 2012– web-site, 30.12.2012*

*Law of Georgia No 1869 of 25 December 2013 – website, 28.12.2013.*

*Law of Georgia No 2922 of 11 December 2014 – website, 23.12.2014*

*Law of Georgia No 4642 of 16 December 2015 – website, 25.12.2015*

### **Article 31 - Effects of the recognition of claims submitted by a creditor**

The recognition of a claim submitted to the court by a creditor shall establish the creditor's right to attend a creditor's meeting, to participate in the voting in proportion to the extent of their claim and to exercise other powers granted under the law.

### **[Article 31 - Effects of the recognition of claims submitted by a creditor**

The recognition of a claim submitted to the court via the Automated System by a creditor shall establish the creditor's right to attend a creditor's meeting, to participate in the voting in proportion to the extent of their claim and to exercise other powers granted under the law. ***(Shall enter into force from 1 January 2017)***

*Law of Georgia No 6604 of 29 June 2012 – website, 12.7.2012*

*Law of Georgia No 142 of 21 December 2012– web-site, 30.12.2012*

*Law of Georgia No 1869 of 25 December 2013 – website, 28.12.2013.*

*Law of Georgia No 2922 of 11 December 2014 – website, 23.12.2014*

*Law of Georgia No 4642 of 16 December 2015 – website, 25.12.2015*

### **Article 32 - Conciliation Board**

1. The Conciliation Board is a collegial body established on a parity basis and substantially examining and deciding the issue of a debtor's insolvency. In the case of a debtor's rehabilitation, the Conciliation Board shall also review a rehabilitation plan.

2. The Conciliation Board shall be established at the first meeting of creditors after the examination of the creditors' claim has been completed.

3. The Conciliation Board shall consist of three members.

4. The first member of the Conciliation Board shall be appointed by the debtor, the second member shall be elected by a simple majority of votes of the members present at the creditors' meeting. If the creditors' meeting fails to make a decision on the election of the second member of the Conciliation Board, the given member shall be appointed by the judge immediately after the first creditors' meeting has been completed.

5. The third member of the Conciliation Board shall be selected by agreement between the Conciliation Officers designated by the debtor and the creditors (or by the judge).

6. If the Conciliation Officers fail to agree on the appointment of the third member of the Conciliation Board, the given member shall be appointed by the judge immediately after the first creditors' meeting has been completed.

7. The debtor and the creditor(s) may appoint and elect any legally competent, independent, impartial and honest natural person, with appropriate higher education and experience as a Conciliation Officer. The written consent of such person shall be obtained before nominating the person as a Conciliation Officer.

8. The Conciliation Board shall make decisions by a majority of votes. Conciliation Officers may not abstain from voting.

9. The powers of the Conciliation Board shall be terminated immediately after a decision is delivered on the termination of bankruptcy or insolvency proceedings, and in the case of rehabilitation, after the rehabilitation plan has been reviewed and approved.

***[10. The information on the formation and composition of the Conciliation Board and on the termination of its powers, as well as on the decisions made by the Conciliation Board and all relevant documents, shall be published in the Automated System. (Shall enter into force from 1 January 2017)]***

*Law of Georgia No 2003 of 6 November 2009 - LHG I, No 35, 19.11.2009, Art. 267*

*Law of Georgia No 6604 of 29 June 2012 – website, 12.7.2012*

*Law of Georgia No 142 of 21 December 2012– web-site, 30.12.2012*

*Law of Georgia No 1869 of 25 December 2013 – website, 28.12.2013.*

*Law of Georgia No 2922 of 11 December 2014 – website, 23.12.2014*



### **Article 33 - Substantial resolution of a debtor's insolvency**

1. A Conciliation Board shall examine the debtor's insolvency for 15 days from the date of its formation.
2. A Conciliation Board may invite the debtor, the creditor(s) and any person relevant to the particular case and request explanations from them.
3. A Conciliation Board may make one of the following decisions:
  - a) on bankruptcy;
  - b) on rehabilitation;
  - c) on the termination of insolvency proceedings.
4. Insolvency proceedings may not be initiated against the same person on the same grounds by the same petitioner within 3 months after the Conciliation Board has made a decision on the termination of insolvency proceedings.
5. The restriction under paragraph 4 of this article shall not apply if new circumstances on the case have come to light.
6. A report shall be drawn up on each decision of the Conciliation Board and signed by all three members.
7. The decision of the Conciliation Board on bankruptcy, rehabilitation or the termination of insolvency proceedings shall be published in accordance with Article 25 of this Law.

**[7. (Deleted - 29.6.2012 No 6604). (Shall enter into force from 1 January 2017)]**

Law of Georgia No 5668 of 28 December 2011 – website, 16.1.2012

Law of Georgia No 6604 of 29 June 2012 – website, 12.7.2012

Law of Georgia No 142 of 21 December 2012– web-site, 30.12.2012

Law of Georgia No 1869 of 25 December 2013 – website, 28.12.2013.

Law of Georgia No 2922 of 11 December 2014 – website, 23.12.2014

Law of Georgia No 4642 of 16 December 2015 – website, 25.12.2015

### **Article 34 - Termination of insolvency proceedings**

1. The Conciliation Board shall make a decision on the termination of insolvency proceedings if the grounds for insolvency are not present or such grounds were eliminated after the petition was filed or if the debtor is able to cover the overdue debt without causing damage to other creditors.
2. The court shall render a ruling on the termination of insolvency proceedings on the basis of the decision of the Conciliation Board.
3. The court ruling on the termination of insolvency proceedings shall be served on the debtor and creditor(s) in accordance with the Civil Procedure Code of Georgia.

### **[Article 34 - Termination of insolvency proceedings]**

**1. The Conciliation Board shall make a decision on the termination of insolvency proceedings if the grounds for insolvency are not present or such grounds were eliminated after the petition was filed or if the debtor is able to cover the overdue debt without causing damage to other creditors.**

**2. The court shall render a ruling on the termination of insolvency proceedings on the basis of the decision of the Conciliation Board. The given court ruling shall be sent to the creditor(s) and the debtor by the means of the Automated System. (Shall enter into force from 1 January 2017)]**

Law of Georgia No 6604 of 29 June 2012 – website, 12.7.2012

Law of Georgia No 142 of 21 December 2012– web-site, 30.12.2012

Law of Georgia No 1869 of 25 December 2013 – website, 28.12.2013.

Law of Georgia No 2922 of 11 December 2014 – website, 23.12.2014

Law of Georgia No 4642 of 16 December 2015 – website, 25.12.2015





#### **Article 35 - Actions harmful to creditors**

1. The following actions carried out during the 6 months preceding the filing of an insolvency petition with the court, shall be deemed harmful to creditors:

- a) any action of the debtor that prevents equal and proportionate satisfaction of creditors and gives priority to a specific creditor over other creditors of the same order of priority;
- b) the conclusion of a contract or performance of any other action by the debtor which results in the depreciation of trust property.

2. If a creditor that has been given priority, or a party to the transaction under paragraphs (a) and (b) of this article, is a person related to the debtor or the debtor's relative, the time limit referred to in paragraph 1 of this article shall be 1 year.

### **Chapter V - Bankruptcy**

#### **Article 36 - Initiating bankruptcy proceedings**

1. Bankruptcy proceedings shall be initiated in accordance with a decision of the Conciliation Board after the publication of a court ruling on bankruptcy. The court ruling on bankruptcy shall be published in accordance with this Law.

2. Bankruptcy proceedings shall also be initiated if a debtor requests bankruptcy in the insolvency petition under Article 17 of this Law.

#### **Article 36<sup>1</sup> - Tax reporting obligation**

1. The person authorised to manage the debtor shall, within 15 days after the the court ruling on bankruptcy has entered into force, submit to the tax authority tax returns for previous tax periods, which have not been submitted, and tax returns for the current tax periods. In addition, in the case of the detection of a mistake, such person shall amend and/or supplement the submitted tax returns in accordance with the tax legislation of Georgia.

2. In order to fulfil the obligation under paragraph 1 of this article, the person authorised to manage the debtor shall retain his powers only in this respect.

3. For the failure to perform the obligations under this article the person authorised to manage the debtor shall be held liable under the Administrative Offences Code of Georgia, which shall not exempt such person from the obligation to file the tax returns under this article.

*Law of Georgia No 6395 of 5 June 2012 – web-site, 19.6.2012*

#### **Article 37 - Bankruptcy managers**

1. A bankruptcy manager shall manage and represent a company in bankruptcy proceedings. A bankruptcy manager shall have all the powers under the Law of Georgia on Entrepreneurs and the powers granted to persons responsible for the management, administration and representation of relevant business entities. The administrative and representative powers of the person authorised to administer the debtor's business shall be suspended in the process of bankruptcy proceedings, except as provided for in Article 36<sup>1</sup> of this Law.

2. A bankruptcy manager shall be elected by creditors within 3 days after the publication of a court ruling on bankruptcy. If the meeting of creditors fails to elect a bankruptcy manager or if the creditors do not nominate candidates for bankruptcy manager, the court shall appoint the National Bureau of Enforcement as a bankruptcy manager.

[2. A bankruptcy manager shall be elected by creditors within 3 days after the publication of a court ruling on bankruptcy. If the meeting of creditors fails to elect a bankruptcy manager or if the creditors do not nominate candidates for bankruptcy manager, the court shall appoint the National Bureau of Enforcement as a bankruptcy manager. The decision on the election/appointment of a bankruptcy manager shall be published in the Automated System. (Shall enter into force from 1 January 2017)]

3. A bankruptcy manager may be either a legal or natural person. A bankruptcy manager shall be an independent, impartial and honest person (or in the case of a legal person, a person with a high business reputation). A person who is engaged in the same or similar activity as the debtor may not be appointed as a bankruptcy manager.

4. A bankruptcy manager and the creditors shall enter into an agreement which determines the scope of the powers of the bankruptcy manager and issues relating to his liability and remuneration. A bank guarantee and/or liability insurance may be used to secure liability.

4.<sup>1</sup> A bankruptcy manager has no obligation to trace the debtor's property, unless otherwise provided for in the agreement specified in paragraph 4 of this article.

5. If the National Bureau of Enforcement is appointed as a bankruptcy manager, the amount of the National Bureau of Enforcement's service fees relating to the exercise of the powers of a bankruptcy manager shall be determined by an order of the Minister of Justice of Georgia. The service fee shall be paid out of the trust property.

6. If a bankruptcy manager elected by the creditors fails to properly fulfil its obligations under this Law, the court may, upon the application of one of the creditors, consider the substitution of the bankruptcy manager. If the court grants the application, it shall appoint the National Bureau of



Enforcement as the bankruptcy manager. The given change shall be registered in accordance with this Law.

[6. If a bankruptcy manager elected by the creditors fails to properly fulfil its obligations under this Law, the court may, upon the application of one of the creditors submitted via the Automated System, consider the substitution of the bankruptcy manager. If the court grants the application, it shall appoint the National Bureau of Enforcement as a bankruptcy manager and publish the given decision in the Automated System. The given change shall be registered in accordance with this Law. **(Shall enter into force from 1 January 2017)**]

*Law of Georgia No 2003 of 6 November 2009 - LHG I, No 35, 19.11.2009, Art. 267*

*Law of Georgia No 2981 of 27 April 2010 - LHG I, No 24, 10.5.2010, Art. 147*

*Law of Georgia No 4828 of 17 June 2011 - web-site, 28.6.2011*

*Law of Georgia No 5668 of 28 December 2011 - website, 16.1.2012*

*Law of Georgia No 6395 of 5 June 2012 - web-site, 19.6.2012*

*Law of Georgia No 6604 of 29 June 2012 - website, 12.7.2012*

*Law of Georgia No 142 of 21 December 2012- web-site, 30.12.2012*

*Law of Georgia No 1869 of 25 December 2013 - website, 28.12.2013.*

*Law of Georgia No 2922 of 11 December 2014 - website, 23.12.2014*

*Law of Georgia No 4642 of 16 December 2015 - website, 25.12.2015*

### **Article 38 - Auction rules and conditions**

1. The trust property shall be sold at auction, except for financial collateral, which shall be realised in accordance with the Law of Georgia on Payment Systems and Payment Services.

2. The National Bureau of Enforcement shall sell the trust property at auction taking into account the creditors' interests.

3. The auction shall be held in accordance with the rules and conditions established under the Order of the Minister of Justice of Georgia on the Forms, Rules and Procedures of a Compulsory Auction, except for the special procedures laid down in this Law.

4. The duration (the period between the commencement and the completion of the auction) of the auction may not be less than 7 days and more than 10 days, unless a shorter period is envisaged by the Order of the Minister of Justice of Georgia referred to in paragraph 3 of this article.

5. If a bankruptcy manager is not the National Bureau of Enforcement, the bankruptcy manager selected by the creditors shall, within 25 days after his appointment, apply to the National Bureau of Enforcement requesting the provision of auction services and submit auction documents certified by the court, which must contain accurate information on the debtor, the creditors and their claims, as well as information on the property to be sold and its market value. The National Bureau of Enforcement may request additional information if this is necessary for rendering auction services.

6. The amount of the auction service fee of the National Bureau of Enforcement shall be determined by an order of the Ministry of Justice of Georgia. The service fees shall be paid out of the trust property.

7. The list of auction participants may not be restricted nor may other limitations be imposed unless expressly provided for in the legislation of Georgia.

8. After an auction is announced, any person may apply to the National Bureau of Enforcement to obtain further information on the auction.

9. The first auction shall be held for the sale of the trust property as one lot within 40 days after the election or appointment of the bankruptcy manager. The trust property may not be sold separately in multiple lots at the first auction. The initial price of the trust property shall be determined on the basis of an expert's report and shall be equal to 50 % of its market value. Where the National Bureau of Enforcement is acting as a bankruptcy manager, it may evaluate the trust property and determine its market value or invite a competent person to determine the market value of the property.

10. If the property is not sold at the first auction and the initial price of the property is less than the creditors' claims, any creditor whose claim can be covered but not exceeded by the initial price of the property offered for sale at the first auction may, within 10 days after the end of the first auction, apply to the bankruptcy manager and request the transfer of the property into his ownership. In that case, the creditor shall be obliged to cover the claims of the creditors of the preceding and of the same order of priority and support his application with a document confirming the transfer of the sum to the deposit account of the National Bureau of Enforcement for the satisfaction of the claims of the creditors of the preceding and of the same order of priority. In the case of more than one application, the title to the property shall be transferred to the creditor whose application has been registered earlier in accordance with the documents referred to in this paragraph.

11. If the trust property is not sold at the first auction, or the property was not transferred into ownership under paragraph 10 of this article, a second auction shall be held at least 10 days and not more than 40 days after the first auction. The second auction shall be held pursuant to the same procedure as the first auction and there shall be an indication that the auction is being held for the second time. The trust property may be sold as one lot as well as in multiple lots at the second auction. The decision as to the form of the sale of the trust property in multiple lots at the second auction shall be made by the creditors by a majority of votes within 7 days after the end of the first auction. In that case, the creditors shall determine independently the initial price of each lot of the trust property. If the creditors fail to make a decision on this issue within the prescribed period, the trust property shall be sold at the second auction pursuant to the same procedure as at the first auction. The initial price of the trust property at the second auction shall be 25% of its market price.

[10. If the property is not sold at the first auction and the initial price of the property is less than the creditors' claims, any creditor whose claim can be



covered but not exceeded by the initial price of the property offered for sale at the first auction may, within 10 days after the end of the first auction, apply to the bankruptcy manager via the Automated System and request the transfer of the property into his ownership. In that case, the creditor shall be obliged to satisfy the claims of the creditors of the preceding and of the same order of priority and electronically attach to the application a document confirming the transfer of the sum to the deposit account of the National Bureau of Enforcement for the satisfaction of the claims of the creditors of the preceding and the same order of priority. In the case of more than one application, the title to the property shall be transferred to the creditor whose application has been registered in the Automated System earlier in accordance with the documents referred to in this paragraph.

11. If the trust property is not sold at the first auction, or the property was not transferred into ownership under paragraph 10 of this article, a second auction shall be held at least 10 days and not more than 40 days after the first auction. The second auction shall be held pursuant to the same procedure as the first auction and there shall be an indication that the auction is being held for the second time. The trust property may be sold as one lot as well as in multiple lots at the second auction. The decision as to the form of the sale of the trust property in multiple lots at the second auction shall be made via the Automated System by the creditors by a majority of votes within 7 days after the end of the first auction. In that case, the creditors shall determine independently the initial price of each lot of the trust property. If the creditors fail to make a decision on this issue within the prescribed period, the trust property shall be sold at the second auction pursuant to the same procedure as at the first auction. The initial price of the trust property at the second auction shall be 25% of its market price. ***(Shall enter into force from 1 January 2017)***

11.<sup>1</sup> If the trust property is not sold at the second auction or a portion of the trust property was left after the second auction, a third auction shall be held no later than 40 days after the end of the second auction. A decision as to whether to sell the trust property as one lot or in multiple lots at the third auction shall be made by the National Bureau of Enforcement. The initial price of the trust property at the third auction shall be GEL 0.

11.<sup>2</sup> If the trust property is not sold at the third auction or a portion of the trust property was left after the third auction, the National Bureau of Enforcement shall publish on the official website of the Legislative Herald of Georgia an offer to transfer the given property into the common ownership of the creditors. The property shall be transferred to those creditors who, within 10 calendar days after the publication of the offer, submit an application on the receipt of the property into ownership. The property shall be transferred to creditors in kind at market value in accordance with the order or priority established under Article 40 of this Law. The share of each creditor in the common property shall be determined in accordance with their claims. The share of those creditors who have not expressed interest in receiving the property shall be distributed evenly to other creditors. If none of the creditors submit an application on the receipt of the property within the prescribed period, the property shall be transferred into state ownership.

***[11<sup>2</sup>. If the trust property is not sold at the third auction or a portion of the custodial trust property was left after the third auction, the National Bureau of Enforcement shall publish in the Automated System an offer to transfer the given property into the common ownership of the creditors. The property shall be transferred to those creditors who submit, via the Automated System, an application on the receipt of the property into ownership within 10 calendar days after the publication of the offer. The property shall be transferred to the creditors in kind at market value in accordance with the order of priority established under Article 40 of this Law. The share of each creditor in the common property shall be determined in accordance with their claims. The share of those creditors who have not expressed interest in receiving the property shall be distributed evenly to other creditors. If none of the creditors submit an application on the receipt of the property within the prescribed period, the property shall be transferred into state ownership. (Shall enter into force from 1 January 2017)]***

12. (Deleted -05.6.2012 No 6395).

13. A buyer (buyers) who has bought the trust property of an entrepreneurial legal entity under private law as one lot may, if desired, be registered as the sole partner of this enterprise. The enterprise shall be unencumbered and free from debts upon its transfer to the ownership of a new buyer.

14. If trust property subject to registration is not registered with the registration authority, the bankruptcy manager shall, before the announcement of the auction, apply to the registration authority to register the trust property. If the debtor's rights to the trust property that is subject to registration have not been established, the bankruptcy manager shall apply to the court for the recognition of the debtor's rights to the trust property. The court shall render a ruling on this issue, which shall serve as the basis for the registration of the property held by the debtor, including for the registration of property with unspecified characteristics.

15. If the suspension of the activities of an enterprise poses a threat to human health and/or life and the continued operation of the enterprise cannot be ensured, or if the conduct of an auction within the prescribed period may cause a significant decline in the price of the property offered for sale, the duration of the auction may be reasonably reduced and the sale of the trust property may be expedited by a reasoned court decision, provided that the prospective buyers are informed and public access to information is ensured.

***[14. If trust property subject to registration has not been registered with the registration authority, the bankruptcy manager shall, before the announcement of the auction, apply to the registration authority to register the trust property. If the debtor's rights to the trust property that is subject to registration have not been established, the bankruptcy manager shall apply to the court via the Automated System for the recognition of the debtor's rights to the trust property. The court shall render a ruling on this issue, which will serve as grounds for registering the property held by the debtor, including for registering the property without specific characteristics. This ruling shall be published in the Automated System.***

***15. If the suspension of the activities of an enterprise poses a threat to human health and/or life and the continued operation of the enterprise cannot be ensured, or if the conduct of an auction within the prescribed period may cause a significant decline in the price of the property offered for sale, the duration of the auction may be reasonably reduced and the sale of the trust property may be expedited by a reasoned court decision, provided that the prospective buyers are informed and public access to information is ensured. The given ruling shall be published in the Automated System. (Shall enter into force from 1 January 2017)]***

16. The winner of the auction shall pay the property price fully within 10 days after the end of the auction, after which the National Bureau of Enforcement shall issue a decree on the ownership rights to the property purchased at the auction.

17. (Deleted -05.6.2012 No 6395).

18. If the winner of the auction fails to pay the price of the property within 10 days after the end of the auction, the person shall lose the sum paid as a guarantee on the day of the auction. The sum shall be transferred to the ownership of the National Bureau of Enforcement. The National Bureau of Enforcement shall issue a decree on the annulment of the auction results and, within 10 days after the publication of the decree, hold a new auction, which may not be considered as a repeat auction.

19. The transfer of property to a new buyer, or to persons who receive the property in kind in accordance with this article, shall result in the



cancellation of all seizures and rights in rem and rights in personam.

*Law of Georgia No 2003 of 6 November 2009 - LHG I, No 35, 19.11.2009, Art. 267*

*Law of Georgia No 4828 of 17 June 2011 – web-site, 28.6.2011*

*Law of Georgia No 5668 of 28 December 2011 – website, 16.1.2012*

*Law of Georgia No 6307 of 25 May 2012 – website, 12.6.2012*

*Law of Georgia No 6395 of 5 June 2012 – web-site, 19.6.2012*

*Law of Georgia No 6604 of 29 June 2012 – website, 12.7.2012*

*Law of Georgia No 142 of 21 December 2012– web-site, 30.12.2012*

*Law of Georgia No 1869 of 25 December 2013 – website, 28.12.2013.*

*Law of Georgia No 2922 of 11 December 2014 – website, 23.12.2014*

*Law of Georgia No 4642 of 16 December 2015 – website, 25.12.2015*

### **Article 39 - Special rights of secured creditors**

1. Secured creditors shall make unanimous decisions on the incurrence of new debts by the debtor, on the encumbrance of the debtor's property and on the instances of suretiship after the meeting where the creditors' claims are examined. If there are no secured creditors, their powers shall be exercised by the creditors' meeting, which shall make decisions by a simple majority of votes of creditors present.

[1. Secured Creditors shall unanimously and through the Automated System make decisions on the incurrence of new debts by the debtor, on the encumbrance of the debtor's property and on the instances of suretiship after the meeting where the creditors' claims are examined. If there are no secured creditors, their powers shall be exercised by the creditors' meeting, which shall make decisions by a simple majority of votes of creditors present. **(Shall enter into force from 1 January 2017)]**

2. Secured creditors shall have the right to suspend the enforcement of the following decisions of creditors:

- a) on the substantive provisions of the agreement entered into with the bankruptcy or rehabilitation manager;
- b) on the period of rehabilitation.

3. If the secured creditors exercise the given rights, the enforcement of the decision shall be suspended and the issue shall be resolved by negotiations. If agreement cannot be reached, the court shall resolve the issue.

*Law of Georgia No 5668 of 28 December 2011 – website, 16.1.2012*

*Law of Georgia No 6604 of 29 June 2012 – website, 12.7.2012*

*Law of Georgia No 142 of 21 December 2012– web-site, 30.12.2012*

*Law of Georgia No 1869 of 25 December 2013 – website, 28.12.2013.*

*Law of Georgia No 2922 of 11 December 2014 – website, 23.12.2014*

*Law of Georgia No 4642 of 16 December 2015 – website, 25.12.2015*

### **Article 40 - Priority of claims**

1. Creditors' claims shall be satisfied in the following order:

- a) first priority claims - the procedural expenses and the service fee of the National Bureau of Enforcement;
- b) second priority claims - the debts incurred by the debtor from the date of the delivery of the court ruling on the admission of the insolvency petition, including tax liabilities which arose after the commencement of bankruptcy proceedings;
- c) third priority claims- all expenses relating to the appointment of a trustee and the fulfilment of its obligations;
- d) fourth priority claims - all secured claims, including claims secured under the Tax Code of Georgia;
- e) fifth priority claims - tax liabilities, except for liabilities under paragraph 4 of this article;
- f) sixth priority claims - all other recognised unsecured claims;
- g) seventh priority claims - claims submitted by creditors with delay.



2. The claims of each subsequent priority shall be satisfied after the claims of the previous priority have been fully satisfied, unless otherwise agreed (unanimously) by the creditors. Except for the case specified in Article 46(5<sup>1</sup>) of this Law.

3. If the sum to be distributed is insufficient to fully cover all the claims of one priority, then the given claims shall be satisfied in proportion to the extent of the claim of each creditor of the relevant priority.

4. A bankruptcy manager may satisfy creditors' claims by a one-off payment or payment in instalments.

4.<sup>1</sup> A bankruptcy manager may, with the prior written consent of creditors and by observing the general rules, satisfy the creditors' claims before or in the process of the sale of the trust property out of the amount recovered from the full or partial sale of the property that was in the ownership of the debtor at the moment of the opening of the insolvency proceedings and was deposited in the account of the National Bureau of Enforcement. In such cases, priority shall be given to the procedural expenses, the service fees of the National Bureau of Enforcement and the indebtedness incurred by the debtor after the delivery by the court of a ruling on the admission of the insolvency petition.

5. A creditor of any class may request preferential satisfaction of his claims over the rest of the creditors of his class if he agrees to partially waive the claims specified in Article 29 of this Law. In this case, the consent of all the creditors of his class shall be required.

6. A creditor referred to in paragraph 5 of this article may request to be moved to the class of creditors preceding his class if he agrees to partially waive the claims specified in Article 29 of this Law. In this case, the consent of all the creditors of the preceding class shall be required.

4.<sup>1</sup> A bankruptcy manager may, with the prior consent of creditors expressed via the Automated System, and by observing the general rules, satisfy the creditors' claims before or in the process of the sale of the trust property out of the amount recovered as a result of full or partial sale of the property that was in the debtor's ownership at the moment of the opening of the insolvency proceedings and was deposited in the account of the National Bureau of Enforcement. In such cases, priority shall be given to the procedural expenses, the service fees of the National Bureau of Enforcement and the indebtedness incurred by the debtor after the delivery by the court of a ruling on the admission of the insolvency petition.

5. A creditor of any class may request preferential satisfaction over the rest of the creditors of his class if he agrees to partially waive the claims specified in Article 29 of this Law. In this case, the consent of all the creditors of his class shall be required. The request shall be filed and the consent shall be received by means of the Automated System.

6. A creditor referred to in paragraph 5 of this article, may request to be moved to the class of creditors preceding his class if he agrees to partially waive the claims specified in Article 29 of this Law. In this case, the consent of all the creditors of the preceding class shall be required. The request shall be filed and the consent shall be received by means of the Automated System. *(Shall enter into force from 1 January 2017)]*

7. The consequences of the exercise of the powers by the creditors under paragraphs 5 and 6 of this article, as well as the decision made in accordance with paragraph 5<sup>1</sup> of Article 46 of this Law on the satisfaction of claims referred to in paragraph 1(f) and (g) of this article in full and ahead of time, shall be recorded in the Register of Creditors Claims.

8. The order of priority, claims and procedures specified in this article shall apply to bankruptcy and rehabilitation proceedings.

9. The priority of claims referred to in this article shall not apply to those creditors whose claim is secured by financial collateral. The collateral taker of financial collateral shall have a preferential right to satisfy its claim secured by the financial collateral in accordance with the Law of Georgia on the Payment Systems and Payment Services.

*Law of Georgia No 2003 of 6 November 2009 - LHG I, No 35, 19.11.2009, Art. 267*

*Law of Georgia No 4828 of 17 June 2011 – web-site, 28.6.2011*

*Law of Georgia No 6307 of 25 May 2012 – website, 12.6.2012*

*Law of Georgia No 6395 of 5 June 2012 – web-site, 19.6.2012*

*Law of Georgia No 6604 of 29 June 2012 – website, 12.7.2012*

*Law of Georgia No 142 of 21 December 2012– web-site, 30.12.2012*

*Law of Georgia No 1869 of 25 December 2013 – website, 28.12.2013.*

*Law of Georgia No 2922 of 11 December 2014 – website, 23.12.2014*

*Law of Georgia No 4642 of 16 December 2015 – website, 25.12.2015*

#### **Article 41 - Procedure for satisfying secured creditors' claims**

Unless otherwise agreed between the parties under the mortgage (pledge) contract:

a) in the case of selling the property in lots, if the purchase price of an encumbered item that is up for auction exceeds the claim of a secured creditor, such creditor shall be satisfied only to the extent of its claim, and the remaining sum shall be counted towards the common claims in accordance with Article 40 of this Law;

b) if the purchase price of the encumbered item up for auction is less than the claim of the secured creditor, such creditor shall be satisfied only with the amount of the proceeds from the sale of the said item, and the remaining debt shall be counted towards the unsecured claims in accordance with the Article 40(1)(f) of this Law.



## Article 42 - Completion of bankruptcy proceedings

1. Bankruptcy proceedings shall be completed upon the realisation of the trust property and the distribution of the proceeds by the bankruptcy manager in accordance with this Law.
2. After the realisation of the trust property, the bankruptcy manager shall prepare a bankruptcy report on the debtor and submit it to the creditors and the court.
3. Based on the information provided by the bankruptcy manager and the creditors, the court shall deliver a ruling on the completion of bankruptcy proceedings and the revocation of the registration of the enterprise in the Registry of Entrepreneurs and Non-entrepreneurial (Non-commercial) Legal Persons.

[2. After the realisation of the trust property the bankruptcy manager shall prepare a bankruptcy report on the debtor and submit it to the creditors and the court via the Automated System.

3. Based on the information provided by the bankruptcy manager and the creditors the court shall deliver a ruling on the completion of bankruptcy proceedings and revocation of the registration of the enterprise in the Registry of Entrepreneurs and Non-entrepreneurial (Non-commercial) Legal Persons, which is published in the Automated System. **(Shall enter into force from 1 January 2017)]**

4. The proceeds from the realisation of the trust property shall be distributed immediately after the completion of bankruptcy proceedings. The funds left undistributed after the bankruptcy of the enterprise shall be transferred to the ownership of the National Bureau of Enforcement.

5. If certain property belonging to the de-registered enterprise is identified after the revocation of the registration of the enterprise in the Registry of Entrepreneurs and Non-entrepreneurial (Non-commercial) Legal Persons, the National Bureau of Enforcement shall publish such information on the official website of the Legislative Herald of Georgia. A creditor whose claim has not been satisfied may, within 15 days after the publication of this information, apply to the National Bureau of Enforcement and request the sale of the given property at auction. The National Bureau of Enforcement shall ensure the realisation of the property in accordance with Article 38 of this Law and distribute the proceeds among the creditors who have applied within the prescribed time limits, taking into account the seniority of their claims. The property shall be transferred to state ownership if no creditor has applied to the National Bureau of Enforcement within the prescribed time limits, if the property has not been realised at the auction, or the creditor has refused to receive the property in kind.

[5. If certain property belonging to the de-registered enterprise is identified after the revocation of the registration of the enterprise in the Registry of Entrepreneurs and Non-entrepreneurial (Non-commercial) Legal Persons, the National Bureau of Enforcement shall publish such information in the Automated System. A creditor whose claim has not been satisfied may, within 15 days after the publication of the information, apply to the National Bureau of Enforcement through the Automated System and request the sale of such property at auction. The National Bureau of Enforcement shall ensure the realisation of the property in accordance with Article 38 of this Law and distribute the proceeds among the creditors who have applied within the prescribed time limit, taking into account the seniority of their claims. The property shall be transferred to state ownership if no creditor has applied to the National Bureau of Enforcement within the prescribed time limits, if the property has not been realised at the auction, or the creditor has refused to accept the property in kind. **(Shall enter into force from 1 January 2017)]**

*Law of Georgia No 2003 of 6 November 2009 - LHG I, No 35, 19.11.2009, Art. 267*

*Law of Georgia No 4828 of 17 June 2011 – web-site, 28.6.2011*

*Law of Georgia No 5668 of 28 December 2011 – website, 16.1.2012*

*Law of Georgia No 6604 of 29 June 2012 – website, 12.7.2012*

*Law of Georgia No 142 of 21 December 2012– web-site, 30.12.2012*

*Law of Georgia No 1869 of 25 December 2013 – website, 28.12.2013.*

*Law of Georgia No 2922 of 11 December 2014 – website, 23.12.2014*

*Law of Georgia No 4642 of 16 December 2015 – website, 25.12.2015*

## Chapter VI - Rehabilitation

### Article 43 - Time limits for the preparation of a rehabilitation plan

1. The preparation period of a rehabilitation plan shall be calculated from the publication of the court ruling on rehabilitation made in accordance with the decision of the Conciliation Board. The court ruling on rehabilitation shall be published in accordance with this Law.
2. The period of preparation of the draft rehabilitation plan shall be determined by the creditors. It shall not exceed 60 days. The period of preparation of the draft rehabilitation plan may be extended by a decision of the creditors who have at least 51% of the votes.

[2. The period of preparation of the draft rehabilitation plan shall be determined by the creditors. It shall not exceed 60 days. The period of preparation of the draft rehabilitation plan may be extended by a decision made through the Automated System by the creditors who have at least 51% of the total votes. **(Shall enter into force from 1 January 2017)]**

*Law of Georgia No 2003 of 6 November 2009 - LHG I, No 35, 19.11.2009, Art. 267*





*Law of Georgia No 6604 of 29 June 2012 – website, 12.7.2012*

*Law of Georgia No 142 of 21 December 2012– web-site, 30.12.2012*

*Law of Georgia No 1869 of 25 December 2013 – website, 28.12.2013.*

*Law of Georgia No 2922 of 11 December 2014 – website, 23.12.2014*

*Law of Georgia No 4642 of 16 December 2015 – website, 25.12.2015*

#### **Article 44 - Rehabilitation Manager**

1. A rehabilitation process shall be managed by the rehabilitation manager.

2. The creditors shall appoint a rehabilitation manager and determine the preparation period of the draft rehabilitation plan within 3 days after the publication of the court ruling on rehabilitation. The court shall approve the creditors' decision by a ruling.

[2. The creditors shall appoint a rehabilitation manager and determine the preparation period of the draft rehabilitation plan within 3 days after the publication of the court ruling on rehabilitation. The court shall approve the creditors' decision by a ruling, which shall be published by the court in the Automated System. **(Shall enter into force from 1 January 2017)**]

3. A rehabilitation manager may be either a legal or a natural person. A rehabilitation manager shall be an independent, impartial and honest person (in the case of a legal person, a person with a good business reputation). A person who is engaged in the same or similar activity as the debtor may not be appointed as a rehabilitation manager.

4. The creditors' meeting shall determine the scope of powers of the rehabilitation manager and of the director of the enterprise in the process of the rehabilitation. Based on the decision of the creditors' meeting, the rehabilitation manager and the creditors shall enter into an agreement, which will determine the scope of powers of the rehabilitation manager and issues relating to his liability and remuneration. A bank guarantee and/or liability insurance may be used to secure liability.

4.<sup>1</sup> The rehabilitation manager may temporarily assign his rights and duties to a third person based on a power of attorney certified by a notary if so envisaged in the rehabilitation plan.

[4.<sup>1</sup> The rehabilitation manager may temporarily assign his rights and duties to a third person based on a power of attorney certified by a notary if so envisaged in the rehabilitation plan. The information on the assignment of the rights and duties by the rehabilitation manager to a third person shall be published in the Automated System. **(Shall enter into force from 1 January 2017)**]

5. (Deleted).

6. In the process of the a rehabilitation, it shall be permissible, by decision of the relevant founding partner, to make new contributions to the capital of the enterprise with a view to increasing the capital of such enterprise, if the prior written consent of the rehabilitation manager and of all secured creditors is obtained.

[6. In the process of the rehabilitation, it shall be permissible, by a decision of the relevant founding partner, to make new contributions to the capital of the enterprise with a view to increasing the capital of such enterprise, if the prior consent of the rehabilitation manager and of all secured creditors has been expressed through the Automated System. The rehabilitation manager shall publish the information on the given decision in the Automated System. **(Shall enter into force from 1 January 2017)**]

7. (Deleted - 24.6.2011 No 4948).

*Law of Georgia No 2003 of 6 November 2009 - LHG I, No 35, 19.11.2009, Art. 267*

*Law of Georgia No 2981 of 27 April 2010 – LHG I, No 24, 10.5.2010, Art. 147*

*Law of Georgia No 4948 of 24 June 2011 – website, 13.7.2011*

*Law of Georgia No 6604 of 29 June 2012 – website, 12.7.2012*

*Law of Georgia No 142 of 21 December 2012– web-site, 30.12.2012*

*Law of Georgia No 1869 of 25 December 2013 – website, 28.12.2013.*

*Law of Georgia No 2922 of 11 December 2014 – website, 23.12.2014*

*Law of Georgia No 4642 of 16 December 2015 – website, 25.12.2015*

#### **Article 45 - Procedure for submitting a draft rehabilitation plan**

1. A draft rehabilitation plan shall be prepared and submitted to the Conciliation Board for review within the time limit prescribed for the preparation of a draft rehabilitation plan under Article 43(2) of this Law.

[1. A draft rehabilitation plan shall be prepared and submitted to the Conciliation Board for review via the Automated System within the time limit



prescribed for the preparation of a draft rehabilitation plan under Article 43(2) of this Law. **(Shall enter into force from 1 January 2017)]**

2. The draft rehabilitation plan shall meet the requirements of Article 46 of this Law.

*Law of Georgia No 2003 of 6 November 2009 - LHG I, No 35, 19.11.2009, Art. 267*

*Law of Georgia No 6604 of 29 June 2012 – website, 12.7.2012*

*Law of Georgia No 142 of 21 December 2012– web-site, 30.12.2012*

*Law of Georgia No 1869 of 25 December 2013 – website, 28.12.2013.*

*Law of Georgia No 2922 of 11 December 2014 – website, 23.12.2014*

*Law of Georgia No 4642 of 16 December 2015 – website, 25.12.2015*

## **Article 46 - Rehabilitation plan**

1. By a decision of the creditors, the preparation of a rehabilitation plan may be assigned to the debtor, the creditor or the rehabilitation manager or to more than one of them simultaneously.

**[1. By a decision of the creditors, the preparation of a rehabilitation plan may be assigned to the debtor, the creditor or the rehabilitation manager or to more than one of them simultaneously. The information on the person (persons) responsible for the preparation of the rehabilitation plan shall be published in the Automated System. (Shall enter into force from 1 January 2017)]**

2. A person who is charged with the preparation of the rehabilitation plan shall conduct consultations with the secured creditors, other creditors and with a person authorised to manage and represent the debtor.

3. A rehabilitation plan shall be presented in writing and shall comprise all important issues relating to the resolution of the debtor's financial difficulties, considering the fact that in the case of its implementation the debtor will overcome insolvency or imminent insolvency.

**[3. The rehabilitation plan shall be presented via the Automated System and shall comprise all important issues relating to the resolution of the debtor's financial difficulties, considering the fact that in the case of its implementation the debtor will overcome insolvency or imminent insolvency. (Shall enter into force from 1 January 2017)]**

4. The rehabilitation plan shall determine the accrual of interest on debts and its payment.

5. The rehabilitation plan may not consider such proposals pursuant to which the time limits and conditions for the satisfaction of the claims of different creditors of the same class differ, unless otherwise agreed between all the creditors of the same class. The case referred to in paragraph 5<sup>1</sup> of this article shall be considered to be an exception.

5.<sup>1</sup> The rehabilitation plan may envisage the full satisfaction ahead of time (without observing the order of priority, and before satisfying the claims of the preceding priority) of those sixth and seventh priority claims (for the purpose of this paragraph, hereinafter the 'claims on social debt') referred to in Article 40(1)(f) and (g) of this Law that have arisen from the labour relations between the debtor and the debtor's employees and/or former employees (salary, reimbursement of business trip expenses, subsistence, compensation and other related debts) and are reflected in the rehabilitation plan. If a decision has been made in accordance with this paragraph to fully satisfy the claims on social debt ahead of time, the claims on corresponding tax arrears associated with and connected to the claims on social debt shall simultaneously be satisfied. If a relevant decision has been made to fully satisfy the claims on social debt and on accompanying tax arrears ahead of time, the time limit for satisfying the fourth priority claims of the same volume (secured claims), which pursuant to the rehabilitation plan are to be satisfied within the shortest period after the full satisfaction ahead of time of the claims on social debt, shall be postponed until the end of the period established by the rehabilitation plan for the satisfaction of the fourth priority claims (secured claims).

6. The Conciliation Board shall start the review of the rehabilitation plan upon the submission of the draft rehabilitation plan and shall complete the review within 10 days.

**[6. The Conciliation Board shall start the review of the rehabilitation plan upon the submission of the draft rehabilitation plan and shall complete the review within 10 days. The information on the approval of the rehabilitation plan by the Conciliation Board shall be published in the Automated System. (Shall enter into force from 1 January 2017)]**

7. The Conciliation Board shall conduct consultations with the creditors, the debtor and the rehabilitation manager during the review process of the rehabilitation plan. The plan may be amended in the process of consultations.

*Law of Georgia No 2003 of 6 November 2009 - LHG I, No 35, 19.11.2009, Art. 267*

*Law of Georgia No 6604 of 29 June 2012 – website, 12.7.2012*

*Law of Georgia No 142 of 21 December 2012– web-site, 30.12.2012*

*Law of Georgia No 1869 of 25 December 2013 – website, 28.12.2013.*

*Law of Georgia No 2922 of 11 December 2014 – website, 23.12.2014*

*Law of Georgia No 4642 of 16 December 2015 – website, 25.12.2015*





## Article 47 - Approval of a rehabilitation plan by creditors

1. The rehabilitation plan reviewed and approved by the Conciliation Board shall be approved by the secured creditors within 7 days after the submission of the rehabilitation plan by the Conciliation Board. The consent of all secured creditors shall be required to approve the rehabilitation plan.

2. If any of the secured creditors objects to the approval of the rehabilitation plan, the other secured creditors may make one of the following proposals to him:

- a) the separation of secured assets from the trust property, their realisation and compensation of the said creditor from the proceeds of the sale;
- b) the redemption of the debt in accordance with the data available in the Register of Creditors' Claims.

[1. The rehabilitation plan reviewed and approved by the Conciliation Board shall be approved via the Automated System by the secured creditors within 7 days after the publication of the rehabilitation plan by the Conciliation Board. The consent of all secured creditors shall be required to approve the rehabilitation plan.

2. If any of the secured creditors objects to the rehabilitation plan, the other secured creditors may make one of the following proposals to him through the Automated System:

- a) the separation of secured assets from the trust property, their realisation and compensation of the said creditor from the proceeds of the sale;
- b) the redemption of the debt in accordance with the data available in the Register of Creditors' Claims. **(Shall enter into force from 1 January 2017)]**

3. A secured creditor who objects to the rehabilitation plan shall be obliged to accept the proposal of the other creditors made under paragraph 2 of this article.

4. If all the secured creditors object to the approval of the rehabilitation plan, the other creditors may make one of the following proposals to them:

- a) the separation of secured assets from the trust property, their realisation and compensation of the creditors from the proceeds of the sale;
- b) the redemption of the debt in accordance with the data available in the Register of Creditors' Claims.

[4. If all the secured creditors object to the approval of the rehabilitation plan, the other creditors may make one of the following proposals to them via the Automated System:

- a) the separation of secured assets from the trust property, their realisation and compensation of the creditors from the proceeds of the sale;
- b) the redemption of the debt in accordance with the data available in the Register of Creditors' Claims. **(Shall enter into force from 1 January 2017)]**

5. The secured creditors who object to the approval of the rehabilitation plan, shall be obliged to accept the proposal of the rest of the creditors made under paragraph 4 of this article.

*Law of Georgia No 6604 of 29 June 2012 – website, 12.7.2012*

*Law of Georgia No 142 of 21 December 2012– web-site, 30.12.2012*

*Law of Georgia No 1869 of 25 December 2013 – website, 28.12.2013.*

*Law of Georgia No 2922 of 11 December 2014 – website, 23.12.2014*

*Law of Georgia No 4642 of 16 December 2015 – website, 25.12.2015*

## Article 48 - Effects of submitting inaccurate or false data in the rehabilitation plan or of hiding information

If the rehabilitation plan provides inaccurate or false information on the debtor's property and/or activities, either deliberately or by gross negligence, or if the information relevant to the case has been hidden, the court shall make the following decision: in the case of the rehabilitation manager, on the dismissal of the rehabilitation manager; in case of the debtor, on the bankruptcy of a debtor; in case of a creditor, on the deprivation of the creditor's voting rights.

### [Article 48 - Effects of submitting inaccurate or false data in the rehabilitation plan or of hiding information

If the rehabilitation plan provides inaccurate or false information on the debtor's property and/or activities, either deliberately or by gross negligence, or if the information relevant to the case has been hidden, the court shall make the following decision: in the case of the rehabilitation manager, on the dismissal of the rehabilitation manager; in case of the debtor, on the bankruptcy of a debtor; in case of a creditor, on the deprivation of the creditor's voting rights. The court decision shall be published in the Automated System. **(Shall enter into force from 1 January 2017)]**

*Law of Georgia No 6604 of 29 June 2012 – website, 12.7.2012*

*Law of Georgia No 142 of 21 December 2012– web-site, 30.12.2012*

*Law of Georgia No 1869 of 25 December 2013 – website, 28.12.2013.*



#### **Article 49 - Limitations on the discharge or substitution of the debtor**

1. The rehabilitation plan may provide for a full or partial discharge of the debtor or the substitution of the debtor.
2. A debtor may be granted full or partial discharge or may be substituted with the approval of all the creditors.
3. If any of the creditors opposes the full or partial discharge of the debtor or its substitution, the other creditors may propose to the debtor to redeem the debt in accordance with the data available in the Registry of Creditors' Claims.
4. A creditor who opposes the full or partial discharge of the debtor or its substitution shall be obliged to accept the proposal of the other creditors.

#### **Article 50 - Implementation of the rehabilitation plan**

1. A rehabilitation manager shall be responsible for the implementation of the approved rehabilitation plan.
2. The implementation of the rehabilitation plan shall be monitored by the creditors' meeting. For monitoring purposes, any creditor may obtain and/or review the debtor's annual report, as well as the part of the rehabilitation plan that is directly connected with the time limits and conditions for the satisfaction of the said creditor's claims. The rehabilitation manager shall be obliged to present comprehensive information on the implementation of the rehabilitation plan to the secured creditors within the period established by the rehabilitation plan.

*Law of Georgia No 2003 of 6 November 2009 - LHG I, No 35, 19.11.2009, Art. 267*

#### **Article 51 - Making amendments to a rehabilitation plan**

1. A rehabilitation plan may be amended if the creditors consider that the full or partial implementation of the rehabilitation plan is impossible and only amendments made to the plan may allow for its implementation.
2. Amendments shall be made to the rehabilitation plan pursuant the same procedure as set forth for the approval of the rehabilitation plan in accordance with Article 47 of this Law. The amendments to be made to the rehabilitation plan shall be prepared and submitted for approval by the rehabilitation manager, unless otherwise provided for by the creditors' decision.

*Law of Georgia No 2003 of 6 November 2009 - LHG I, No 35, 19.11.2009, Art. 267*

#### **Article 52 - Completion and termination of the rehabilitation process**

1. The rehabilitation process shall be completed upon the implementation of the rehabilitation plan.
2. Insolvency proceedings shall be terminated if the court makes a decision to terminate the rehabilitation on the grounds that the rehabilitation plan is not being implemented.
3. A creditor(s) who holds at least 10% of the total number of votes may apply to the court with a substantiated application on the impossibility of implementing the rehabilitation plan, with an indication of the points of the plan that have been violated prior to the filing of the application.
4. The court shall review the creditor's (creditors') application specified in paragraph 3 of this article within 14 days after its submission and shall make a decision to terminate the rehabilitation plan or to refuse to terminate the rehabilitation plan.

**[4<sup>1</sup>. The court decision shall be published in the Automated System in the cases specified in paragraphs 2 and 4 of this article. (Shall enter into force from 1 January 2017)]**

5. The termination of the rehabilitation plan shall result in the debtor's bankruptcy.

*Law of Georgia No 2003 of 6 November 2009 - LHG I, No 35, 19.11.2009, Art. 267*

*Law of Georgia No 6604 of 29 June 2012 – website, 12.7.2012*

*Law of Georgia No 142 of 21 December 2012– web-site, 30.12.2012*

*Law of Georgia No 1869 of 25 December 2013 – website, 28.12.2013.*

*Law of Georgia No 2922 of 11 December 2014 – website, 23.12.2014*

*Law of Georgia No 4642 of 16 December 2015 – website, 25.12.2015*



## **Article 53 - Activities and transactions implemented before the termination of the rehabilitation plan**

Any activity or transaction implemented before the termination of the rehabilitation plan shall remain in effect despite the termination of the rehabilitation plan.

## **Chapter VII - Insolvency proceedings conducted abroad**

### **Article 54 - Recognition and enforcement of decisions delivered in insolvency proceedings conducted abroad**

1. Insolvency proceedings conducted abroad shall be recognised with respect to the property and creditors located in Georgia, except where:

a) the court that reviewed the insolvency case has no jurisdiction under the legislation of Georgia;

b) the conduct of the insolvency proceedings abroad contravenes the fundamental principles of the legislation of Georgia, in particular fundamental human rights.

2. The procedure for the recognition and enforcement of decisions delivered in insolvency proceedings conducted abroad shall be determined in accordance with the Law of Georgia on Private International Law.

### **Article 55 - Separate insolvency proceedings in Georgia upon the recognition of insolvency proceedings conducted abroad**

1. If a debtor, in respect of whose property the proceedings under Article 45 of this Law have been opened abroad, manages a branch located in Georgia which enters into transactions independently, or a company producing agricultural products, then the recognition of the insolvency proceedings conducted abroad shall not exclude the possibility of opening separate insolvency proceedings in Georgia; such proceedings shall apply only to the debtor's property located within the country, and only those creditors whose claims arose as a direct result of the activities of the branch or the company producing agricultural products shall have the right to participate in such proceedings.

2. A relevant authorised person appointed to participate in the insolvency proceedings abroad shall, instead of the debtor, have the right to submit an application for the opening of separate insolvency proceedings in Georgia. A creditor shall have the right to submit an application if the creditor is a person referred to in paragraph 1 of this article and if it can substantiate its interest in the separate insolvency proceedings.

3. Creditors who participate in insolvency proceedings abroad may participate in the separate proceedings in Georgia with a view to satisfying the parts of their claims that have not been satisfied during the insolvency proceeding abroad, if they substantiate their interest in court.

4. A trustee shall be appointed for the separate insolvency proceedings and shall cooperate with the authorised person appointed for the insolvency proceedings abroad.

5. The property remaining after the termination of the separate insolvency proceedings shall be returned to the authorised person appointed for the insolvency proceedings conducted abroad.

## **Chapter VII<sup>1</sup> Procedure for Registering Decisions Relating to Insolvency Proceedings**

*Law of Georgia No 4948 of 24 June 2011 – website, 13.7.2011*

### **Article 55<sup>1</sup> - Decisions subject to registration**

1. Court decisions on the initiation and termination of insolvency, bankruptcy or rehabilitation proceedings, on the appointment of a trustee, bankruptcy manager or rehabilitation manager (and on their substitution), on the deregistration of a legal entity on the grounds of the completion of rehabilitation proceedings and bankruptcy proceedings, shall be registered with the Registry of Entrepreneurs and Non-entrepreneurial (Non-commercial) Legal Persons.

2. Insolvency, bankruptcy or rehabilitation proceedings shall be deemed initiated or terminated, and the powers of the trustee, of the bankruptcy manager or the rehabilitation manager (and their substitutes) shall be deemed to be originated, and rehabilitation proceedings shall be deemed completed, and a legal entity shall be deemed deregistered, on the grounds of the completion of the rehabilitation and bankruptcy proceedings on the basis of the relevant decision only after the registration of the decision with the Registry of Entrepreneurs and Non-entrepreneurial (Non-commercial) Legal Persons.

3. The registration authority shall inform the National Bank of Georgia immediately about the registration of a court decision on the initiation and termination of insolvency, bankruptcy or rehabilitation proceedings with respect to an enterprise that acts as an important payment system participant in accordance with the Law of Georgia on Payment Systems and Payment Services, as well as about the appointment of the trustee, bankruptcy manager or rehabilitation manager (and about their substitution), and about the deregistration of a legal entity on the grounds of the completion of the rehabilitation proceedings and bankruptcy proceedings.

*Law of Georgia No 4948 of 24 June 2011 – website, 13.7.2011*

*Law of Georgia No 6307 of 25 May 2012 – website, 12.6.2012*



## **Article 55<sup>2</sup> - Procedure for registering court decisions**

1. The court decisions referred to in this Law shall be registered in accordance with the Law of Georgia on Public Registry and the Law of Georgia on Entrepreneurs.
2. The court may, in accordance with the objectives of maintaining the registers of entrepreneurs and non-entrepreneurial (non-commercial) legal persons and public registers, enter into an authorisation agreement with the National Agency of Public Registry, a legal entity under public law of the Ministry of Justice of Georgia, in accordance with the legislation of Georgia.

*Law of Georgia No 4948 of 24 June 2011 – website, 13.7.2011*

## **Chapter VIII - Transitional and Final Provisions**

### **Article 56 - Scope of this Law**

1. This Law shall apply only to those insolvency cases in which an insolvency petition has been submitted after the entry into force of this Law.
2. In those insolvency cases where an insolvency petition was submitted in accordance with the Law of Georgia of 25 June 1996 on Bankruptcy Proceedings, the bankruptcy and rehabilitation process shall be completed within 1 year after the entry into force of this Law.
3. After the expiration of the period specified in paragraph 2 of this article, the Law of Georgia of 25 June 1996 on Bankruptcy Proceedings shall cease to apply to entities that are in the process of rehabilitation or under a bankruptcy regime. The given entities shall be obliged to initiate insolvency proceedings in accordance with this Law.

*Law of Georgia No 5970 of 19 March 2008 – LHG I, No 8, 28.3.2008, Article 58*

### **Article 57 - Repealed normative acts**

The Law of Georgia of 25 June 1996 on Bankruptcy Proceedings shall be deemed void upon the entry into force of this Law.

### **Article 58 - Entry into force of the Law**

This Law shall enter into force on 15 August 2007.

**President of Georgia**

**M. Saakashvili**

**Tbilisi**

**28 March 2007**

**№4522–II**

