LAW OF GEORGIA

ON REHABILITATION AND THE COLLECTIVE SATISFACTION OF CREDITORS' CLAIMS

Chapter I – General Provisions

Article 1 – Purpose of the Law

The purpose of this Law is the collective satisfaction of creditors' claims through the achievement of rehabilitation, and where rehabilitation cannot be achieved, through the distribution of proceeds from the sale of an insolvency estate.

Article 2 – Principles of insolvency proceedings

The principles of insolvency proceedings are:

a) the proper management of the activities and the insolvency estate of an insolvent debtor;

b) the prompt and phased resolution of the financial difficulties of an insolvent debtor;

c) the transparency and foreseeability of insolvency proceedings;

d) the preservation and growth of an insolvency estate and business value as far as possible;

e) the facilitation of the rehabilitation of an insolvent debtor;

f) the equal treatment of creditors with the same rights.

Article 3 – Definition of terms

For the purposes of this Law, the terms used herein shall have the following meanings:

a) unliquidated claim – a claim which is not liquidated and which involves another claim related to compensation for inflicted loss or to the breach or non-fulfilment of a respective agreement, or other claims arising from a civil relationship;

b) contingent claim – a claim the origination of which depends upon a future and uncertain event and which includes various obligations, including an obligation related to a guarantee granted in favour of a third party, which depends on the fulfilment of a primary obligation;

c) unmatured (future) claim – a claim that has not matured by a date when an application for insolvency is declared admissible by a court;

d) new creditor's claim – a claim which originates after a court delivers a ruling declaring an application for insolvency admissible and opening a rehabilitation or bankruptcy regime;

e) current regular obligations – obligations arising from employment, lease, service or other agreements concluded concerning the main activity of a debtor, which are to be regularly fulfilled;

f) manager – a rehabilitation manager and/or a bankruptcy manager;

g) supervisor – a person appointed to supervise the fulfilment of a regulated agreement; a person appointed to supervise the activities of the management bodies of an undertaking during the rehabilitation process of a debtor when such bodies are maintained;

h) secured creditor – a creditor whose claim is secured by a mortgage or a pledge in accordance with the procedures established by the Civil Code of Georgia;

i) conversion – transfer from a rehabilitation regime to a bankruptcy regime, or from a bankruptcy regime to a rehabilitation regime, in accordance with the procedure established by this Law, whereby insolvency proceedings continue without interruption in accordance with the procedures provided for by the new regime;

j) centre of main interests – a place where the debtor permanently conducts the administration of his/her interests on a regular basis and which is ascertainable by third parties;

k) debtor – a person or an entity provided for by Article 4(1) of this Law;

l) expenses related to proceedings – expenses borne by a manager/supervisor, which include expenses for sending parcels by post in accordance with the procedure established by this Law, technical support for calling and holding creditors' meetings, carrying out expert examinations, making copies of case files and other documents, as well as other necessary expenses related to proceedings;

m) economic interest – the value of property or the benefit thereof in respect of an insolvency estate;

n) insolvency estate – the property of a debtor as defined in Article 59 of this Law;

o) dispute against an insolvency estate – a dispute over the separation of property from an insolvency estate or the imposition of a forfeit form an insolvency estate, related to the satisfaction of creditors' claims existing before the initiation of insolvency proceedings;

p) liquid asset – money, or other assets that may be sold within a short period of time;

q) bankruptcy minimum – the amount of money or other assets that a creditor is likely to receive if a bankruptcy regime is opened in respect of a debtor;

r) person related to a creditor:

r.a) a person authorised to manage and/or represent a debtor, or his/her manager, or a member of a supervisory body;

r.b) a partner owning a debtor's share, a participant, a member, a stockholder, or a shareholder, who directly or indirectly holds at least 5% of a debtor's share;

r.c) a relative of a person referred to in sub-paragraph (r.a) or (r.b) of this article, or another person who has been sharing a household economy with a person referred to in sub-paragraph (r.a) or (r.b) of this article for a long period of time;

r.d) persons who have a direct or indirect holding in an undertaking together with the debtor, provided that their holding makes up at least 20% in total, or they otherwise jointly control the undertaking;

r.e) a person whose share is directly or indirectly held or otherwise controlled by a debtor;

r.f) a partnership in which a debtor has a holding;

r.g) other persons having special relations with a debtor, which relations influence actions performed by this person or a person represented by this person against the debtor;

s) relative – a person referred to in Article 31(2) of the Civil Procedure Code of Georgia;

t) indirect holding – the holding of a share by a relative of a person, or by a legal person, at least 20% of whose share is held or otherwise controlled by this person;

u) control – membership of a supervisory board, or authority to manage and/or represent, or a direct or indirect right to appoint a person to such position, or the ownership of at least 20% of the total number of voting shares, stocks or units;

v) moratorium – one or more measures provided for by this Law which aim to protect an insolvency estate during proceedings and to neutralise factors preventing the achievement of the purpose of this Law;

w) party opposing rescission – a person who, in accordance with Chapter VIII of this Law, is required to return to a debtor what he/she received as a result of a rescinded action;

x) debtor with a status of special regime – a debtor, the suspension/termination of whose activities will substantially prejudice state interests and/or public interests, and who is considered as being such a debtor by a court;

y) preferential claims – amounts to cover the expenses of 3 months' salaries and leave (except for the expenses of salaries and leave of the directors of a debtor and members of a supervisory board, as well as their family members), payable before a court declares an application for insolvency admissible, and amounts payable due to occupational injury (in the amount of not more than GEL 1 000 per each creditor);

z) preferential tax claims – amounts of indirect taxes provided for by the Tax Code of Georgia, originating in the respective previous 3 tax periods before a court declares an application for insolvency admissible;

z_1) non-preferential claim – a creditor claim, the satisfaction of which in a non-preferential manner was agreed between the debtor and the creditor in advance.

Article 4 – Scope of the Law

1. This Law shall regulate issues related to the insolvency of the following entities:

a) a business entity established in accordance with the Law of Georgia on Entrepreneurs, except for an individual entrepreneur;

b) a non-entrepreneurial (non-commercial) legal entity provided for by the Civil Code of Georgia, or a non-registered union (association), or a joint venture (partnership);

c) a legal person established in accordance with the legislation of a foreign country, or other entity (irrespective of whether it has legal personality or not), which carries out economic activities and has the centre of main interests in Georgia.

2. This Law shall not apply to:

a) the insolvency of a natural person;

b) the insolvency of a legal entity under public law;

c) a commercial bank, a non-bank depository, an insurance company, and other entities provided for by the legislation of Georgia, for whom insolvency is regulated by special legislation.

3. Insolvency proceedings against a person participating in a netting agreement or a financial collateral agreement provided for by the Law of Georgia on Financial Collaterals, Mutual Set-offs and Derivatives shall be carried out without prejudice to the special provisions of this Law and the Law of Georgia on Financial Collaterals, Mutual Set-offs and Derivatives.

Article 5 – Creditors' claims

1. A creditor's claim shall be a debt or a demand for discharging a liability, which may be expressed in monetary form, and the obligation of the fulfilment of which, or the responsibility for the fulfilment of which, shall rest with a debtor at the moment when an application for insolvency is declared admissible, and which, without any limitation, includes matured claims, unliquidated claims, contingent claims and unmatured (future) claims.

2. A creditor may submit a claim to a manager/rehabilitation supervisor (if any) within 30 days after receiving a notification of declaring an application for insolvency admissible, provided that the creditor's claim differs from the amount of the claim accepted by a debtor. This time limit may be restored in accordance with Article 65 of the Civil Code of Georgia. Any claim submitted after the expiry of this time limit shall be considered a late claim.

3. A creditor to whom a notification was not sent in accordance with this Law may submit a claim within 30 days after being notified of insolvency proceedings, but not later than 1 year after a ruling declaring an application for insolvency admissible and

opening a rehabilitation or bankruptcy regime has been delivered, unless the period of limitation provided for by the Civil Code of Georgia has expired.

4. A manager/rehabilitation supervisor may request additional information and evidence from a creditor to examine the amount and validity of a claim.

5. A claim shall not be submitted or increased after the expiry of the time limit established by paragraphs 2 and 3 of this article. A manager/rehabilitation supervisor shall enter such a claim in the registry of creditors in the amount not exceeding the amount accepted by a debtor and not disputed.

Article 6 – Grounds for initiating insolvency proceedings

1. The grounds for initiating insolvency proceedings shall be the insolvency or expected insolvency of a debtor. Insolvency proceedings shall be initiated by filing an application for insolvency with a court, requesting the opening of a rehabilitation or bankruptcy regime.

2. Insolvency proceedings may be carried out through:

a) a rehabilitation regime;

b) a bankruptcy regime.

3. The initiation of insolvency proceedings shall mean that appropriate grounds have arisen to make persons and entities referred to in this Law subject to the regulation established by this Law.

Article 7 – Concept of insolvency and presumption of insolvency

1. A debtor shall be insolvent if he/she is unable to cover matured liabilities.

2. Expected insolvency shall exist if there are reasonable grounds to presume that a debtor will become insolvent.

3. For the purposes of filing an application for insolvency with a court, a debtor shall be presumed to be insolvent until the contrary is proved, provided that one of the following circumstances exist:

a) the sum of total liabilities of a debtor, including future and contingent liabilities, exceeds the sum of total assets, unless it is highly probable that the debtor can continue activities to eradicate the excess of liabilities over assets. For the purposes of establishing insolvency, the liabilities of a debtor shall include future and contingent liabilities as well, except for loans issued to a debtor by a partner;

b) a debtor is presumed to not be able to cover matured liabilities within the next 30 days, as his/her total matured liabilities exceed total liquid assets by not less than 20% (liquidity deficit), unless it is highly probable that the debtor can fully or essentially fully eradicate the liquidity deficit within a reasonably short period of time;

c) a debtor is included in the Registry of Debtors, or has been included in the Registry of Debtors for 12 months before the filing of an application;

d) a debtor has suspended his/her activities;

e) a debtor has been subject to a measure enforcing the payment of tax arrears for at least 30 days before the filing of an application;

f) in order to discharge the liabilities of a debtor or a third party, the process of selling the debtor's property has been initiated on the basis of a security agreement or on other grounds provided for by the legislation of Georgia, which if continued will jeopardise the satisfaction of creditors' claims.

Article 8 – Court jurisdiction and procedural norms

1. A special court jurisdiction shall be established in respect of insolvency cases provided for by this Law.

2. Insolvency cases provided for by this Law shall be reviewed by Tbilisi City Court and Kutaisi City Court.

3. For the purposes of reviewing insolvency cases provided for by this Law, Eastern Georgia shall fall within the jurisdiction of Tbilisi City Court, and Western Georgia shall fall within the jurisdiction of Kutaisi City Court.

4. A court shall review insolvency cases according to a debtor's legal address, and where a debtor's legal address is not in Georgia, according to the centre of main interests of the debtor.

5. When insolvency cases provided for by this Law are reviewed, the procedural norms established by this Law shall apply.

6. The Civil Procedure Code of Georgia shall apply to insolvency proceedings only where this Law does not contain a special norm regulating the issue concerned, and where the application of the Civil Procedure Code of Georgia does not contravene the purpose and the principles of this Law.

Article 9 – Filing a private complaint with a court

1. Only a private complaint may be filed against a decision of a judge adopted in the form of a ruling in insolvency proceedings.

2. A private complaint may be filed with a court by a party to insolvency proceedings, in respect of whom a ruling has been delivered, as well as by a person whom the ruling directly relates to.

3. A private complaint shall be filed in written form with the court that has delivered a ruling.

4. A private complaint may be filed within 5 days after a ruling has been published, unless a different time limit is determined by this Law. This time limit may not be extended.

5. Where a person eligible to file a private complaint was present during the pronouncement of a ruling, the time limit for filing a private complaint shall start to run from the moment of pronouncement.

6. The filing of a private complaint shall not suspend the performance of a procedural action stipulated by a challenged ruling. The court may suspend the performance of a procedural action stipulated by the challenged ruling.

7. Where a court finds a private complaint admissible and well-founded, it shall satisfy the complaint. Otherwise, the private complaint and case materials shall be referred to a higher court within 5 days after it has been received.

8. A higher court shall review a private complaint and make a decision within 14 days from receiving it.

9. The ruling of a higher court on a private complaint shall be final and shall not be appealed.

Article 10 – Reviewing disputes through adversarial proceedings

1. A civil or administrative dispute which is related to the recovery of a thing from an insolvency estate, or where a debtor is a plaintiff and the dispute is related to the insolvency estate, shall be reviewed expeditiously in accordance with the procedures established by this article and relevant procedural legislation.

2. Paragraph 1 of this article shall not apply to a dispute which is reviewed by a court of arbitration in accordance with the procedure established by the Law of Georgia on Arbitration.

3. A dispute referred to in paragraph 1 of this article, initiated after the commencement of insolvency proceedings, shall be reviewed by the court reviewing the insolvency case.

4. A judge hearing an insolvency case shall send an appropriate notification to a judge reviewing a dispute referred to in paragraph

1 of this article within 5 days after a ruling declaring an application for insolvency admissible and opening a rehabilitation or bankruptcy regime has been published. The judge reviewing the said dispute shall complete the hearing of the case within 20 days from receiving the notification.

5. A decision made by a court of first instance on a dispute referred to in paragraph 1 of this article may be appealed to a court of appeals within 5 days after it is served on the party. The court of appeals shall hear an issue of admitting the appeal within 5 days from receiving an appeal, and if the appeal is admitted, the court of appeals shall complete the hearing of the case within 20 days from admitting it.

6. A decision made by a court of appeals on a dispute referred to in paragraph 1 of this article may be appealed to a court of cassation instance within 5 days after it is served on the party. The court of cassation instance shall hear an issue of admitting the cassation appeal within 5 days, and if the cassation appeal is admitted, the court of cassation instance shall complete the hearing of the case within 20 days from admitting it.

Article 11 – Insolvency practitioner

1. The participation of an insolvency practitioner in insolvency proceedings under this Law shall be mandatory.

2. An insolvency practitioner shall be a natural or a legal person having appropriate qualifications and experience, who is established in a professional milieu. He/she shall be independent, impartial and act in good faith.

3. For the purposes of this Law, only an insolvency practitioner may be appointed to the position of manager/rehabilitation supervisor/supervisor of a regulated agreement. The Minister of Justice of Georgia ('the Minister of Justice') shall have the power to determine, by an order, the categories of insolvency practitioners which shall be admitted to insolvency cases of various types, taking into account their complexity.

4. Insolvency practitioners shall be granted authorisation by the Legal Entity under Public Law called the National Bureau of Enforcement operating within the governance of the Ministry of Justice of Georgia ('the National Bureau of Enforcement'). The procedure and conditions for granting authorisation to insolvency practitioners, and the procedure for maintaining a unified registry of insolvency practitioners, shall be approved by the Minister of Justice.

5. A manager/rehabilitation supervisor/supervisor of a regulated agreement shall be selected for an insolvency case automatically, through an electronic system for the selection of managers/rehabilitation supervisors/supervisors of a regulated agreement, in compliance with the principle of random allocation, except in the cases provided for by this Law.

6. The procedure for the automatic selection of managers/rehabilitation supervisors/supervisors of a regulated agreement through an electronic system shall be approved by the Minister of Justice.

7. Where an electronic system for the automatic selection of managers/rehabilitation supervisors/supervisors of a regulated agreement temporarily fails, managers/rehabilitation supervisors/supervisors of a regulated agreement may be selected without an electronic selection system, based on the order of sequence, which means the selection of a respective application according to the order of filing with a court and the selection of managers/rehabilitation supervisors/supervisors of a regulated agreement included in the unified registry of insolvency practitioners in alphabetical order.

8. A court may determine the necessity of appointing more than one manager due to the complexity of a case and where the annual turnover of a debtor exceeds GEL 100 million.

9. An insolvency practitioner shall insure his/her professional liability in accordance with the procedure established by law in order to compensate for possible material damage caused to a debtor, a creditor or other interested persons.

Article 12 – Disqualification/self-recusal of an insolvency practitioner

1. In insolvency proceedings, an insolvency practitioner shall not be appointed a manager/rehabilitation supervisor/supervisor of a regulated agreement if he/she is:

a) a party to the case, or is related to any party to the case with common rights or obligations;

b) a relative of a party to the case or his/her representative;

c) personally interested, directly or indirectly, in the outcome of the case, or there are other circumstances that cast doubt on his/her impartiality.

2. Where any of the grounds referred to in paragraph 1 of this article exists, any interested person participating in insolvency proceedings may file a request with a court for the disqualification of the insolvency practitioner.

3. Where any of the grounds referred to in paragraph 1 of this article exists, an insolvency practitioner shall recuse himself/herself and specify the reason.

4. A court shall review the issue of disqualification/self-recusal of an insolvency practitioner within 5 days after a respective application is filed. If the application is granted, the court shall select and appoint a new insolvency practitioner in accordance with the procedure established by Article 11(5) of this Law.

Article 13 – Procedures for calling and holding a creditors' meeting

1. At any stage of insolvency proceedings, a creditors' meeting shall be prepared and organised by a court.

2. Decisions and minutes of creditors' meetings shall be published in the electronic system provided for by Article 19 of this Law not later than the second working day after the meeting in question.

3. Any secured or non-secured creditor who submits his/her claims against a debtor through the electronic system within the time limit established by law may attend a creditors' meeting. A debtor may also attend a creditors' meeting. A creditor and a debtor attending a creditors' meeting may express comments and opinions and ask questions concerning the issues under review.

4. A creditor holding at least 10% of the total votes of creditors, and a debtor, a manager, and a rehabilitation supervisor, shall have the right to call a creditors' meeting through an electronic system. A court shall publish a notification on the calling of a creditors' meeting and its agenda in the electronic system not later than the second working day after receiving a request for the calling of the meeting. A creditors' meeting shall be held not later than 10 days after the said request is submitted. Any person referred to in this paragraph and authorised to call a creditors' meeting may request that an item be added to its agenda not later than 5 days before the meeting is held. After this time limit expires, or in the course of a creditors' meeting, an item to its agenda may be added only with the consent of the debtor, the manager, the rehabilitation supervisor and 75% of creditors.

5. Any creditor whose claim has been accepted shall have the right to vote, unless otherwise provided for by this Law.

6. A creditors' meeting shall be duly constituted (authorised to adopt decisions) if attended or represented by more than 50% of the total votes of creditors.

7. A creditors' meeting shall make decisions by a simple majority of votes of attending and present creditors, unless otherwise provided for in this Law.

8. The number of the votes of creditors shall be determined according to the following rule: a claim for GEL 1 – 1 vote (rounded to a lesser value).

9. Where a creditors' meeting is not duly constituted, or if it is not authorised to adopt decisions, or of it fails to make a decision, a second creditors' meeting shall be called within 7 days and with the same agenda through the electronic system. This meeting shall be deemed to be authorised to adopt decisions, irrespective of the number of the votes of attending or present creditors.

10. Where a second creditors' meeting held is not duly constituted, or if it fails to make a decision, a creditors' meeting may be called again in relation to the same issues in accordance with paragraph 4 of this article.

11. A creditors' meeting shall not be called if a creditor who holds more than 50% of the votes consents to the issues to be reviewed through the electronic system. Such consent shall be equal to the minutes of the creditors' meeting, and shall be deemed to be a decision of the creditors' meeting. Where a creditors' meeting makes a decision on an issue that requires more support, this rule shall apply subject to the existence of more support.

12. Where a decision of a creditors' meeting is made without holding a creditors' meeting, the said decision shall enter into force from the moment it is published in the electronic system or is otherwise made available to a manager, a rehabilitation supervisor, a

debtor and any other creditor.

13. The duration of a creditors' meeting shall not exceed 3 working days.

14. Where the number of persons (creditors) having identical claims (including holders of securities) exceeds 20, upon the request of a court, they are obliged to appoint a representative authorised to participate in a creditors' meeting and to exercise other powers of represented creditors on their behalf. Said information shall be considered delivered to each represented creditor when the information is delivered to the said representative. Representative powers shall be documented in writing. Where creditors fail to agree on the candidacy of a representative within 10 days after a court serves a respective claim on the creditors, the court itself may appoint a representative from among the said creditors. The number of representatives provided for by this paragraph shall not exceed 3.

15. Where, in the case provided for by paragraph 14 of this article, identical claims derive from public debt securities issued in accordance with the Law of Georgia on Securities Market, the holders of such securities shall appoint a representative in accordance with the issue conditions, and shall notify the court thereof. Where creditors fail to appoint a representative within 10 days after a court serves a respective claim on them, or the emission conditions do not stipulate representation in respect of issues under by this Law, the court itself may appoint a representative from among the said creditors.

Article 14 – Procedure for sending a notification to creditors

1. A notification about declaring an application for insolvency admissible and opening a rehabilitation or bankruptcy regime shall be sent to a creditor in accordance with the procedures established by the Civil Procedure Code of Georgia. A ruling declaring an application for insolvency admissible and opening a rehabilitation or bankruptcy regime shall be published on the website of the Legislative Herald of Georgia, in addition to being published in the insolvency proceedings electronic system ('the electronic system').

2. In the case of other notifications provided by this Law, publishing information in the electronic system shall suffice, unless otherwise provided for by this Law.

Article 15 – Obligation to disclose information

1. On a debtor's website (if any), a business document used in insolvency proceedings, which is issued by, or on behalf of, a debtor or a manager/rehabilitation supervisor/supervisor of a regulated agreement, shall specify that the debtor is in a respective insolvency regime, and shall contain information about the identity of the manager/rehabilitation supervisor/supervisor of a regulated agreement (his/her identification data and contact details).

2. Paragraph 1 of this article shall not apply to a standard document in the form established by the State, which may not be amended by a debtor.

Article 16 – Obligation of a debtor to file an application for the initiation of insolvency proceedings

1. Persons authorised to manage and represent an entity referred to in Article 4(1) of this Law shall file an application with a court for the initiation of insolvency proceedings not later than 3 weeks from the moment of occurrence of insolvency. Failure to fulfil this obligation shall result in criminal liability.

2. For the purposes of this article, the moment of occurrence of insolvency shall be deemed to be the moment when the persons knew, or ought to have known, that, according to Article 7(1) of this Law, a debtor was insolvent.

3. An amendment made in accordance with this Law, which relates to the registered data of persons authorised to manage and represent a debtor, or to limitations on management and representation, shall be subject to registration in the Registry of Entrepreneurial and Non-entrepreneurial (Non-commercial) Legal Entities, in accordance with the procedures established by the legislation of Georgia. Registration shall be ensured by a manager/rehabilitation supervisor once the grounds for such an amendment emerge.

Article 17 – Obligation to maintain confidentiality and conflicts of interests

1. A manager, a rehabilitation supervisor, a supervisor of a regulated agreement, a member of a creditors' committee, a creditor, or an expert, shall not disclose to third parties, nor use for personal purposes, information related to the financial standing of an undertaking, or information containing commercial secrets, or other information of which he/she has become aware during insolvency proceedings, unless the party whose interests are protected by the obligation to maintain confidentiality gives consent to the disclosure of said information, or the disclosure of such information is provided for by the legislation of Georgia.

2. An obligation to maintain confidentiality shall not prevent the entity referred to in paragraph 1 of this article from using relevant information when performing actions necessary to examine, manage or sell property.

Article 18 – Responsibility of an applicant

1. Where, after a court delivers a ruling declaring an application for insolvency admissible and opening a rehabilitation or bankruptcy regime, it becomes known that the debtor was not insolvent at the outset, or was not the person facing expected insolvency, the court shall charge an applicant the cost of proceedings, except for the service fee of an insolvency practitioner, which shall be met by the debtor.

2. In the case provided for by paragraph 1 of this article, a court may, upon the request of an interested person, impose on an applicant an obligation to compensate any damage caused to a debtor and/or a creditor if one of the the following circumstances become known:

a) an application was filed as a result of the intentional provision of incorrect information or the concealment of information;

b) the debtor files an application with an intention to prevent the creditor from performing individual actions against him/her;

c) an application is filed with an intention to misuse a moratorium or to otherwise violate the rights of a creditor, a debtor or a third party.

3. In the case provided for by paragraph 2 of this article, the amount of damage shall be determined by a court reviewing the insolvency case.

Article 19 – Electronic system

1. The electronic system ensures that actions provided for by law are performed through electronic means during insolvency proceedings, including the filing of applications, the publication of information, and the exchange of information between persons provided for by this Law.

2. All rulings made by a court during insolvency proceedings shall be published in the electronic system not later than the second working day after being made. The decisions of a creditors' meeting, a creditors' committee, a manager, a rehabilitation supervisor or a supervisor of a regulated agreement, and related documents, shall also be published in the electronic system. The publication of the said information/documents in the electronic system shall be deemed to be the official publication thereof. In the cases directly provided for by this Law, as well as by a decision of a court, a ruling/decision may additionally be published on the website of the Legislative Herald of Georgia or in printing bodies, including national and/or international media.

3. Information/documents sent through the electronic system shall be considered delivered to/received by a respective addressee from the moment of being published in the electronic system.

Article 20 – Providing investigative authorities with information about abuse of the provisions of this Law

A person performing respective functions as provided for by this Law shall provide investigative authorities with information of which he/she has become aware, in particular, information about the fact that any former or current manager of a debtor, or a person authorised to represent a debtor, or other person, has performed an act involving the use of a moratorium, or an act directly or indirectly relating to the application of this Law, for which criminal liability is provided.

Chapter II – Regulated Agreements

Article 21 – Essence of regulated agreement

1. A regulated agreement is an agreement achieved in accordance with the procedure established by this Law between an insolvent debtor, or a debtor facing expected insolvency, and creditors, under which each creditor shall receive, at a minimum, the amount he/she would have received in the case of the bankruptcy of the debtor, unless the creditor agrees to different satisfaction under a regulated agreement.

2. The purpose of a regulated agreement shall be to maintain a debtor as an operating undertaking, which excludes the liquidation thereof under such agreement.

3. A regulated agreement may be concluded and fulfilled only with the participation of a supervisor of a regulated agreement.

4. The moratorium referred to in Article 55 of this Law shall apply to a period of negotiations conducted for the conclusion of a regulated agreement, such period not exceeding 2 months. By a decision a creditors' meeting, the said period may be extended for not more than 2 months. A debtor shall have the right not to use a moratorium in accordance with the procedures established by this chapter.

5. Meeting the following conditions shall not be required to conclude a regulated agreement:

a) in distributing property/profit, the observance, among a group of non-secured creditors, of the principle of proportionality in respect of the non-secured creditors who supported the regulated agreement;

b) the determination of creditors' claims, and the creation of a registry of creditors, in accordance with the procedure established by this Law. For the purposes of a regulated agreement, a debtor and a supervisor of a regulated agreement shall have the right to compile a registry of creditors, in accordance with the procedure established by this Law. In such a case, creditors shall be granted a full opportunity to submit their claims.

6. In calculating the minimum bankruptcy level and identifying the best interests of creditors, the net present value method shall be applied.

7. All the liabilities of a debtor that existed at the moment of the approval of a regulated agreement and were covered, fully or partially, by the regulated agreement, shall be deemed fully and finally fulfilled upon the performance of the regulated agreement.

8. Failure to achieve a regulated agreement shall enable a supervisor of a regulated agreement, and a creditor, to file an application with a court to initiate rehabilitation or insolvency proceedings against a debtor.

9. For the purposes of this chapter, the exercise, by a person authorised to manage and represent a debtor, of powers related to a regulated agreement, in accordance with the Law of Georgia on Entrepreneurs, shall require the consent of the majority of the partners of the debtor, and in the cases provided for by the Law of Georgia on Entrepreneurs, or by a statute, the consent of the qualified majority of the partners of the debtor. The said consent shall include an authorisation to take all important decisions.

Article 22 – Persons authorised to propose the conclusion of a regulated agreement

A debtor may propose that creditors conclude a regulated agreement in accordance with the procedure established by this Law.

Article 23 – Proposal to conclude a regulated agreement

1. A proposal to conclude a regulated agreement shall include:

a) a report on the activities of a debtor;

b) the conditions of the proposal;

c) a notice that a moratorium will be used;

d) the opinion of the proposer as to why the conclusion of a regulated agreement is desirable and appropriate;

e) the position of the proposer as to why the creditors are expected to support a regulated agreement.

2. A proposer shall have an obligation to submit the information referred to in paragraph 1 of this article, as fas as such information is known to him/her.

3. A proposal shall also include the date and the signature of the proposer.

Article 24 – Supervisor of a regulated agreement

A supervisor of a regulated agreement shall be an insolvency practitioner.

Article 25 – Report on the activities of a debtor

1. A report on the activities of a debtor shall include the identification data of the debtor and complete information about the assets, liabilities, guarantees and suretyship of the debtor.

2. Information on the assets of a debtor shall contain a description of the assets of the debtor specifying their balance-sheet and market values, including:

a) a description of the property encumbered with a security measure, and of secured claims, and the time of the commencement, the basis, and the amount of the security measure;

b) the assets to be excluded from a regulated agreement (if any);

c) a debtor's claims against a third party, including claims against a person related to the debtor;

d) a description of the property that is not owned by a debtor before the conclusion of a regulated agreement but is covered by such agreement. The description of said property shall contain information about the owner of the property and about conditions under which, if they are satisfied, the said property will be available under the regulated agreement.

3. The liabilities of a debtor shall include different items of information, including:

a) a list of creditors where the claims and the name and address of each creditor shall be specified in the following sequence:

a.a) secured creditors – the description and amount of a secured claim and any collateral shall be indicated;

a.b) preferential creditors;

a.c) non-secured creditors;

a.d) creditors of a person related to a debtor;

b) the name and address of the partners of a debtor, and an indication of respective shares and contributions of each partner (including unpaid contributions). In the case of a joint stock company, the submission of information about at least two thirds of the partners of a debtor as provided for by this sub-paragraph shall suffice.

4. Information on guarantees and suretyship shall contain different items of information, including information on:

a) whether or not any guarantee has been issued in respect of the debt of the debtor, and the description and amount of the

guarantee (if any);

b) who, from among the guarantors/sureties, is a person related to the debtor.

5. A report on the activities of a debtor shall also contain information on possible grounds for rescission, which would have existed if an undertaking was in the rehabilitation or bankruptcy regime.

6. A report on the activities of a debtor shall be prepared as of not earlier than 2 weeks before the date of the proposal. The report shall be supported by a statement whereby a proposer shall confirm that the submitted information is complete and true, as far as is known to the proposer.

7. For the purposes of drawing up a respective report, a supervisor of a regulated agreement may receive a report on the activities of a debtor covering a period longer than that established by paragraph 6 of this article, but as of not earlier than 2 months before the date of proposal.

Article 26 – Conditions of a proposal

1. A proposal shall include the following conditions:

a) ways to meet, modify, postpone or otherwise regulate the liabilities of an undertaking;

b) measures to be taken against a creditor who is a person related to a debtor;

c) for the purposes of a regulated agreement, information on whether the proposal envisages new monetary assets, credits and/or guarantees, and a description of respective conditions, including whether or not a security measure will be used in respect of the property of a debtor;

d) detailed information about the new sources of financing proposed to a debtor, and ways of meeting liabilities arising out of those sources;

e) ways and methods to dispose of funds attracted and/or intended for a regulated agreement, before the said funds are distributed among the creditors;

f) ways to pursue the activities and business of the debtor during the term of a regulated agreement;

g) measures to be taken against a person on whom a regulated agreement becomes binding in accordance with Article 39(1)(b) of this Law;

h) the term of a regulated agreement and procedures for the extension thereof.

2. The conditions of a proposal may also include possible security guarantees proposed by a debtor against the risk of and expenses for rescission in the case where the debtor shifts to a rehabilitation or bankruptcy regime.

3. The conditions of a proposal may also include other issues considered necessary by a proposer to enable creditors to make informed decisions regarding a proposed regulated agreement.

Article 27 – Sending a notice of a proposal to a supervisor of a regulated agreement

A debtor shall send a written notice to a supervisor of a regulated agreement of his/her intention to submit a proposal and of the conditions of the proposal. It shall be accompanied with a proposal the content of which is defined by Article 23 of this Law.

Article 28 – Consent of a supervisor of a regulated agreement

A supervisor of a regulated agreement shall send to a debtor his/her consent for the examination of a proposal, and for the drawing

up of a respective report, within 5 days after receiving a proposal. If the said period elapses and a response is not received, the said consent shall be deemed granted.

Article 29 – Report of a supervisor of a regulated agreement

1. Within 30 calendar days after receiving a notice referred to in Article 27 of this Law, a supervisor of a regulated agreement shall submit to a debtor a report on:

a) whether or not the regulated agreement has a reasonable prospect of being approved and fulfilled;

b) whether or not the debtor has sufficient monetary assets to carry on activities during the period of a moratorium.

2. A supervisor of a regulated agreement shall be authorised to:

a) rely on information submitted to him/her, unless he/she has a reason to doubt the information;

b) request in writing any other information about the activities of the debtor.

3. To review a report of a supervisor of a regulated agreement, a creditors' meeting shall be called (and the date, time and place of the creditors' meeting shall be indicated).

4. A report of a supervisor of a regulated agreement shall also be dated, and shall be signed by a supervisor of a regulated agreement.

Article 30 – Replacing a supervisor of a regulated agreement

A debtor may replace a supervisor of a regulated agreement, namely, select a new supervisor of a regulated agreement in accordance with the procedure established by Article 11 of this Law if:

a) the supervisor of a regulated agreement has not submitted to the debtor a report provided for by Article 29 of this Law;

b) the supervisor of a regulated agreement dies;

c) the supervisor of a regulated agreement no longer meets with the requirements of this Law, or a circumstance arises that will constitute grounds for the refusal to include him/her in the unified registry of insolvency practitioners;

d) there are grounds for recusal as provided for by this Law.

Article 31 – Submission of a positive report of a supervisor of a regulated agreement to a court and moratorium

1. For the purposes of this article, a report of a supervisor of a regulated agreement shall be deemed positive if, according to an evaluation of the supervisor of a regulated agreement, the following circumstances are present:

a) the regulated agreement has a reasonable prospect of being approved and fulfilled;

b) the debtor has sufficient monetary assets to carry on activities during the period of a moratorium.

2. Within 5 days from receiving a positive report from a supervisor of a regulated agreement, a debtor shall submit a proposal to conclude a regulated agreement, along with the said report of a supervisor of a regulated agreement, to a court.

3. A debtor may use a moratorium referred to in this article only if a positive report of a supervisor of a regulated agreement has been received, in accordance with Article 55 of this Law.

4. A court shall establish the compliance of a proposal to conclude a regulated agreement, and of a positive report of a supervisor o

a regulated agreement, with the formal requirements of this Law, and shall deliver an appropriate ruling within 24 hours from receiving the proposal and the positive report.

5. A ruling which establishes the compliance of a proposal to conclude a regulated agreement, and of a positive report of a supervisor of a regulated agreement, with the formal requirements of this Law, shall specify that a moratorium shall be applicable to the debtor for 2 months from the delivery of the ruling, provided that this is envisaged by the proposal. The court may extend the period of a moratorium where a creditors' meeting extends the period of negotiations on the conclusion of a regulated agreement.

6. The review of an application for rehabilitation or bankruptcy shall be terminated once a ruling on the use of a regulated agreement is delivered.

Article 32 – Publicity in the process related to a regulated agreement

Upon the entry into force of a moratorium, a supervisor of a regulated agreement shall be granted the powers provided for by Article 74 of this Law.

Article 33 – Limitation on the disclosure of a report on the activities of a debtor

1. A supervisor of a regulated agreement, a debtor, or an interested creditor, may file with a court an application requesting the full or partial non-disclosure of a report on the activities of a debtor to all the creditors or part thereof, if, in the opinion of the applicant, the disclosure would impede the achievement of the objective of a regulated agreement or cause unjustifiable damage to the debtor or the applying creditor.

2. Where a court finds an application well-founded, it shall deliver a ruling on the full or partial closure of a report on the activities of a debtor to all the creditors or part thereof.

3. A debtor may file an application under this article when submitting to a court a proposal to conclude a regulated agreement and a positive report of a supervisor of a regulated agreement. In such case, the said application shall be accompanied with written consent from the supervisor of a regulated agreement.

Article 34 – Calling a creditors' meeting

1. A draft regulated agreement shall be published not later than the last day of the period of a moratorium, and where the conclusion of a regulated agreement is proposed without a moratorium, not later than 2 months after a court delivers a respective ruling.

2. To have a regulated agreement approved, a supervisor of a regulated agreement shall send invitations to a creditors' meeting to all the creditors known to him/her and to the debtor not later than 14 days before the date of this meeting. The said invitation shall contain:

a) a copy of the proposal to conclude a regulated agreement;

b) a copy of the report of the supervisor of a regulated agreement, except in the case provided for by Article 33(2) of this Law;

c) a copy of the respective ruling of a court;

d) an explanation by the supervisor of a regulated agreement about the creditor's proposal to amend the regulated agreement, and about the taking into account of this amendment by him/her, as a supervisor of a regulated agreement;

e) an explanation by the supervisor of a regulated agreement about the claim of the creditor and his/her voting rights, in accordance with the requirements of this Law;

f) the date, time and venue of the meeting.

3. A supervisor of a regulated agreement shall, in the invitation to a creditors' meeting, explain to a creditor his/her status.

Article 35 – Decisions of a creditors' meeting

1. A creditors' meeting shall be chaired by a supervisor of a regulated agreement.

2. A creditors' meeting shall decide whether or not to approve a proposed regulated agreement:

a) with amendments proposed by the creditors;

b) with amendments proposed by the debtor;

c) with amendments proposed by the creditors and the debtor;

d) without amendments.

3. An amendment to a regulated agreement shall not contain a provision whereby the regulated agreement will lose its essence as defined in Article 21 of this Law.

4. An amendment to a regulated agreement shall be proposed by creditors in a manner specified by a supervisor of a regulated agreement in an invitation to a creditors' meeting, and an amendment proposed by a debtor shall be provided to a supervisor of a regulated agreement not later than 7 days before the date of the said meeting. Where a regulated agreement is approved with amendments proposed by creditors, the regulated agreement shall enter into force with the consent of a debtor.

5. A voting right at a creditors' meeting shall be defined in accordance with Article 82(6) of this Law.

6. To approve a regulated agreement or an amendment thereto, the support of at least 75% of attending creditors with voting rights, who are not persons related to a debtor, shall be required.

7. In no case shall a creditors' meeting approve a regulated agreement or an amendment thereto:

a) where it affects the right of a secured creditor to enforce the provision of security, unless the secured creditor agrees to such an agreement/amendment;

b) whereby a non-secured creditor is satisfied in a preferential manner as compared to a preferential creditor, unless the preferential creditor agrees to such an agreement/amendment;

c) whereby a preferential creditor is satisfied in violation of the principle of proportionality as compared to another preferential creditor, unless the respective preferential creditor agrees to such an agreement/amendment.

8. After the end of a creditors' meeting, a supervisor of a regulated agreement shall submit to a court a report on the decision/outcomes of the creditors' meeting along with a copy of the minutes of the creditors' meeting.

Article 36 – Legal consequences of the approval of a regulated agreement

1. A regulated agreement approved by a creditors' meeting in accordance with Article 35 of this Law shall be binding on creditors, except for a creditor who was not invited to the meeting due to the fact that the supervisor of a regulated agreement was not, or could not have been, aware of the existence of the said creditor.

2. Unless otherwise provided for by a regulated agreement, a creditor shall not have the right to lodge a claim against a debtor, to initiate or pursue a dispute on the claim regulated by a regulated agreement, unless the regulated agreement is breached.

3. A person authorised to manage and represent a debtor shall, upon the approval of a regulated agreement, ensure that a supervisor of a regulated agreement has unlimited access to the assets intended for a regulated agreement in accordance with the said agreement, for the exercise of supervision over the fulfilment thereof.

4. Where, upon the expiry of a regulated agreement, except where it is terminated early, a debtor has not paid the amount provided for by the regulated agreement to a creditor on whom the regulated agreement became binding in accordance with Article 39(1)(b) of this Law, the debtor shall have an obligation to pay the said amount irrespective of the expiry of the regulated agreement.

Article 37 – Creditor not invited to a creditors' meeting

1. Where a creditor, of whose existence a supervisor of a regulated agreement was not aware, is identified after the approval of a regulated agreement, and the said creditor would have had a voting right if invited to the creditors' meeting, the supervisor of a regulated agreement shall immediately notify the creditor of the right to submit in writing his/her claim as of the date of the approval of the regulated agreement.

2. Where a creditor does not submit his/her claim in writing within 1 month of the notification referred to in paragraph 1 of this article, the supervisor of a regulated agreement may exclude him/her from the circle of creditors who are parties to the regulated agreement.

Article 38 – Amending an approved regulated agreement

1. The grounds for amending an approved regulated agreement shall be:

a) a breach by a debtor of the regulated agreement that is not rectified within 1 month after the supervisor of a regulated agreement sends a warning to the debtor;

b) the representing by a debtor, in a report on the activities of a debtor, of liabilities in a reduced amount, as well as identifying a creditor who was not indicated in the report on the activities of a debtor and was therefore not invited to the creditors' meeting.

2. Where grounds for amending a regulated agreement exist, a supervisor of a regulated agreement shall, in accordance with the procedure established by Article 34(2) of this Law, call a creditors' meeting and propose that the creditors amend the regulated agreement. Where a proposal to amend a regulated agreement is not accepted, or where a regulated agreement cannot be amended, the supervisor of a regulated agreement shall propose that the creditors terminate the regulated agreement and file an application for insolvency with a court against the debtor.

3. Where grounds for amending a regulated agreement exist, creditors holding not less than 10% of claims covered by a regulated agreement shall have the right to request that the supervisor of a regulated agreement call a creditors' meeting.

4. An amendment to a regulated agreement shall be approved in compliance with the conditions established by Article 35 of this Law.

5. A supervisor of a regulated agreement may decide, without observing the procedure for amending a regulated agreement, to:

a) extend a regulated agreement on one occasion only, for not more than 6 months, on the basis of a notification sent to creditors 7 days before the expiry of the regulated agreement;

b) to reduce by not more 10%, and/or to reschedule, the total monthly payments specified in the regulated agreement, in favour of a debtor.

Article 39 – Appealing a decision of a creditors' meeting

1. A decision of a creditors' meeting may be appealed by:

a) a creditor having the right to attend and to vote at a creditors' meeting held to review a proposal to conclude a regulated agreement;

b) a creditor not invited to a creditors' meeting and having the right to vote.

2. The person referred to in paragraph 1 of this article may appeal a decision of a creditors' meeting if one the following grounds exists:

a) the decision approving a regulated agreement causes unjustifiable damage to a creditor, or a partner, of a debtor;

b) the creditors' meeting was held in essential violation of procedures. For the purposes of this article, the failure to send to a creditor an invitation to attend a creditors' meeting shall not be deemed an essential violation, unless the voting right of the said creditor could have influenced the decision of the creditors' meeting.

3. The time limit for appealing a regulated agreement in accordance with the procedure established by this article shall be 30 days, which shall run:

a) from the day when a report on the decisions/outcomes of a creditors' meeting is submitted to a court in accordance with Article 35(8) of this Law;

b) in the case of a person referred to in paragraph 1(b) of this article, from the day when the said person receives information on the holding of a creditors' meeting.

4. A court shall review an appeal filed in accordance with the procedure established by this article within 30 days after it has been filed. Where a court finds an appeal well-founded, it may overrule the decision of a creditors' meeting approving a regulated agreement.

Article 40 – Fulfilment of a regulated agreement

1. A supervisor of a regulated agreement shall supervise and coordinate the fulfilment of a regulated agreement.

2. A debtor, a creditor or other interested persons may, without prejudice to the requirements of this article, appeal an action or a decision of a supervisor of a regulated agreement to a court. The court may uphold, overrule or change the action or decision of the supervisor of a regulated agreement.

3. A supervisor of a regulated agreement may apply to a court:

a) on the basis of the regulated agreement, and requesting a decision on issues arisen regarding the fulfilment of the regulated agreement;

b) with an application for the opening of a rehabilitation or bankruptcy regime in respect of a debtor, provided that the conditions provided for by the regulatory agreement are not met, and/or it is desirable to open a rehabilitation or bankruptcy regime given the interests of the plurality of creditors.

4. In the case of a failure to achieve or successfully fulfil a regulated agreement, it shall be inadmissible to leave a debtor in management.

Article 41 – Untruthful/false information

1. Criminal liability shall be imposed on a person authorised to manage and represent a debtor if, in order to obtain the consent of creditors for the approval of a regulated agreement, he/she:

a) does not submit to a relevant person with authority provided for by this Law information on the property, liabilities, financial standing and activities of the debtor, as well as information on any disputes pending in a court, or intentionally delays said information or provides false information;

b) acts in bad faith, thus causing substantial damage.

2. Where a circumstance provided for by paragraph 1 of this article exists, criminal liability shall also be imposed on a person authorised to manage and represent a debtor when the regulated agreement is not approved.

Article 42 – Terminating a regulated agreement

1. The grounds for terminating a regulated agreement shall be:

a) the fulfilment of the regulated agreement within an appropriate period of time;

b) a breach of the regulated agreement, unless the breach is minor or the regulated agreement is amended in accordance with the procedure established by Article 38 of this Law.

2. A supervisor of a regulated agreement shall send a notification on the termination of a regulated agreement to all the creditors of a debtor to whom the regulated agreement applied, within not later than 30 days after the regulated agreement is terminated on any appropriate ground.

3. A supervisor of a regulated agreement shall indicate the reason for terminating a regulated agreement in the notification referred to in paragraph 2 of this article.

4. A notification referred to in paragraph 2 of this article shall be accompanied with a report prepared by a supervisor of a regulated agreement, which shall contain:

a) information about payments made regarding the regulated agreement and received amounts (receipts);

b) an explanation about the non-fulfilment of conditions provided for by the regulated agreement.

5. A supervisor of a regulated agreement shall submit the copies of a notification as referred to in paragraph 2 of this article, and of a report accompanying it, to a court, within 30 days after the notification has been sent to the creditors.

6. The authority of a supervisor of a regulated agreement shall cease after the copies of a notification referred to in paragraph 2 of this article, and of a report accompanying it, which were sent to creditors, have been submitted to a court.

7. For the purposes of paragraph 1(b) of this article, a breach shall be deemed minor when undischarged liabilities do not exceed 5% of the total liabilities covered by the regulated agreement, and a period of delay after the time limit for discharging them elapses does not exceed 10 calendar days.

Chapter III – Application for Insolvency

Article 43 – Persons authorised to file an application for insolvency with a court

1. The following persons shall have the right to file an application for insolvency with a court:

a) a debtor – through a person authorised to manage and represent an undertaking;

b) a creditor;

c) a supervisor of a regulated agreement;

d) a rehabilitation manager – by means of a request for conversion, where a rehabilitation regime is opened in respect of a debtor;

e) a bankruptcy manager – by means of a request for conversion, where a bankruptcy regime is opened in respect of a debtor.

2. An application for insolvency shall contain a request from the applicant for the opening of a rehabilitation or bankruptcy regime.

Article 44 – Application for insolvency requesting the opening of a rehabilitation regime

1. An application for insolvency, whereby an applicant requests the opening of a rehabilitation regime, shall specify:

a) the name of the court with which the application for insolvency is being filed;

b) the name, surname and address of the applicant, and if the applicant is a legal person, the name, legal address and identification number (if any);

c) the status of the applicant, in accordance with Article 43(1) of this Law;

d) the name, surname and address of a representative of the applicant, if the application for insolvency is being filed by a representative of the applicant;

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

f) a general description of the activities of the debtor;

g) arguments confirming that the debtor is insolvent or that the debtor is a person facing expected insolvency;

h) a request from the applicant that a rehabilitation regime be opened, and a substantiation that there is a reasonable probability of achieving the objective of rehabilitation;

i) a request to leave the debtor in management or to appoint a rehabilitation manager;

j) a request to apply additional moratorium measures (if any) as referred to in Article 57(1) of this Law.

2. The following information shall accompany an application for insolvency (inasmuch as same is known to an applicant);

a) information on the financial standing of the debtor, which concerns the assets and liabilities thereof, including future and contingent liabilities;

b) information on the debtor's property encumbered with a security measure, and the identity of the secured creditors (names, addresses, identification numbers);

c) information on any other insolvency proceedings in respect of the debtor;

d) an extract from the Registry of Entrepreneurial and Non-entrepreneurial (Non-commercial) Legal Entities about the debtor;

e) any other information which, in the opinion of the applicant, is important for making a decision on opening a rehabilitation regime.

3. Where an application for insolvency is filed with a court by a debtor, he/she shall submit, in addition to the information referred to in paragraphs 1 and 2 of this article, the following information:

a) a complete list of his/her creditors (with an indication of their names, personal numbers, identification data), and information on his/her current liabilities;

b) a description of his/her tax liabilities, and information on the amounts thereof, including unspecified amounts;

c) the accounting balance of the undertaking, and a description of current revenues (including the types and amounts of monthly net revenues) and expenditures;

d) his/her debtor claims;

e) agreements and current regular liabilities;

f) pending judicial disputes;

g) the number of employees in the undertaking at the moment of filing the application;

h) where there is a draft rehabilitation plan preliminarily prepared at the moment of filing the application, a copy of the draft plan, and also, where possible, information about reasonably expected changes to be made to the revenues and expenditures within the next 12 months from the moment of filing the application;

i) a rehabilitation plan (if any) preliminarily agreed with the creditors, accompanied with the consent received by a debtor in advance from the majority of creditors, as provided for by this Law.

4. Where an application for insolvency is filed with a court by a creditor, he/she shall submit, in addition to the information referred to in paragraphs 1 and 2 of this article, the following information:

a) a substantiation of his/her interest in a rehabilitation regime;

b) a document confirming that the application for insolvency and the accompanying information/documents have been served on the debtor.

5. Where an application for insolvency is filed with a court by a supervisor of a regulated agreement, he/she shall submit a copy of the regulated agreement in addition to the information referred to in paragraphs 1 and 2 of this article.

6. Where an application for insolvency is filed with a court by a bankruptcy manager, he/she shall submit, in addition to the information referred to in paragraphs 1 and 2 of this article, the following information:

a) detailed information on the current bankruptcy regime;

b) the identification data and contact details of the bankruptcy manager;

c) a copy of the ruling of a court on the appointment of a bankruptcy manager.

7. An application for insolvency and accompanying information shall be confirmed by a statement of truth, according to which the information submitted by an applicant is accurate and comprehensive, as far as is known to the applicant.

Article 45 – Application for insolvency requesting the opening of a bankruptcy regime

1. An application for insolvency, whereby an applicant requests the opening of a bankruptcy regime, shall specify:

a) the name of the court with which the application for insolvency is being filed;

b) name, surname and address of the applicant, and if the applicant is a legal person, the name, legal address and identification number (if any);

c) the status of the applicant, in accordance with Article 43(1) of this Law;

d) the name, surname and address of a representative of the applicant, if the application for insolvency is being filed by a representative of the applicant;

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

f) arguments confirming that the debtor is insolvent or that the debtor is a person facing expected insolvency;

g) a substantiation that the opening of a bankruptcy regime is not explicitly contrary to the interests of creditors;

h) a request to apply additional moratorium measures (if any) as referred to in Article 57(1) of this Law.

2. The following information shall accompany an application for insolvency (inasmuch as same is known to an applicant at the moment of filing the application):

a) information on the financial standing of the debtor, which concerns the assets and liabilities thereof, including future and contingent liabilities;

b) information on property encumbered with a security measure, and the identity of the secured creditors (names, addresses,

identification numbers);

c) information on any other insolvency proceedings in respect of the debtor;

d) an extract from the Registry of Entrepreneurial and Non-entrepreneurial (Non-commercial) Legal Entities about the debtor;

e) any other information which, in the opinion of the applicant, is important for making a decision on opening a bankruptcy regime.

3. Where an application for insolvency is being filed with a court by a debtor, he/she shall submit, in addition to the information referred to in paragraphs 1 and 2 of this article, the following information:

a) a complete list of his/her creditors (with an indication of their names, personal numbers, identification data), and information on his/her current liabilities;

b) a description of his/her tax liabilities, and information on the amounts thereof, including unspecified amounts;

c) the accounting balance of the undertaking, and a description of current revenues (including the types and amounts of monthly net revenues) and expenditures;

d) the number of employees in the undertaking at the moment of filing the application;

e) a complete list of insolvency estates. The balance sheet values, including information on the bank accounts of the debtor and the amounts available therein, shall be specified;

f) his/her debtor claims;

g) agreements and current regular liabilities;

h) any pending judicial disputes;

i) in the case of expected insolvency, the consent of his/her partners and a document confirming that a notification has been sent to the three creditors having claims of the largest amounts at the moment of filing the application for insolvency requesting the opening of a bankruptcy regime;

j) an indication that he/she desires to go bankrupt/no longer has an interest in continuing to do business.

4. Where an application for insolvency is filed with a court by a creditor, he/she shall submit, in addition to the information referred to in paragraphs 1 and 2 of this article, the following information:

a) a substantiation of his/her interest in a bankruptcy regime;

b) a document confirming that the application for insolvency and the accompanying information/documents have been served on the debtor.

5. The consent of the partners of a debtor as referred to in paragraph 3(i) of this article shall require the support of at least 75% of the partners, unless otherwise determined by the debtor's statute.

6. Where a debtor substantiates in the application for insolvency requesting the opening of a bankruptcy regime that he/she cannot cover procedural costs with his/her property in the case of the opening of a bankruptcy regime, the said application shall, in addition to the information provided for by this article, contain the following:

a) a notice that the debtor cannot cover procedural costs with his/her property in the case of the opening of a bankruptcy regime;

b) evidence confirming that the circumstance referred to in sub-paragraph (a) of this paragraph exists.

7. Where an application for insolvency is filed with a court by a rehabilitation manager, he/she shall submit, in addition to the information referred to in paragraphs 1 and 2 of this article, the following information:

a) detailed information on the current rehabilitation regime;

b) the identification data and contact details of the rehabilitation manager;

c) a copy of the ruling of a court on the appointment of a rehabilitation manager;

d) the reason for considering the application for bankruptcy as corresponding to the existing situation.

8. An application for insolvency and accompanying information shall be confirmed by a statement of truth, according to which the information submitted by an applicant is accurate and comprehensive, as far as is known to the applicant.

Article 46 – Registration of an application for insolvency filed by a creditor

1. Where an application for insolvency is filed by a creditor, the court registry shall register the application and shall hand over a letter to the creditor (the copies of the application and accompanying documents) to serve on the debtor.

2. The creditor shall serve the letter of a court under paragraph 1 of this article on the debtor by post, or through a court courier, or otherwise as stipulated by an agreement between the parties, or shall send the letter by electronic mail, within 1 month of the receipt of the letter, in accordance with the procedures established by Articles 70-78 of the Civil Procedure Code of Georgia. A letter of a court sent by electronic mail shall be deemed to have been served if a debtor confirms the receipt of the letter by electronic means.

3. A creditor shall submit a document confirming the serving of a letter of a court on a debtor before the lapse of the time limit established by paragraph 2 of this article.

4. A debtor shall present his/her viewpoint to a court on his/her insolvency or expected insolvency, and on the opening of a rehabilitation or bankruptcy regime, within 7 days of the receipt of the letter of a court.

Chapter IV – Declaring an Application for Insolvency Admissible and the Consequences Thereof

Article 47 – Declaring an application for insolvency admissible

1. Where an application for insolvency is filed by a debtor, a court shall decide the issue of declaring the application admissible within 7 days after it has been filed, and where an application for insolvency is filed by a creditor, within 10 days after a document confirming the serving of a letter of a court on a debtor has been submitted to the court. The court may, by a reasoned ruling, extend the said time limit on its own initiative on one occasion only. The extended time limit shall not exceed the time limit established for the review of an issue of declaring an application for insolvency admissible.

2. A court shall review the issue of declaring an application for insolvency admissible by holding an oral hearing. If the facts of the case are not disputed, a court may review this issue without an oral hearing.

3. A court shall commence a procedure for selecting a person to appoint a manager/supervisor upon the receipt of an application for the initiation of insolvency proceedings. A person selected through the said procedure shall immediately be notified of his/her expected appointment as a manager/supervisor to ensure, in as timely a manner as possible, that the circumstances that affect the performance of the functions by a manager/supervisor have been examinedand properly prepared. Information on a person selected for appointment as a manager/supervisor shall immediately be published in the electronic system.

4. Where an application for insolvency meets the formal requirements established by this Law, and a debtor is insolvent or is a person facing expected insolvency, a court shall deliver a ruling declaring an application for insolvency admissible and opening a rehabilitation or bankruptcy regime.

5. A court shall publish a ruling declaring an application for insolvency admissible and opening a rehabilitation or bankruptcy regime in accordance with the procedure established by this Law, as well as on the website of the Legislative Herald of Georgia. Such a ruling shall specify, in accordance with Article 11(5) of this Law, the identity of a manager/supervisor selected automatically, through the electronic system, and in compliance with the principle of random allocation.

6. A meeting of creditors registered in the primary registry of creditors, which is also composed of creditors about whom information has been filed in the case, shall be authorised to elect another manager/supervisor by a majority of two thirds of the attending creditors with voting rights, and to notify same to a court before the court issues a ruling declaring an application for insolvency admissible and opening a rehabilitation or bankruptcy regime. In such case, the court shall appoint the person elected by the creditors' meeting as the manager/supervisor by a ruling declaring an application for insolvency admissible and opening a rehabilitation or bankruptcy regime.

Article 48 – Refusal to declare an application for insolvency admissible

1. If an application for insolvency does not meet the formal requirements established by this Law, a court shall issue a ruling on the existence of any omission(s), and shall give 5 working days to the applicant to rectify said omission(s). If the applicant rectifies the omission(s) within the said time, and the court establishes the insolvency or expected insolvency of a debtor, the court shall issue a ruling declaring an application for insolvency admissible and opening a rehabilitation or bankruptcy regime. Otherwise, the court shall deliver a ruling on the refusal to declare an application for insolvency admissible.

2. If a court considers that the debtor is not insolvent or a person facing expected insolvency, it shall deliver a ruling on the refusal to declare an application for insolvency admissible.

3. Within 3 months after a ruling on the refusal to declare an application for insolvency admissible has been delivered, the same applicant shall not initiate an insolvency case on the basis of essentially the same circumstances against the same entity. This restriction shall not apply to the case provided for by paragraph 6 of this article.

4. Where a debtor requests the opening of a bankruptcy regime by an application for insolvency, and a court establishes that the debtor cannot cover procedural costs with his/her property in the case of the opening of a bankruptcy regime, the court shall deliver a ruling on the refusal to declare an application for insolvency admissible. The court shall point out in the ruling that the debtor shall be declared bankrupt through cancelling his/her registration, unless a creditor files with a court an application for insolvency against the same debtor within 1 month after the said ruling has been published.

5. To deliver information to a creditor, a court shall publish the following in the electronic system, and on the website of the Legislative Herald of Georgia, not later than the third day after the ruling referred to in paragraph 4 of this article has been delivered:

a) information included in the said ruling, which is to be publicly disseminated;

b) information that the creditor has the right to file an application for insolvency with the court within 1 month after the respective information has been published, in order to initiate insolvency proceedings against the debtor and have his/her claim satisfied from the property of the debtor.

6. If a creditor does not file an application for insolvency with a court within 1 month from the publication of the information referred to in paragraph 5 of this article, the court shall declare a debtor bankrupt, which shall serve as a basis for cancelling the registration of the debtor.

7. In the case provided for by paragraph 6 of this article, the property of a debtor (if any) shall be distributed to the partners of the debtor in proportion to their shares before the debtor's registration is cancelled, unless otherwise provided for by an agreement among the partners of the debtor.

8. A court shall take all measures to fully and comprehensively investigate a case, including to identify and confirm the non-existence of the risk of abusing rights by any of the parties, as well as the existence of preconditions for the effective achievement of the purpose of this Law in the said case. If, while reviewing a case, a court doubts that a statement under Article 44(7) or Article 45(8) is not substantiated, or submitted evidence is not authentic or sufficient for the substantiation of the said statement, the court shall issue a ruling on the refusal to declare an application for insolvency admissible.

Article 49 – Consequences of declaring an application for insolvency admissible

1. A court's ruling on declaring an application for insolvency admissible and opening a rehabilitation or bankruptcy regime shall impose a moratorium in accordance with the procedure established by this Law.

2. From the moment when an application for insolvency requesting the opening of a rehabilitation regime filed with a court is declared admissible, an application for insolvency requesting the opening of a bankruptcy regime shall not be filed with a court.

3. From the moment when an application for insolvency requesting the opening of a rehabilitation regime filed with a court is declared admissible and a rehabilitation regime is opened, the review of an application for insolvency requesting the opening of a bankruptcy regime, which was filed with the court and was declared admissible, shall be suspended until a ruling on the issue of rehabilitation has been delivered.

4. A court shall immediately send a ruling declaring an application for insolvency admissible and opening a rehabilitation or bankruptcy regime to the National Bureau of Enforcement and the Legal Entity under Public Law called the National Agency of Public Registry operating within the governance of the Ministry of Justice of Georgia ('the National Agency of Public Registry') in order to enforce, within its competence, the restrictions imposed under a moratorium.

5. The National Agency of Public Registry shall immediately provide the National Bank of Georgia with information that a ruling declaring an application for insolvency admissible and opening a rehabilitation or bankruptcy regime has been delivered in respect of the undertaking participating in the payment system operating in accordance with the Law of Georgia on Payment Systems and Payment Services.

Article 50 – Appointing a manager

1. A court shall, upon declaring an application for insolvency admissible, notify an insolvency practitioner selected in accordance with the procedure established by this Law of the opening of a rehabilitation or bankruptcy regime and his/her appointment as a manager. The said notification shall be accompanied with a ruling declaring an application for insolvency admissible and opening a rehabilitation or bankruptcy regime.

2. When exercising his/her powers, a manager shall:

a) give consent to an agreement:

a.a) that is concluded for a period of more than 2 months;

a.b) that goes beyond the ordinary business activity of a debtor;

a.c) whose value (or total value in the case of several transactions) exceeds 30% of the turnover of a debtor for the previous year;

b) prepare reports and submit them to a court in accordance with the requirements of this Law;

c) examine creditor's claims in order to prepare reports;

d) compile a primary registry of creditors in accordance with Article 52 of this Law;

e) be authorised to require a debtor to provide information about his/her property, liabilities, financial standing and activities, as well as disputes pending in a court at the moment when an application for insolvency was declared admissible. A manager shall also have the right to require a debtor to clarify submitted information;

f) search and make an inventory of property registered in the name of a debtor;

g) immediately notify creditors of an obligation to use the electronic system in the process of declaring an application for insolvency admissible and during insolvency proceedings. Such notification shall also specify that creditors have the right to submit their claims and opinions within the time limit prescribed by this Law;

h) file a request with a court to fully transfer to him/her the right to manage the debtor where the undertaking has no person authorised to manage and represent it, including a person authorised to manage and represent with the right retained to manage an undertaking in accordance with the procedure established by this Law:

h.a) who does not cooperate with him/her in accordance with the requirements of this Law;

h.b) who is evidently causing damage to the insolvency estate;

h.c) who is evading the performance of duties provided for by the legislation of Georgia, or the statute of the undertaking, including who is no longer managing the undertaking.

3. Where a manager refuses to give consent to the conclusion of an agreement as referred to in paragraph 2 of this article, a debtor may file an application with a court requesting permission for the conclusion of such an agreement. The court shall deliver a ruling on granting or refusing to grant the application of the debtor.

Article 51 – Sending a notification of declaring an application for insolvency admissible

1. A manager shall send a notification of declaring an application for insolvency admissible to all known and potential creditors. It shall contain:

a) information that the debtor's application for insolvency has been declared admissible;

b) information on the amount of liabilities to the creditor accepted by the debtor, as well as a notice that a creditor has the right to dispute the said amount within the time limit prescribed by this Law;

c) information on the possibility to submit their opinions about the opening of a rehabilitation or bankruptcy regime within the time limit prescribed by this Law.

2. A creditor may submit to a court his/her opinion on the insolvency or expected insolvency of a debtor, and on the opening of a regime requested by the application for insolvency, within 15 days after a ruling declaring an application for insolvency admissible and opening a rehabilitation or bankruptcy regime has been published on the website of the Legislative Herald of Georgia. For this purpose, the creditor shall have the right to additionally request financial or other information related to the debtor from an insolvency practitioner. A manager shall publish this information in the electronic system, except for information containing commercial secrets.

Article 52 – Compiling a registry of creditors

1. A manager/supervisor shall examine creditors' claims and compile a registry of creditors within 60 days after the application for insolvency has been declared admissible, on the basis of information received from the creditors and the debtor, and/or obtained personally.

2. Only claims that a manager/supervisor considers well-founded shall be included in a registry of creditors. Claims that are being enforced in accordance with the procedure established by the Law of Georgia on Enforcement Proceedings shall be automatically reflected in the registry of creditors, unless the creditor refuses to have his/her claim included in the said registry.

3. A manager/supervisor shall not have the right to accept a penalty and unmatured interest if the total amount thereof exceeds 10% of the arrears of the principal amount. A creditor may lodge a claim with a court requesting that unmatured interest and a penalty be imposed on a debtor, and be included in the registry. The court may rely on Article 420 of the Civil Code of Georgia, unless the amount of penalty is confirmed by a decision of a court or in private arbitration that has become final, and/or unless enforcement proceedings were ongoing against the debtor at the time when insolvency proceedings were initiated in respect of the claim.

4. Claims shall be reflected in a registry of creditors in national currency.

5. The provisions of this article on examining creditors' claims and compiling a registry of creditors shall not apply to creditors who enjoy a right to set-off or a right to final set-off in accordance with the Law of Georgia on Financial Collaterals, Mutual Set-offs and Derivatives. The special provisions of the Law of Georgia on Financial Collaterals, Mutual Set-offs and Derivatives shall apply to netting agreements.

Article 53 – Data in a registry of creditors

A registry of creditors shall be compiled according to the groups of creditors provided for by this Law. It shall contain at least the following information (data):

a) the name, surname and address of a creditor, and if the creditor is a legal person, the name, legal address and identification number (if any);

b) an e-mail address of a creditor;

c) the amount of the creditor's claim as of the day it was included in the registry of creditors. The principal amount, the interest, and any penalty in respect of the said claim shall be indicated separately;

d) the amount of debt;

e) in the case of a secured claim, an indication as to which part of the claim is secured. A secured claim and a non-secured claim of the creditor shall be accepted separately.

Article 54 – Approving a registry of creditors

1. A manager/supervisor shall publish in the electronic system a registry of creditors compiled in accordance with Articles 52 and 53 of this Law. A creditor or a debtor shall have the right to challenge before a court the registry of creditors compiled by the manager/supervisor within 10 days of the publication thereof. The court shall review a complaint in an expedited manner, in accordance with the procedure established by Article 10 of this Law.

2. A court shall make a decision in the form of a ruling. In accordance with such a ruling, a manager/supervisor shall amend the registry of creditors and shall publish it in accordance with the procedure established by this Law.

3. Approving a registry of creditors shall not exclude it being amended by a manager/supervisor in accordance with the procedure established by this Law. Such amendment shall be reflected in the registry of creditors and shall be published in accordance with the procedure established by this Law.

Chapter V – Moratorium

Article 55 – Moratorium measures

Once a court delivers a ruling declaring an application for insolvency admissible and opening a rehabilitation or bankruptcy regime, the following moratorium measures shall become effective:

a) compulsory enforcement measures against the property of a debtor shall be ceased, and no new compulsory enforcement measures shall be initiated;

b) the measures to secure enforcement as provided for by the Tax Code of Georgia (a tax lien, mortgage, etc.) and the charging/payment of fines and default charges shall be ceased, and no new measure to secure enforcement shall be initiated, except for measures implemented in order to cover tax arrears arisen after the delivery by a court of a ruling declaring an application for insolvency admissible and opening a rehabilitation or bankruptcy regime in accordance with the procedures established by the Tax Code of Georgia;

c) the satisfaction of a creditor by means of collateral shall be ceased and shall not be permitted, except in the cases provided for by this Law;

d) no decisions shall be made regarding the distribution of dividends, and the reorganisation and liquidation of an undertaking;

e) no liabilities arisen before the initiation of insolvency proceedings shall be discharged, no new liabilities shall be assumed, and no new terms of payment shall be agreed and secured, except in the cases provided for by this Law;

f) the payment of interest on the liabilities arisen before the initiation of insolvency proceedings shall be ceased. However, the accrual of interest shall not be ceased, which shall be included in the claims of creditors;

g) the charging and payment of penalties shall be ceased. Where the insolvency proceedings are terminated due to the absence of grounds for insolvency, it shall be considered that a penalty was being charged continuously;

h) no new procedural security measures shall be applied;

i) in courts, arbitration or administrative bodies, the review of disputes against insolvency estates, which had been initiated before the commencement of insolvency proceedings, shall be ceased, and no new disputes shall be initiated, unless the dispute involves the separation of a thing from the insolvency estate, or except in a case directly provided for by this Law. In the case provided for by this sub-paragraph, the running of the period of limitation period for exercising the right shall be ceased in accordance with Article 132 of the Civil Code of Georgia.

Article 56 – Cancellation of a compulsory enforcement measure and a procedural security measure

A ruling delivered by a court on declaring an application for insolvency admissible and opening a rehabilitation or bankruptcy regime shall cancel the restrictions imposed on a debtor as a compulsory enforcement measure and a procedural security measure before an application for insolvency was declared admissible.

Article 57 – Application of additional moratorium measures by a decision of a court

1. A court may deliver a ruling on applying additional moratorium measures on the basis of a well-founded application of a creditor, a debtor, a manager or other interested persons, in particular:

a) to prohibit the debtor from returning things possessed by him/her that he/she has transferred on the basis of a lease, a conditional ownership clause, or other basis;

b) to prevent or prohibit the debtor from disposing of property, including from transferring or encumbering property, to suspend the effect of the norms of an agreement entered into by a debtor, which obligate the debtor to dispose of the property;

c) to prohibit the contractors of the debtor from terminating, suspending and/or impeding the provision of critical services to the debtor due to the commencement of insolvency proceedings, if the debtor discharges his/her liabilities to them arisen after the application for insolvency was declared admissible;

d) to apply other measures which are not directly provided for by this paragraph, and the application of which is considered appropriate based on the circumstances of the insolvency case.

2. Where the application of an additional moratorium measure is requested by an application for insolvency, a court shall decide on the said issue by a ruling declaring an application for insolvency admissible and opening a rehabilitation or bankruptcy regime. In other cases, an application for applying an additional moratorium measure shall be reviewed by a court without an oral hearing, within 5 days after the application has been filed.

3. The application of additional moratorium measures as referred to in paragraph 1 of this article shall not apply to netting agreements as defined in the Law of Georgia on Financial Collaterals, Mutual Set-offs and Derivatives.

Article 58 – Cancellation of certain moratorium measures by a court

1. A court may make a decision on cancelling certain moratorium measures on the basis of a well-founded application of a creditor, a debtor, a manager or other interested persons.

2. A court may cancel a moratorium measure provided for by Article 55(a) of this Law if a compulsory enforcement measure is applied in respect of a perishable thing, or a thing which cannot be sold after the expiry of the period of a moratorium, whether or not it retains its characteristics. In addition, the amount acquired as a result of enforcement shall be directed to the insolvency estate, and shall not be used to satisfy an individual creditor.

3. A court may cancel a moratorium measure as referred to in Article 55(i) of this Law if the case is reviewed by a court of a foreign country, or if the case is reviewed in accordance with the procedural norms of arbitration, and retaining the moratorium

measure prejudices the legal interests of the applicant, inter alia, the moratorium measure adversely affects the procedural rights of the applicant, or there is a risk that such rights will not be exercised due to the expiry of the period of limitation in respect thereof.

4. A court shall cancel a moratorium measure provided for by Article 55(e) of this Law on the basis of an application of a creditor, a debtor, or a manager/supervisor, if attracting additional financial resources is required in order to facilitate rehabilitation, and the moratorium measure prevents or essentially impedes the achievement of this goal. In this case, the applicant shall provide substantiation that assuming new liabilities will not worsen the condition of the creditors.

5. When considering an application for the cancellation of certain moratorium measures, a court shall, except in the circumstances provided for by this article, also evaluate whether the applicant will suffer any damage from the application of the moratorium measure the cancellation of which he/she is requesting, and if it is confirmed that the moratorium measure causes damage, whether the interest in preventing damage exceeds the legitimate aim of equally satisfying the creditors. Where a creditor requests the cancellation of a moratorium measure as referred to in Article 55(a-c) of this Law, the damage may be expressed in terms of a reduction in the value of property.

6. An application for the cancellation of a certain moratorium measure shall be reviewed by a court without an oral hearing, within 5 days after after the application has been filed. If the applicant is a creditor or other third party, the court shall hold an oral hearing. A claim of a secured creditor shall be satisfied from collateral in accordance with Article 105 of this Law. In this case, the moratorium measure referred to in Article 55(c) of this Law shall be cancelled.

7. A transaction concluded in contravention of the restrictions provided for by this chapter shall be void. Any other act in contravention of the restrictions provided for by this chapter, not involving the conclusion of a transaction, shall be deemed an unlawful act, and shall result in liability as provided for by the Civil Code of Georgia.

Chapter VI – Insolvency Estate

Article 59 – Insolvency estate

1. An insolvency estate includes the whole property of a debtor which is in his/her ownership at the moment of declaring an application for insolvency admissible, and the property purchased/received/produced from this moment, including transferable licences and permits, as well as the property returned to a debtor in accordance with Chapter VIII of this Law both in Georgia and outside Georgia.

2. An insolvency estate shall not include objects in conditional ownership or the subjects of leases, which a debtor has the right to purchase. By a decision of a manager/supervisor, the said property may be retained in the ownership and use of the debtor if this is required for rehabilitation or bankruptcy purposes, on condition that the claim of an owner, or a lease issuer, provided for by the Civil Code of Georgia, and a respective agreement, is satisfied by the property in the insolvency estate or other property.

3. If a debtor's right of ownership on property which is subject to registration is not established, a manager/supervisor shall apply to a court or a relevant administrative body requesting the recognition/confirmation of the debtor's right of ownership on such property. A ruling of a court or an act of an administrative body shall constitute a basis for the registration of a debtor's right of ownership on the property in possession of the debtor.

4. An insolvency estate shall not include property which is not subject to enforcement in accordance with the Law of Georgia on Enforcement Proceedings.

Article 60 – Separation and removal of property from an insolvency estate

1. A person authorised to request the separation of property from an insolvency estate on the basis of a real thing or an obligation claim shall not be a creditor for insolvency purposes. The procedure for separating property from an insolvency estate shall be determined by the legislation of Georgia.

2. A manager/supervisor may relinquish a right of ownership on property which does not have a liquid value and which cannot be sold in favour of creditors, or may sell said property if the expenses of keeping and maintaining same exceed its market value.

3. Property may be removed from an insolvency estate if bilateral obligations in respect of this property, which derive from an agreement concluded between the debtor and a third person, are essentially fulfilled, and if the said agreement provides for the transfer of this property into the ownership of a third party. A respective decision shall be made by a manager/supervisor on the basis of an application of an interested person.

4. A manager/supervisor shall deny an interested person the removal of the property referred to in paragraph 3 of this article from an insolvency estate if the said person is fully satisfied as a result of the rehabilitation of a debtor whose interests are contrary to this decision.

5. Where enforcement proceedings in respect of property in an insolvency estate are essentially completed, and all preconditions required for the delivery of a ruling on transferring the property into ownership exist, the property shall be removed from the insolvency estate and shall be transferred to an authorised person.

Article 61 – Set-off of mutual claims

1. A creditor, who has a right to set off mutual claims in respect of a debtor at the moment of declaring an application for insolvency admissible, may exercise this right, irrespective of insolvency proceedings, save for the exceptions determined by this Law. The right to set off mutual claims may be exercised only after the time for satisfying a respective claim arises, and/or the condition for the arising of a respective claim exists.

2. A decision on the set-off of mutual claims arising after declaring an application for insolvency admissible shall be made by a manager or by a debtor still in management, with the consent of a rehabilitation supervisor.

3. Mutual claims shall not be set off if:

a) the claims of a creditor have not been included in the registry of creditors;

b) the obligation of a creditor to a debtor arose within 90 days before declaring an application for insolvency admissible, and the creditor assumed this obligation for the purpose of setting off the claims;

c) a creditor acquired a claim from another creditor within 90 days before declaring an application for insolvency admissible, or after declaring an application for insolvency admissible;

d) the claim of a creditor has arisen due to an action which is subject to rescission in accordance with Chapter VIII of this Law.

4. For the purposes of setting off claims, a debtor shall be presumed to have been insolvent for 90 days before declaring an application for insolvency admissible, until the contrary is proved.

5. The set-off of claims in violation of the requirements of this article shall be subject to rescission in accordance with Chapter VII of this Law.

6. This article shall not apply to mutual set-off as provided for by the Law of Georgia on Financial Collaterals, Mutual Set-offs and Derivatives, which shall be carried out in accordance with the procedures established by the said law.

Chapter VII – Opening of a Rehabilitation or Bankruptcy Regime

Article 62 – Court decision on the opening of a rehabilitation or bankruptcy regime

1. A rehabilitation or bankruptcy regime shall be opened from the moment when a court delivers a ruling declaring an application for insolvency admissible and opening a rehabilitation or bankruptcy regime. A court shall make a decision on the opening of a rehabilitation or bankruptcy regime or on the termination of proceedings by holding an oral hearing. Where the facts of the case are not disputed, a court may review the issue without an oral hearing. Where the case is reviewed through an oral hearing, the non-appearance of interested persons at a court sitting shall not hinder the court from reviewing the issue and making a decision.

2. A court shall decide on issues related to the voting rights of creditors within 30 days from the opening of a rehabilitation or

bankruptcy regime. A manager/supervisor shall prepare and submit to a court such issues not later than 20 days from the opening of a rehabilitation or bankruptcy regime.

3. A court decision on the issues referred to in paragraph 2 of this article shall be published in accordance with the procedure established by this Law, as well as on the website of the Legislative Herald of Georgia.

4. Where a private complaint filed in respect of a ruling opening a rehabilitation regime is satisfied, a court shall terminate the proceedings or deliver a ruling declaring an application for insolvency admissible and opening a bankruptcy regime.

5. Where a private complaint filed in respect of a ruling declaring an application for insolvency admissible and opening a bankruptcy regime is satisfied, a court shall terminate the proceedings or deliver a ruling declaring an application for insolvency admissible and opening a rehabilitation regime.

Article 63 – Content of a court ruling

1. A ruling declaring an application for insolvency admissible and opening a rehabilitation or bankruptcy regime, or other ruling which opens or changes a rehabilitation or bankruptcy regime, shall contain:

a) a decision on the issue of management during the rehabilitation or bankruptcy regime;

b) the identity/name of the manager (if any);

c) if two or more managers are appointed, the procedure and conditions for exercising powers by them simultaneously and/or separately;

d) a full description of moratorium measures.

2. A ruling declaring an application for insolvency admissible and opening a rehabilitation regime, which is delivered following the satisfaction of an application of a bankruptcy manager, shall also contain a procedure for reimbursing the bankruptcy costs.

3. A ruling declaring an application for insolvency admissible and opening a bankruptcy regime, which is delivered following the satisfaction of an application of a rehabilitation manager, shall also contain a procedure for reimbursing the rehabilitation costs.

4. In the case of the conversion of an insolvency regime, where a court considers it appropriate, it shall continue performing the functions of manager under the new regime with the consent of the manager.

5. Once a ruling on opening a rehabilitation regime is delivered, an application for insolvency filed with a court and requesting the opening of a bankruptcy regime, the review of which was suspended, shall be rejected.

Article 64 – Deciding the issue of management during a rehabilitation regime

1. A court shall, in accordance with the procedure established by this article, decide on the issue of management during a rehabilitation regime at the same as it delivers a ruling declaring an application for insolvency admissible and opening a rehabilitation regime, in particular:

a) where a debtor directly requests, by an application for opening a rehabilitation regime, to leave a debtor in management, the court shall leave the debtor in management if the court considers it reasonable and substantiated;

b) where a creditor directly requests, by an application for opening a rehabilitation regime, to leave a debtor in management, the court shall hear the opinion of the debtor and shall leave the debtor in management with the consent of the debtor if the court considers it reasonable and substantiated;

c) where a debtor directly requests, by an application for opening a rehabilitation regime, to appoint a rehabilitation manager, the court shall appoint a rehabilitation manager in accordance with the procedure established by Article 11 or Article 47(6) of this Law;

d) where a creditor directly requests, by an application for opening a rehabilitation regime, to appoint a rehabilitation manager,

the court shall appoint a rehabilitation manager in accordance with the procedure established by Article 11, unless:

d.a) a debtor files, together with a response, a written consent of a simple majority of creditors to leave the debtor in management;

d.b) a debtor properly substantiates that it carried out entrepreneurial activities in good faith, observing the principle of due care and reasonably believing that its actions and decisions were in his/her best interests.

2. Where a court leaves a debtor in management, it shall appoint a rehabilitation supervisor for the debtor.

Chapter VIII – Disputed Acts

Article 65 – Concept of a disputed act

1. A manager/rehabilitation supervisor shall have the right to dispute the following acts:

a) the intentional reduction of an insolvency estate – an act that aims at reducing the insolvency estate, disposing of or concealing the property, or part thereof, of a debtor during insolvency proceedings to limit its availability for creditors or to otherwise cause damage to the insolvency estate;

b) the devaluation of an insolvency estate – the transfer of property free of charge or at a price lower than its market value, which took place before the occurrence of the insolvency of a debtor or which resulted in the insolvency of a debtor and which resulted in the reduction of the volume/value of the insolvency estate, including:

b.a) the disposal of the property of a debtor;

b.b) the assumption of an obligation by a debtor, if this happens free of charge or if a debtor receives inappropriate counter-performance instead. Inappropriate counter-performance is where a debtor receives less than another person would have usually received, and if this cannot be established, the appropriateness of performance shall be established based on the market value of the property transferred by the debtor;

c) giving preference – an act preventing the satisfaction of creditors in accordance with the procedure established by this Law, and/or an act giving the preference to a creditor which this creditor would not have had but for this act, including the fulfilment of a creditor's claim that has not matured, or providing the security of a creditor's claim, unless a security arrangement had been envisaged when concluding a main loan agreement.

2. The procedure for rescission provided for by this Law shall not limit the application of legal remedies provided for by other laws, including the Civil Code of Georgia and the Law of Georgia on Entrepreneurs, to acts related to concealing or otherwise disposing of the property of a debtor in bad faith. However, where there are preconditions for voidness provided for by law or for the compensation of damage, a respective dispute shall be reviewed in accordance with the procedure established by the applicable legislation.

3. Creditors, a debtor and/or a manager/rehabilitation supervisor shall not dispute mutual set-offs, or final mutual set-offs, carried out on the basis of the Law of Georgia on Financial Collaterals, Mutual Set-offs and Derivatives and a netting agreement between the parties, and shall not dispute transactions carried out as a result thereof.

Article 66 – Appropriate period

1. An act may be disputed if it was performed within 1 year before the commencement of insolvency proceedings, and if a party opposing rescission is a person related to a debtor, within 2 years.

2. An act performed by a debtor to cause damage to a creditor may be disputed if it was performed within 3 years before an application for insolvency was declared admissible.

3. An act shall be considered performed when its objective legal consequences occur. The time of performance of acts performed in parts shall be considered as the time when the objective legal consequences of the last act occur.

Article 67 – Burden of proof

1. The period of limitation in respect of the right of rescission shall be 1 year, which shall start running from the date of the delivery of a ruling declaring an application for insolvency admissible and opening a rehabilitation or bankruptcy regime.

2. During rescission, the burden of proof shall rest with a person exercising the right of rescission.

3. If a debtor intentionally protracts the filing of an application for insolvency with a court, his/her action shall be considered as an intention to reduce the insolvency estate/cause damage to a creditor, until the contrary is proved.

4. In establishing whether the intention referred to in paragraph 3 of this article exists, a court shall evaluate:

a) whether a beneficiary was a debtor or a person directly or indirectly related to a debtor;

b) whether a debtor retains actual economic control over the disposed property;

c) whether all or essentially all the assets of a debtor were disposed of in a short period of time;

d) whether the property of a debtor was disposed of by a creditor after issuing a warning about enforcing an existing claim against the debtor, or after lodging a claim against the debtor;

e) whether the property of a debtor was disposed of at the same as a loan of a significant amount was taken by the debtor;

d) any other circumstances that might point to the existence of the said intention.

5. A court shall not satisfy a claim for rescission if the party opposing rescission proves that:

a) the debtor and the party opposing rescission acted in good faith and the disputed act between the debtor and the party opposing rescission was compliant with ordinary business relationships or certain commercial customs and traditions;

b) after a disputed act has been performed, the party opposing rescission transfers a thing of respective value to the debtor or otherwise replenishes the property of the debtor;

c) a third person opposing rescission, who is not a person related to a debtor and/or a creditor, was not, and could not be, aware of the insolvency of the debtor.

6. For the purposes of this chapter, a person shall be considered to be related to a debtor even if the relationship referred to in this Law between the said person and the debtor is terminated at the time when an application for insolvency was declared admissible, but it existed at the time when the disputed act was performed, or within 3 months before it was performed.

Article 68 – Legal consequences of rescission and the scope of return

1. Following the satisfaction of a claim filed through exercising the right of rescission, the property shall be returned to a debtor according to the rules applicable to unjust enrichment, unless otherwise provided for by this article. Any collateral resulting from the rescinded act shall be annulled.

2. If a receiver of disputed performance/a beneficiary is a creditor, in parallel to returning the property to the debtor, the creditor's claim which was satisfied with the rescission of the act shall be restored.

3. If counter-performance following the return of the property to a debtor relates to the allocation of a part of the property of the debtor, the allocated property shall be transferred to the party opposing rescission. If this is impossible, a creditor's claim shall emerge in respect of the party opposing rescission, which shall be equivalent to the value of performance/benefit transferred to the debtor. This value shall be calculated as of when the party opposing rescission returns to the debtor the benefit received as a result of the rescinded act.

4. If the party opposing rescission was aware of the insolvency of a debtor or of the fact that as a result of the rescinded act the debtor became insolvent, the claim of the debtor for the return of the property shall not become dependent on the return of what the debtor received from the party opposing rescission.

5. If the party opposing rescission was aware of the insolvency of a debtor or of the fact that the debtor became insolvent as a result of the rescinded act, if a person having the right of rescission so wishes, the party opposing rescission may be required to pay the amount corresponding to the difference caused by the inappropriate performance, instead of returning the property.

Chapter IX – Rehabilitation

Article 69 – Opening a rehabilitation regime

1. The purpose of a rehabilitation regime is the approval of a rehabilitation plan.

2. A rehabilitation plan may include:

a) the survival of a debtor as an operating undertaking, resulting in the full satisfaction of creditors' claims, unless a creditor, whose claim is reduced, agrees to the reduction;

b) the achievement of better results by a unity of creditors as a whole than would have been possible in the case of the immediate bankruptcy of the debtor, given that each creditor receives at least as much as he/she would have received in the case of the immediate bankruptcy of the debtor. This might involve the survival of the debtor as an operating undertaking, as well as the full or essential alienation or management of its property for the purpose of the long-term satisfaction of creditors.

3. In a rehabilitation regime, a rehabilitation plan referred to in paragraph 2(a) of this article shall be given preference, unless a rehabilitation manager/rehabilitation supervisor considers that the plan referred to in paragraph 2(a) of this article is not reasonably feasible.

4. A creditor may be satisfied with less than the minimum provided for by paragraph 2(b) of this article only if he/she agrees to such reduction.

Article 70 – Managing a debtor during a rehabilitation regime

1. During a rehabilitation regime, the activities and property of a debtor shall be managed by a debtor in management under the supervision of a rehabilitation supervisor, or by a rehabilitation manager independently, in accordance with the requirements of this Law.

2. The issue of managing a debtor during a rehabilitation regime shall be decided by a court in accordance with the procedure established by this Law.

Article 71 – Publicity during a rehabilitation regime

A rehabilitation manager shall, within not later than 2 working days from the delivery of a ruling declaring an application for insolvency admissible and opening a rehabilitation regime, publish information about the opening of a rehabilitation regime and the form of management, as well as the identity of a manager (his/her identification data and contact details). In the case provided for by Article 73 of this Law, the obligation under this article shall be imposed on a rehabilitation supervisor.

Article 72 – Suspension of authority to manage and/or represent

1. Upon the appointment of a rehabilitation manager, the authority to manage and represent as provided for by the Law of Georgia

on Entrepreneurs shall be suspended for all persons authorised to manage and/or represent a debtor. Each of such persons shall, by a decision of a rehabilitation manager, in exchange for the remuneration of a reasonable amount determined by the said manager, cooperate with the rehabilitation manager and participate in the preparation of a draft rehabilitation plan and the implementation of the said plan.

2. A rehabilitation manager shall exercise his/her powers and perform his/her functions in accordance with the procedure established, and within the limits determined, by this Law.

Article 73 – Debtor in management

1. The rules established by this Law for rehabilitation managers shall apply to a debtor in management, save for the exceptions directly provided for by this Law.

2. A debtor in management shall have all the rights and obligations determined by this Law for rehabilitation managers, except for:

a) the rights and obligations that a rehabilitation supervisor has;

b) the right to rescind the acts of a former or acting director of the debtor, or other persons authorised to manage and represent, and the right to rescind transactions concluded by them.

3. A debtor in management shall not perform such an action without the consent of a rehabilitation supervisor which directly requires the consent of a rehabilitation supervisor under this Law.

4. Before the approval of a rehabilitation plan, a debtor may assume an obligation/conclude an agreement beyond the scope of ordinary activities only with the consent of a rehabilitation supervisor. Refusal by a rehabilitation supervisor may be challenged in a court.

5. If requested by a creditor holding 10% of the total number of votes of creditors with voting rights to vote, or by a creditors' committee, or by a rehabilitation supervisor, a court shall review a request on the appointment of a rehabilitation manager in place of a debtor in management where one of the following grounds exists:

a) a ground for rescission as provided for by Chapter VIII of this Law;

b) the demonstration of bad faith and/or incompetency by a debtor before or after the opening of a rehabilitation regime, the violation of the principle of due care required, and the pursuit of managerial activity with significant violations;

c) the giving up of management by a debtor.

6. A creditors' meeting shall be authorised to replace at any time a debtor in management with a rehabilitation manager by a majority of not less than two thirds of creditors with voting rights attending the creditors' meeting. A court shall be authorised to not agree with the decision of the creditors' meeting and leave the debtor in management. The court shall deliver a ruling to that effect. The court shall be authorised to hear the debtor and the rehabilitation manager before deciding the said issue.

7. In the event of the death of a person authorised to manage and represent a debtor in management, or where such a circumstance occurs as to prevent the said person from performing his/her duties, the judge shall immediately appoint a rehabilitation supervisor as a rehabilitation manager.

8. A rehabilitation manager, creditors and partners shall have a right to receive information from a debtor in management. The purpose of requesting information from a debtor in management shall be to identify the grounds for rescission provided for by this Law and the possible cases of inappropriate disposal or concealment of assets, as well as to discuss the basis for and the possibility of appointing a manager.

9. Information which was not available independently from the accounting and/or other documents collected by a rehabilitation supervisor, a creditor and/or a partner, and which was provided in accordance with this Law by a debtor, shall not be used as evidence against the debtor in criminal or administrative proceedings.

Article 74 – Rehabilitation supervisor

1. A rehabilitation supervisor shall be appointed by a court only in the case of a debtor in management.

2. A rehabilitation supervisor shall have the following powers:

a) to apply to a court to call a creditors' meeting in the following cases:

a.a) to review the grounds for rescission provided for by this Law;

a.b) to review the issue of replacing a debtor in management with a rehabilitation manager;

a.c) to decide an issue falling within the competence of a creditors' meeting, upon the request of creditors holding 10% of total claims;

b) to request and receive a report on the activities of a debtor, become familiar therewith, and request that he/she have full access to the property and all accounting and financial records, business documents and transactions, including in electronic form and as software;

c) to give or refuse consent to a debtor for the full or partial refusal or recognition of a creditor claim, for the purposes of compiling a registry of creditors;

d) prepare a draft rehabilitation plan or a draft revision of this plan together with a debtor. A rehabilitation supervisor shall attach well-founded written comments to a draft rehabilitation plan only if the rehabilitation supervisor and the debtor cannot agree on certain components of the rehabilitation plan and, according to the rehabilitation supervisor, the draft rehabilitation plan does not comply with requirements and standards established by this Law. If a rehabilitation supervisor does not attach well-founded comments to a draft rehabilitation plan, it shall be considered that he/she agrees to the draft plan;

e) to chair a creditors' meeting;

f) to cooperate, without restriction, with creditors and a creditors' committee (if any) to perform his/her functions; and to attend the meetings of a creditors' committee and obtain information necessary for him/her;

g) to exercise in administrative bodies and courts all powers granted to an interested person under the legislation of Georgia, inter alia, to become familiar with information about a debtor, including the classified part of information kept in a court, provided that its confidentiality is maintained;

h) to request from a debtor an explanation, information and/or a report on any issue necessary in order to exercise his/her powers;

i) to exercise other powers provided for by this Law.

Article 75 – Rehabilitation manager

1. A rehabilitation manager shall owe a fiduciary duty towards the creditors of a debtor, which includes a duty to act according to the interests of a unity of the creditors of a debtor. To achieve the purposes of rehabilitation and to fulfil obligations, a rehabilitation manager shall have all powers and all respective obligations conferred under the Law of Georgia on Entrepreneurs on a person authorised to manage and represent a business entity.

2. An employee, a director of a debtor, and other persons authorised to manage and represent, shall cooperate with and assist a rehabilitation manager in exercising his/her powers.

3. The specific powers of a rehabilitation manager as provided for by paragraph 4 of this article shall be without prejudice to the general powers conferred on him/her under paragraph 1 of this article.

4. A rehabilitation manager shall have the following powers:

a) to take measures to maintain and continue the production activities of a debtor;

b) to perform all respective actions and sign any document on behalf of a debtor;

c) to take custody of all documents, accounting entries and ledgers related to the activities of a debtor, including in electronic or other form;

d) to obtain or regain the possession of the property owned by a debtor, collect the property of a debtor and use for this purpose the right of rescission as provided for by this Law, or perform other actions, or initiate any process he/she considers appropriate for rehabilitation purposes;

e) to endorse or terminate effective agreements and conclude new agreements;

f) to sell, or otherwise dispose of, the property of a debtor at an auction or on the basis of an agreement. A purchase agreement, a leasing agreement, or a lease agreement with an option to purchase, with a person related to a debtor, whereby the property of a debtor is disposed of, may be concluded only with the consent of a creditors' committee, and if there is no creditors' committee, with the consent of a creditors' meeting;

g) to attract funds on the basis of a loan agreement or otherwise, and apply, for this purpose, security measures in respect of the property of a debtor;

h) to make necessary personnel decisions: maintain existing employees, conclude new employment agreements, or terminate existing employment agreements, in compliance with procedures established by the labour legislation of Georgia;

i) before the approval of a rehabilitation plan, to dispose of the property of a debtor without the consent of a court or creditors, except for property used as collateral or for conditional ownership;

j) to appoint a lawyer, an accountant or a person having other profession/qualifications, whose involvement is necessary for the rehabilitation manager to successfully perform his/her functions;

k) to represent a debtor in a court, and initiate any legal process or proceedings;

l) to obtain or maintain insurance regarding the economic activities and the property of a debtor;

m) to cash, accept, draw or endorse any cheque or bill;

n) to appoint a representative to carry out any activity appropriate to be carried out by a representative;

o) to perform all actions necessary to sell the property of a debtor;

p) to make payments necessary for performing the functions of rehabilitation manager;

q) to establish subsidiary companies of a debtor;

r) to fully or partially transfer the undertaking and/or property of a debtor to the subsidiary companies of the debtor, in accordance with the procedures established by law;

s) to lease out or take on lease any property necessary or favourable for the economic activities of a debtor;

t) to terminate a lease agreement concluded regarding the property of a debtor or give consent to the termination thereof, and to regain the possession of the property released from lease;

u) on behalf of a debtor, to conduct negotiations and conclude an agreement on the write-off or restructuring of any loan of a debtor, including through a mutual compromise agreement, or through the unilateral write-off or restructuring of a loan in favour of a debtor;

v) to request partners to make unpaid contributions to the authorised capital of a debtor if this is provided for by corporate documents;

w) in the process of the bankruptcy or rehabilitation of a person who is indebted to a debtor, to submit a claim as a creditor of an appropriate rank, and participate in the distribution;

x) to file an application for insolvency with a court in respect of a debtor, requesting the opening of a bankruptcy regime;

y) to make changes to the registered address and other data of a debtor subject to registration;

z) to call a meeting of the partners of a debtor and request to make decisions on any issue falling within their competence;

z_1) to request creditors to make decisions on any issue falling within their competence, which does not involve the holding of a creditors' meeting;

z_2) to distribute the proceeds from the sale of property among creditors. In such a case, a rehabilitation manager shall take into account preferential claims;

z_3) to apply to a court to ensure the calling and holding of a creditors' meeting, and chair a creditors' meeting;

z_4) to perform other actions necessary to exercise his/her powers as provided for by this Law.

5. A transaction that goes beyond the ordinary business activity of a debtor may be entered into by a rehabilitation manager with the consent of a creditors' meeting. A creditors' meeting shall make a decision by a simple majority of votes of creditors with voting rights attending the creditors' meeting.

6. None of the partners, employees or directors of a debtor shall have the right to manage or represent the debtor without the consent of a rehabilitation manager. The consent of the rehabilitation manager may be general or special.

7. A rehabilitation manager shall perform his/her functions as promptly and effectively as possible, taking into account the interests of a unity of creditors, and shall not harm their interests without justification and necessity.

8. Upon being appointed, a rehabilitation manager shall obtain the right to control and maintain the assets and property of a debtor, on which the debtor has respective rights in the opinion of the rehabilitation manager.

9. A rehabilitation manager shall conduct negotiations with creditors, both individually and collectively, while performing his/her activities.

10. A rehabilitation manager shall comply with the instructions stated in a court ruling to ensure the management of the activities, and the administration of the property, of a debtor in accordance with this Law.

Article 76 – Creditors' committee

1. A creditors' meeting may elect a creditors' committee to facilitate the exercise of their rights.

2. Electing a creditors' committee shall be mandatory if a debtor has at least 50 creditors and the indicators of the previous economic year of the debtor satisfy at least one of the following two criteria:

a) the total value of his/her assets exceeds GEL 10 million;

b) his/her annual income exceeds GEL 20 million.

3. The chairperson of a creditors' meeting shall propose electing a creditors' committee at the first meeting called after the opening of a rehabilitation regime. A candidate having received the greatest support of appropriate creditors shall be considered elected as a member of a creditors' committee.

4. A creditors' committee shall be composed of 3 members. 1 member of a creditors' committee shall be elected by secured creditors, and 2 members shall be elected by non-secured creditors.

5. A creditors' committee shall pursue its activities in an impartial manner. Members of a creditors' committee may not have private interests different from the interests of a unity of creditors.

6. The following persons may not be elected as members of a creditors' committee:

a) holders of at least 25% of a debtor's share or of relevant shares, as well as owners of shares or stockholders, who participate in the management of the debtor or who may influence the management thereof;

b) persons related to the management of a debtor and/or holders of at least 25% of a debtor's share or of relevant shares;

c) creditors who are, at the same time, competitors of, and persons related to, the debtor.

7. A creditors' committee shall be authorised to adopt decisions if a meeting thereof is attended by at least 2 members of the committee.

8. A creditors' committee shall, by a majority of its members, elect a chairperson of the committee from among its members, who shall chair its meetings.

9. A creditors' committee shall make a decision by a majority of votes. During the voting procedure, a member of a creditors' committee shall not have the right to refrain from expressing his/her opinion. In the case of a tie vote, the vote of the chairperson of the creditors' committee shall be decisive.

10. A creditors' committee shall be authorised to:

a) request a rehabilitation manager, a debtor in management, or a rehabilitation supervisor:

a.a) to submit information about the performance of their functions by a rehabilitation manager, a debtor in management, or a rehabilitation supervisor;

a.b) to submit information about the current activities and financial standing of a debtor, as well as to become familiar with documents confirming the circulation of funds;

a.c) to attend a meeting of a creditors' committee. An invitation to attend this meeting shall be sent to a respective person not later than 7 days before the date of the meeting;

b) participate in the preparation of a draft rehabilitation plan, as well as prepare draft amendments to the rehabilitation plan;

c) prepare recommendations on issues included in the agenda of a creditors' meeting;

d) file a request with a court to dismiss a rehabilitation manager and appoint a new rehabilitation manager.

11. A member of a creditors' committee may only request appropriate information necessary to exercise his/her powers.

12. A creditors' committee is obliged to:

a) actively cooperate with a rehabilitation manager, a debtor in management, or a rehabilitation supervisor, to prepare a draft rehabilitation plan;

b) provide other creditors with information on the activities and decisions of the creditors' committee;

c) consult other creditors on certain issues and receive their opinions and comments.

13. The issue of remuneration for the activity of a member of a creditors' committee shall be decided by a court not later than 5 days after a creditors' meeting elects a creditors' committee. The amount of remuneration for the activity of a member of a creditors' committee may be determined according to the time spent for the participation in the meetings of the creditors' committee. The total amount of remuneration for the activity of a member of a creditors' committee shall not exceed 20% of the remuneration determined for a manager. In specific cases, a court may increase the said remuneration.

14. Expenses related to remuneration for the activity of members of a creditors' committee, as well as the calling and holding of the meetings of a creditors' committee, shall be covered from the insolvency estate.

15. A creditors' committee shall coordinate with a court in advance the amount of expected expenses related to its activities.

16. A member of a creditors' committee may be recalled from the creditors' committee if his/her bad faith, negligence, lack of appropriate skills, incompetency, inefficiency, conflict of interests, lack of confidence in him/her, or the violation by him/her of the rules established by Article 77 of this Law, is identified. A member of a creditors' committee may also be recalled where the circumstance referred to in paragraph 6 of this article occurs or is identified after the person in question has been elected as a member of the said committee. An issue regarding recalling a member of a creditors' committee may be raised by a person who has

the right to participate in the meeting of a creditors' committee, as well as on the initiative of a court. Such issue may be raised in the course of any meeting of a creditors' committee or by submitting an application to a court. The application shall be considered at the soonest creditors' meeting, but not later than 15 days from the submission thereof. If the holding of a creditors' meeting is not scheduled within this period, a court shall call an extraordinary creditors' meeting regarding the issue and ensure that it is held. An issue regarding recalling a member of a creditors' committee and electing a new member to replace same shall be decided by the creditors of the group who elected the member to be recalled. A member of a creditors' committee shall be deemed recalled if recalling him/her is supported by more than half of creditors of the said group. In addition to a decision on recalling a member of a creditors' committee, the meeting of a creditors' committee shall make a decision on appointing a new member of a creditors' committee in accordance with the procedure established by this article.

17. If, notwithstanding the grounds provided for by paragraph 16 of this article, a creditors' meeting does not make a decision on recalling a member of a creditors' committee, a court itself may make a decision on recalling a member of a creditors' committee. In such case, the court shall ensure that a creditors' meeting is called within 15 days after the decision has been made, to elect a new member of the creditors' committee.

Article 77 – Responsibility of members of a creditors' committee

1. Members of a creditors' committee shall act in good faith, believing that their decisions and advice are the best for implementing a rehabilitation plan in accordance with the interests of creditors.

2. Members of a creditors' committee shall be accountable to creditors.

3. Members of a creditors' committee shall be liable only for those actions/decisions that they have performed/made to intentionally cause damage to the debtor or creditors, or based on their private interests, including for using confidential information for private purposes.

4. A member of a creditors' committee shall not disclose confidential information about a debtor, a rehabilitation supervisor or a rehabilitation manager, which he/she became aware of, and shall not use it in his/her interests or in the private interests of a person related to him/her. In the case of the violation of this rule, both the creditor and the debtor shall have the right to require that the said member of the creditors' committee compensate for any damage.

Article 78 – Report on the activities of a debtor

1. Within 45 days from the delivery of a ruling declaring an application for insolvency admissible and opening a rehabilitation regime, a rehabilitation manager/rehabilitation supervisor shall prepare a report on the activities of a debtor. To this effect, a rehabilitation manager/rehabilitation supervisor shall, within not later than 3 working days from being appointed as a rehabilitation manager/rehabilitation supervisor, apply to relevant persons in writing and request them to submit necessary information within 10 working days from the application.

2. A rehabilitation manager/rehabilitation supervisor may request the submission of information referred to in paragraph 1 of this article from a person who, within 1 year before the delivery of a ruling declaring an application for insolvency admissible and the opening of a rehabilitation regime, was:

a) a registered director of a debtor or held a managerial post;

b) a partner of the debtor;

c) an employee of the debtor;

d) an auditor of the debtor or a provider of other professional services.

3. A debtor in management shall prepare a report on the activities of a debtor in coordination and cooperation with a rehabilitation supervisor, within 30 days from the delivery of a ruling declaring an application for insolvency admissible and opening a rehabilitation regime.

4. A report on the activities of a debtor shall include:

a) a statement whereby a rehabilitation manager/debtor in management confirms that the information submitted is accurate and complete, as far as is known to him/her;

b) a statement that the report on the activities of a debtor has been prepared as of the date of the opening of a rehabilitation regime;

c) information on all the assets of the debtor (specifying their balance-sheet and estimated sale values), including the characteristics of assets either encumbered or not with a security measure (including a pledge on future property);

d) information about all the liabilities of the debtor, including:

d.a) the amount of liabilities to the employees;

d.b) the amount of secured debts;

d.c) the amount of non-secured debts, except for liabilities to the employees;

e) the estimated amount of the deficit or the surplus assets related to the satisfaction of preferential claims;

f) the estimated amount of the deficit related to the covering of non-secured claims, or the estimated amount of surplus assets/money remaining after the covering of non-secured debts;

g) the estimated amount of the total assets available for the covering of secured debts, or the estimated amount of the surplus assets that will remain after the payment of secured debts;

h) the following information related to the creditors of the debtor:

h.a) information about the creditors who are parties to an instalment agreement, a lease agreement with an option to purchase, a movable thing leasing agreement, or a conditional purchase agreement, and who have retained the ownership of respective property on the basis of a conditional ownership agreement or law, as well as the characteristics of such property;

h.b) information on customers who have paid amounts in advance to the debtor to purchase goods or services. The total amounts paid shall be specified;

h.c) information on all other known creditors;

h.d) the amount of debt to each creditor;

h.e) the characteristics of measures to secure obligations, which have been applied in respect to each creditor;

h.f) the date of origination of any collateral;

h.g) the value and the amount of any collateral;

h.h) the total amount of credit obligations;

i) the name and address and a detailed description of equity participation of each partner of the debtor.

5. The expenses incurred for preparing a report on the activities of a debtor under this article, which are considered reasonable by a rehabilitation manager/rehabilitation supervisor, shall be the part of rehabilitation costs. A decision of a rehabilitation manager on the incurring of expenses may be challenged in a court.

6. Failure by a person referred to in paragraph 2 of this article to submit information necessary for a report on the activities of a debtor shall not release a rehabilitation manager/debtor in management from an obligation to prepare the said report. A rehabilitation manager/debtor in management shall prepare a report on the activities of a debtor as of the date of the delivery of a ruling declaring an application for insolvency admissible and opening a rehabilitation regime. A rehabilitation manager/debtor in management shall specify in the report the failure of a respective person to submit information necessary for a report on the activities of a debtor.

7. Where, in the case of a debtor in management, a person referred to in paragraph 2 of this article fails to submit the requested information, a rehabilitation supervisor shall notify a court to this effect. In such a case, the rehabilitation supervisor may require

that the debtor be discharged from management and a rehabilitation manager be appointed.

8. A rehabilitation manager/rehabilitation supervisor may submit an application to a court requesting the full or partial non-disclosure of a report on the activities of a debtor to all the creditors or part thereof, if, in the opinion of the applicant, the disclosure would prejudice the rehabilitation process, impede the achievement of the purposes of rehabilitation, or cause unjustifiable damage to the debtor.

9. Where a court finds the application of a rehabilitation manager/supervisor well-founded, it shall deliver a ruling on the full or partial closure of a report on the activities of a debtor to all the creditors or part thereof.

Article 79 – Preferential satisfaction of rehabilitation costs

1. According to a rehabilitation plan, without prejudice to the rights of secured creditors, rehabilitation costs shall be satisfied preferentially.

2. Rehabilitation costs include:

a) court costs (a state fee and expenses related to the hearing of a case);

b) administrative expenses related to the activities of a rehabilitation manager, a rehabilitation supervisor and a creditors' committee, and expenses related to remuneration for their activities.

Article 80 – Satisfaction of new creditor's claims

1. Without prejudice to the rights of secured creditors, priority shall be given to the satisfaction of claims arising after the delivery of a ruling declaring an application for insolvency admissible and opening a rehabilitation regime as compared to the satisfaction of other creditor's claims, unless the creditor in question agrees to different satisfaction.

2. An obligation arising after the delivery of a ruling declaring an application for insolvency admissible and opening a rehabilitation regime shall end within a period of time agreed between parties.

3. A creditor having a new claim as provided for by this article shall have the right to lodge a claim with a court requesting the cancellation of a moratorium in respect of the said claim.

Article 81 – Draft rehabilitation plan

1. A rehabilitation manager/rehabilitation supervisor shall prepare a draft rehabilitation plan on the basis of a report on the activities of a debtor and data from the registry of creditors, and shall submit it to creditors not later than 2 months after the delivery of a ruling declaring an application for insolvency admissible and opening a rehabilitation regime. Before the expiry of this period, a rehabilitation manager/rehabilitation supervisor may apply to a court with a request to extend the said period for not more than 1 month, on one occasion only. Such request shall be substantiated. It shall provide objective reasons as to why a draft rehabilitation plan has not been submitted to creditors within the time limit prescribed.

2. Where a draft rehabilitation plan is prepared by a debtor in management, before proposing a draft rehabilitation plan to creditors and while conducting negotiations, he/she shall take into account the substantiated comments (if any) of the rehabilitation supervisor, which aim to ensure the compliance of the draft rehabilitation plan with the requirements and standards established by this Law.

3. A draft rehabilitation plan shall contain:

a) the corporate data of a debtor, including an indication of any partners and a registered director(s);

b) information about a rehabilitation manager/rehabilitation supervisor (his/her identity/name and identification data), the date of his/her appointment, and a copy of the ruling declaring an application for insolvency admissible and opening a rehabilitation regime;

c) the date when the draft rehabilitation plan must be submitted to the creditors;

d) a copy of a report on the activities of a debtor or a brief summary of this report (except for any parts protected from disclosure), information on the identity of a person who prepared the report on the activities of a debtor, and the comments of a rehabilitation manager/rehabilitation supervisor accompanying the report;

e) if the court ruling, fully or partially, limited the disclosure of the report on the activities of a debtor, the dates of the submission of a respective application to a court and of the delivery of the ruling;

f) if the report on the activities of a debtor was not, or could not be, prepared in accordance with the procedure established by this Law, information on the financial standing of a debtor, prepared by a rehabilitation manager, as of the latest date possible, which must not be earlier than the date of the delivery of a ruling declaring an application for insolvency admissible and opening a rehabilitation regime;

g) a registry of creditors, unless a report on the activities of a debtor, or a brief summary thereof, contains a complete registry of creditors;

h) a proposal, according to which rehabilitation must be achieved and which may contain:

h.a) the reorganisation as provided for by the Law of Georgia on Entrepreneurs as one of the parts of a rehabilitation regime;

h.b) a change in the liabilities of a debtor:

h.b.a) by deferring the payment of debts;

h.b.b) by reducing or cancelling a principal debt and interest;

h.b.c) by covering an old debt with a new debt;

h.b.d) by otherwise satisfying claims;

h.b.e) by transforming claims into a holding in the undertaking of a debtor or in another undertaking. This requires prior consent from the respective creditors;

h.b.f) on condition that, when making payment, the principal debt is covered first and then other costs and payables;

h.c) the set-off of mutual claims of a debtor and a creditor within the limits established by this Law;

i) an indication of the form of endorsement of the draft rehabilitation plan by creditors (endorsement at a creditors' meeting or without it, using an alternative procedure (granting written consent, electronic correspondence, remote participation, etc.);

j) a report on how the debtor was managed and financed after the delivery of a ruling declaring an application for insolvency admissible and opening a rehabilitation regime, including on whether the assets of the debtor were disposed of (the reasons and conditions of the disposal thereof shall be indicated), and an explanation as to how the debtor will be managed and financed if the rehabilitation plan is approved;

k) the estimated value of the net assets of the debtor;

l) the amount of remuneration for the activity of a rehabilitation manager/rehabilitation supervisor and the grounds for calculating this amount;

m) the expenses of any other services provided by a rehabilitation manager/rehabilitation supervisor, on condition that these expenses are endorsed by the creditors' committee, or where there is no creditors' committee, such expenses are approved by the creditors through the decision-making procedure;

n) the date of the entry into force of a rehabilitation plan, as determined in accordance with Article 85(1) of this Law;

o) any other information which, in the opinion of a rehabilitation manager/rehabilitation supervisor, will help the creditors make a decision concerning the proposed draft rehabilitation plan.

4. Preferential claims shall rank equally according to their order of priority. Preferential debts shall be paid in full, unless the assets of a debtor are insufficient to meet them in full, in which case preferential debts shall abate in equal proportions.

5. A draft rehabilitation plan may include the issue of applying certain moratorium measures. The moratorium measures included in a rehabilitation plan shall remain in force during the period of implementation of this plan, unless a court has delivered a ruling cancelling any of the moratorium measures.

6. A draft rehabilitation plan may also include a mechanism to supervise the implementation of a rehabilitation plan, including the retaining of a rehabilitation manager/rehabilitation supervisor. Where a draft rehabilitation plan does not include the said mechanisms, a creditor may, before the approval of the rehabilitation plan, file a request with a court for the application of specific measures to supervise the implementation of the rehabilitation plan.

7. A rehabilitation manager/rehabilitation supervisor shall send a draft rehabilitation plan to all known creditors and all the partners of the debtor.

8. A creditor may submit his/her own draft rehabilitation plan to a rehabilitation manager/rehabilitation supervisor and/or a creditors' committee (if any) to review it at a creditors' meeting, before invitations to the creditors' meeting are sent. The draft rehabilitation plan shall be reviewed in accordance with the procedure established by Article 82 of this Law.

9. In addition to a draft rehabilitation plan, a rehabilitation manager/rehabilitation supervisor shall submit to creditors a detailed description of remuneration received/to be received for the services provided and expenses incurred, indicating the respective amounts.

Article 82 – Endorsement of a draft rehabilitation plan by creditors

1. Creditors shall endorse a draft rehabilitation plan proposed by a rehabilitation manager/rehabilitation supervisor not later than 6 months after a ruling declaring an application for insolvency admissible and opening a rehabilitation regime has been delivered. A creditors' meeting may extend, on one occasion only, the time limit for reviewing a draft rehabilitation plan for not more than 3 months, by a decision made in accordance with the procedure established by Article 13(7) of this Law. A court shall be notified of a decision to extend the time limit.

2. Where, within the time limit established by paragraph 1 of this article, creditors do not endorse a draft rehabilitation plan, a court shall deliver a ruling opening a bankruptcy regime.

3. A decision of creditors made in accordance with this Law and the particularities indicated in a draft rehabilitation plan, using an alternative procedure, shall be equivalent to a decision of a creditors' meeting.

4. A creditors' meeting may endorse a proposed draft rehabilitation plan by a majority established by this article:

a) without changes proposed by the creditors;

b) with changes proposed by the creditors, with the consent of a rehabilitation manager/rehabilitation supervisor.

5. In the process of endorsing a draft rehabilitation plan, a voting right shall be determined based on the value of the claim of the creditor in the registry of creditors.

6. A non-secured creditor shall have a voting right in accordance with paragraph 5 of this article. A secured creditor shall not have a voting right in the process of endorsing a draft rehabilitation plan, unless the draft rehabilitation plan provides for a change of the terms and conditions of the agreement concluded between the debtor and the secured creditor.

7. A creditors' meeting shall be authorised to adopt decisions if more than half the votes of non-secured creditors and secured creditors with voting rights under paragraph 6 of this article are presented at the creditors' meeting. Secured creditors and non-secured creditors may meet together or separately to review a draft rehabilitation plan.

8. A draft rehabilitation plan shall be put to the vote separately by secured creditors and non-secured creditors.

9. A draft rehabilitation plan shall be endorsed by a simple majority of votes of non-secured creditors and by a simple majority of votes of secured creditors with voting rights in accordance with paragraph 6 of this article.

10. For the purposes of paragraph 9 of this article, the votes of creditors who are persons related to a debtor shall not be taken into account. A creditor shall not be deemed a person related to a debtor, unless a rehabilitation manager/rehabilitation supervisor concludes, on the basis of a report on the activities of a debtor and as a result of appropriate examination, that the creditor is a person related to the debtor. The status of a person related to a debtor shall be indicated in an invitation to a creditors' meeting sent to a creditor.

11. When one of the creditors is the Legal Entity under Public Law called the Revenue Service, its consent shall be deemed to have been granted if a draft rehabilitation plan provides for the full payment of the principal amount of tax claims through the equal satisfaction of claims annually, not later than 5 years from the entry into force of the draft rehabilitation plan.

12. A rehabilitation manager/rehabilitation supervisor shall submit a draft rehabilitation plan endorsed by creditors to a court for approval not later than 5 days after this decision has been made.

Article 83 – Approval of a draft rehabilitation plan by a court

1. A court shall approve a rehabilitation plan endorsed by creditors in accordance with Article 82 of this Law if the requirements of this Law, and the procedures for calling creditors' meetings and voting, are met.

2. A court shall not approve a rehabilitation plan whereby:

a) the meeting of preferential debts is envisaged, which does not mean the meeting thereof in a prioritised manner as compared to non-preferential debts, unless there is consent from a relevant creditor(s);

b) the principle of proportionality is violated in the groups of preferential creditors and non-secured creditors, unless there is consent from a relevant creditor(s);

c) a creditor does not accept or does not maintain at least the value of his/her claim which he/she would have accepted on the basi of a ruling declaring an application for insolvency admissible and opening a bankruptcy regime, unless there is consent from the said creditor. In calculating the minimum bankruptcy level and identifying the best interest of creditors, the net present value method shall be applied;

d) a secured creditor will receive less than he/she would have received from the sale of property used as collateral, unless there is consent from the said creditor;

e) new creditor's claims are not protected in accordance the procedure established by this Law.

Article 84 – Rejection of a draft rehabilitation plan by a creditors' meeting

Where a creditors' meeting does not endorse (rejects) a draft rehabilitation plan in accordance with the procedure established by this Law, a court may approve the rehabilitation plan in accordance with Article 83 of this Law, on the basis of an application fron a rehabilitation manager/rehabilitation supervisor, provided that the following conditions simultaneously exist:

a) a group of non-secured or secured creditors has endorsed the proposed draft rehabilitation plan by a majority established by this Law;

b) a court considers that the draft rehabilitation plan will be implemented, and the rights of creditors are protected, in accordance with this chapter.

Article 85 – Consequence of the approval of a rehabilitation plan (entry into force)

1. A rehabilitation plan shall enter into force upon its approval by a court, unless the rehabilitation plan envisages a different date of entry into force, which shall be not later than 1 month after the court approves the rehabilitation plan.

2. After a rehabilitation plan enters into force, it shall be binding upon:

a) all parties provided for by the rehabilitation plan, and persons to whom this plan applies;

b) creditors whose claims have not been accepted in accordance with this Law;

c) creditors who voted against the rehabilitation plan.

3. The entry into force of a rehabilitation plan shall not exempt a debtor from:

a) a debt arising before the approval of the rehabilitation plan, if a notification was not sent to a creditor and it is presumed that the creditor was not aware, and/or could not have been aware, of the insolvency proceedings ongoing in respect of the debtor;

b) tax liabilities, in which connection the debtor submitted a tax declaration fraudulently, deceitfully, or to intentionally evade taxes.

Article 86 – Cancelling or amending a rehabilitation plan approved by a court

1. Where it is identified that a rehabilitation plan was approved deceitfully or fraudulently, a court may, on the basis of an application from an interested person, cancel the approved rehabilitation plan not later than 6 months after the approval.

2. A ruling cancelling a rehabilitation plan shall provide for legal remedies to protect a bona fide person, for whom the rehabilitation plan was reliable and lawful. The same ruling shall cancel the condition releasing the debtor from liabilities.

3. In the case provided for by Article 85(3) of this Law, a court may, on the basis of an application from an interested creditor, amend the approved rehabilitation plan, and, if the court finds the creditor's application well-founded, it shall consider satisfying his/her claim in accordance with the procedure established for a relevant group of creditors and observing the principle of proportionality. Before making such decision, the court shall hear the debtor.

Article 87 – Protection of a secured creditor

1. A rehabilitation manager/rehabilitation supervisor may, on his/her initiative or on the basis of a request from a secured creditor, apply to a court requesting consent to release from a moratorium and sell property used as collateral, which is not necessary for achieving the purposes of rehabilitation.

2. Where, within 10 days of a request from a secured creditor, a rehabilitation manager/rehabilitation supervisor does not apply to a court requesting consent as referred to in paragraph 1 of this article, the secured creditor himself/herself may apply to a court in accordance with Article 58 of this Law, requesting the release from a moratorium and the selling of property used as collateral. In such case, the rehabilitation manager/rehabilitation supervisor shall prove that the property, regarding which the creditor requests the cancellation of certain moratorium measures and sale, is necessary for achieving the purposes of rehabilitation.

3. Where a debtor has a secured contractual obligation relationship with a creditor (creditors), the duration of which exceeds 5 years, and the debtor fulfils the current obligations arising from this relationship, the claim arising from said relationship shall be satisfied with the continuation of the existing contractual relationship, irrespective of the rehabilitation plan, unless this causes evident damage to the creditor.

4. Following the release from a moratorium, and the sale of property used as collateral, all the rights in rem to the property, which were registered after the mortgage/pledge of the creditor having sold this property, shall be cancelled.

5. Where the property has been encumbered with a mortgage/pledge more than once, the proceeds from the sale of the property shall be used to satisfy secured claims, including secured tax claims, in accordance with the procedure established by the legislation of Georgia.

Article 88 – Things in conditional ownership

1. A court may, on the basis of an application from a rehabilitation manager/rehabilitation supervisor, deliver a ruling granting him/her the right to dispose of the property which is in possession of the debtor on the basis of a conditional ownership agreemen

and in respect of which the debtor enjoys all the rights of an owner.

2. A court shall deliver a ruling referred to in paragraph 1 of this article only if it considers that the disposal of the property will contribute to the achievement of the purposes of rehabilitation, as well as if the claim arising from a conditional ownership agreement is satisfied from the revenues received from the disposal of the property.

3. A court may determine a minimum market value of the property provided for by this article, according to which such property must be disposed of.

Article 89 – Challenging an action of a rehabilitation manager/rehabilitation supervisor

1. A creditor, or a partner, of a debtor being in a rehabilitation regime may, by lodging a claim, challenge an action performed by a rehabilitation manager/rehabilitation supervisor within his/her authority to manage, if one of the following grounds exists:

a) a rehabilitation manager/rehabilitation supervisor performs, or has performed, an action which substantially prejudices the interest of the claimant separately and/or together with the common interests of other partners or creditors;

b) a rehabilitation manager/rehabilitation supervisor proposes the performance of an action which will substantially prejudice the interest of the claimant separately and/or together with the common interests of other partners or creditors;

c) a rehabilitation manager/rehabilitation supervisor exercises his/her powers in bad faith.

2. A court may satisfy a claim of the claimant and order that a rehabilitation manager/rehabilitation supervisor perform, or refrain from performing, a specific action.

3. In no case shall a court make a decision referred to in paragraph 2 of this article if this impedes the implementation of, or makes it impossible to implement, a rehabilitation plan.

Article 90 – Abusing powers by a rehabilitation manager/rehabilitation supervisor

1. A court may, on the basis of an application from a creditor or a debtor, review and investigate the issue of the abuse of powers by a rehabilitation manager/rehabilitation supervisor.

2. A respective application shall substantiate the assumption that, in the course of proceedings, a rehabilitation manager/rehabilitation supervisor:

a) used the money or other property of a debtor wrongfully, retained it in private possession, or disposed of it wrongfully;

b) breached a fiduciary duty;

c) by abusing powers, committed an act provided for by the Criminal Code of Georgia.

3. If a court considers that the existence of the grounds referred to in paragraph 2 of this article is confirmed, it may impose the following on a rehabilitation manager/rehabilitation supervisor:

a) the responsibility to return money or other property of the debtor, or other responsibility related thereto;

b) the payment of interest;

c) the payment of a compensation amount (the compensation of damage) in favour of the debtor for breaching a fiduciary duty or abusing powers.

4. Where the ground referred to in paragraph 2(c) of this article exists, a court shall apply, and send appropriate materials, to a relevant investigative authority. To impose liability on the said ground, the commission of an act provided for by the same sub-paragraph shall be confirmed by a judgement of conviction that has become final.

Article 91 – Termination of the powers of a rehabilitation manager/rehabilitation supervisor

1. The grounds for terminating the powers of a rehabilitation manager/rehabilitation supervisor shall be:

a) the resignation of a rehabilitation manager/rehabilitation supervisor;

b) the failure of a rehabilitation manager/rehabilitation supervisor to exercise his/her powers;

c) the dismissal of a rehabilitation manager/rehabilitation supervisor by a court;

d) the death of a rehabilitation manager/rehabilitation supervisor;

e) the termination of the authorisation of an insolvency practitioner;

f) the end of the rehabilitation regime.

2. A rehabilitation manager/rehabilitation supervisor may resign only with the consent of a court.

3. A court shall give consent to the resignation of a rehabilitation manager/rehabilitation supervisor where the rehabilitation manager/rehabilitation supervisor is unable to perform his/her duties due to a health condition or where a conflict of interests exists with regard to a rehabilitation manager.

4. A rehabilitation manager/rehabilitation supervisor shall submit to a court an application for resignation not later than 10 working days before resignation.

5. This article shall not apply to a debtor in management whose resignation or replacement is regulated by the Law of Georgia on Entrepreneurs.

6. The termination or suspension of the authorisation of an insolvency practitioner shall automatically result in the termination of the powers of a rehabilitation manager/rehabilitation supervisor. He/she shall immediately notify the creditors and a court to this effect.

Article 92 – Dismissal of a rehabilitation manager/rehabilitation supervisor

1. Where the grounds provided for by Articles 89 and 90 exist, a court may dismiss a rehabilitation manager/rehabilitation supervisor on the basis of an application from an interested person.

2. A creditors' meeting shall be authorised to elect a new rehabilitation manager/rehabilitation supervisor by a majority of two thirds of the attending creditors with voting rights, not later than 30 days from the appointment of the rehabilitation manager/rehabilitation supervisor in accordance with Article 11 of this Law. Once a new rehabilitation manager/rehabilitation supervisor has been elected, the powers of the rehabilitation manager/rehabilitation supervisor appointed by a court shall be terminated.

3. This article shall not apply to a debtor in management.

Article 93 – Appointment of a new rehabilitation manager/rehabilitation supervisor

If the powers of a rehabilitation manager/rehabilitation supervisor are terminated, a court shall, on the basis of any interested person participating in the process, appoint a new rehabilitation manager/rehabilitation supervisor in accordance with the procedure established by Article 11 of this Law.

Article 94 – End of a rehabilitation regime

1. A rehabilitation regime shall end once a ruling approving a rehabilitation plan becomes final.

2. A person authorised to manage a debtor shall publish a report on the implementation of the rehabilitation plan once in six months after the end of the rehabilitation regime.

Article 95 – Conversion of a rehabilitation regime

1. A rehabilitation regime shall be substituted with a bankruptcy regime if the rehabilitation plan has not been approved in accordance with the procedure established by this Law. In such case, a court shall appoint a bankruptcy manager in accordance with Article 11 of this Law.

2. A rehabilitation manager/rehabilitation supervisor may submit to a court an application for conversion at any time before the approval of a rehabilitation plan if he/she considers that the reasonable probability of achieving the purposes of rehabilitation no longer exists.

3. The consent of a rehabilitation supervisor shall be required for the submission by a debtor in management of the application referred to in paragraph 2 of this article.

4. If a court finds an application submitted in accordance with paragraphs 2 and 3 of this article well-founded, it shall grant the application. The court shall be authorised to hear the parties before deciding the said issue.

5. In the case of the conversion of a rehabilitation regime, the registry of creditors approved within a rehabilitation regime, as well as all the actions performed by a rehabilitation manager for the purposes of a bankruptcy regime, shall remain in force.

6. A private complaint may be filed against a ruling granting an application for conversion.

Article 96 – Consequences of the violation of a rehabilitation plan

1. If a rehabilitation plan is violated, a creditor may file an application for insolvency with a court requesting the opening of a bankruptcy regime in respect of a debtor.

2. A minor breach of conditions provided for by a rehabilitation plan shall not be deemed a breach of a rehabilitation plan. A breach of conditions shall be deemed minor where it does not exceed 20% of the total current liabilities to be discharged and where the period of delay after the time limit for fulfilling it has elapsed does not exceed 15 working days, or where the period of delay does not exceed 7 working days irrespective of the amount of arrears.

3. A court shall send the application referred to in paragraph 1 of this article, together with attached evidence, to a debtor, and shall determine for the debtor a time limit of not less than 4 days and not more than 7 days for the debtor for the submission of his/her opinions in writing; this time limit shall start running from the moment when the relevant documents are served on the debtor.

4. A court shall review the application referred to in paragraph 1 of this article within 10 days from the submission of the application. Where an oral hearing is held, a debtor and creditors shall be notified of the time and venue of the court sitting, and their non-appearance at the court sitting shall not hinder the court from reviewing and deciding the issue.

5. If a court finds an application submitted in accordance with paragraph 1 of this article well-founded, it shall deliver a ruling opening a bankruptcy regime, and shall appoint a bankruptcy manager.

Chapter X – Bankruptcy

Article 97 – Essence of bankruptcy regime

A bankruptcy regime shall take place to collectively satisfy the claims of creditors through the sale of an insolvency estate.

Article 98 – Publicity during a bankruptcy regime

1. A bankruptcy manager shall, within not later than 2 working days from the delivery of a ruling declaring an application for insolvency admissible and opening a bankruptcy regime, publish information about the opening of a bankruptcy regime, as well as the identity of a manager (his/her identification data and contact details).

2. Changing a bankruptcy regime or a change related to a debtor in management, as a change made in the registration data of the debtor, shall be subject to registration in the Registry of Entrepreneurial and Non-entrepreneurial (Non-commercial) Legal Entities.

Article 99 – Appointment of a bankruptcy manager

1. A court shall appoint a bankruptcy manager by a ruling declaring an application for insolvency admissible and opening a bankruptcy regime, in compliance with the conditions established by Article 11 and Article 47(3) of this Law.

2. A creditors' meeting shall be authorised to appoint a new bankruptcy manager in accordance with the procedure established by Article 92 of this Law.

3. Upon the appointment of a bankruptcy manager, authority to manage and represent as provided for by the Law of Georgia on Entrepreneurs shall be suspended for all persons authorised to manage and/or represent a debtor, except in cases provided for by paragraph 5 of this article. Each of such persons shall, by a decision of a bankruptcy manager, in exchange for reasonable remuneration determined by the same, cooperate with and assist the bankruptcy manager.

4. A person authorised to manage a debtor shall, within 15 days after a ruling declaring an application for insolvency admissible and opening of a bankruptcy regime becomes final, submit to a tax authority respective unsubmitted declarations for the complete/incomplete tax periods before the delivery of the said ruling, and if errors were discovered in the submitted tax declarations, shall make appropriate amendments and/or additions thereto, in accordance with the procedure established by the legislation of Georgia.

5. A person authorised to manage a debtor shall retain his/her authority during a bankruptcy regime only for the purpose of fulfilling the obligation referred to in paragraph 4 of this article, in respect of the fulfilment thereof.

6. Failure to fulfil the obligations referred to in paragraph 4 of this article shall result in the imposition of liability on a person authorised to manage a debtor in accordance with the procedure established by the legislation of Georgia. This shall not release him/her from the obligation to submit tax declarations as provided for by this article.

Article 100 – Rights and duties of a bankruptcy manager

1. A bankruptcy manager shall identify the property, clarify data on the property included in an insolvency estate, sell the property included in an insolvency estate, and distribute the proceeds from the sale of the insolvency estate among the creditors. A bankruptcy manager shall perform his/her functions as promptly and effectively as possible, taking into account the interests of a unity of creditors, and shall not harm their interests without justification and necessity.

2. To achieve the purposes of bankruptcy and to perform obligations imposed, a bankruptcy manager shall be guided by the Law of Georgia on Entrepreneurs and shall exercise all powers conferred on a person authorised to manage and represent a business entity.

3. A bankruptcy manager shall, in accordance with the procedure established by this Law, have the right to:

a) apply to a court to ensure the calling and holding of a creditors' meeting, and chair a creditors' meeting;

b) handle disputes;

c) carry out rescission;

d) ensure the set-off of mutual claims;

e) ensure the fulfilment of claims, including the discharge of tax liabilities, arising in respect of a debtor after a court delivers a ruling declaring an application for insolvency admissible and opening a bankruptcy regime;

f) endorse or terminate existing agreements and conclude new agreements;

g) purchase various professional services;

h) exercise other powers provided for by this Law.

4. A bankruptcy manager shall prepare a report on the financial standing of a debtor and the selected form of selling property, and shall publish the report in accordance with the procedure established by this Law. Failure to fulfil the said obligation shall result in liability as provided for by the legislation of Georgia.

5. A bankruptcy manager shall evaluate property included in an insolvency estate. Creditors shall have the right to carry out an alternative evaluation of the property at their own expense. In the case of disagreement, the bankruptcy manager shall make a respective decision. Creditors shall have the right to raise an issue of replacing a bankruptcy manager and to call a creditors' meeting to this effect.

Article 101 – Selling an insolvency estate

1. A bankruptcy manager may sell an insolvency estate in any form established by law for the sale of property, as a whole complex or in parts.

2. When selecting a form of selling property as referred to in paragraph 1 of this article, a bankruptcy manager shall sell the property in a way that ensures a maximum return.

3. A bankruptcy manager shall publish a report on the selection of the form of selling property in accordance with the procedure established by this Law, not later than 10 days before the sale of the property. A creditor may, within 7 days from the publication of the said report, offer an alternative form of selling the property to a bankruptcy manager, which will be more profitable for a unity of creditors. A decision regarding the form of selling property shall be made by a bankruptcy manager.

Article 102 – Procedure and conditions for holding an auction

1. Unless the recovery of a higher return is expected from selling property included in an insolvency estate in a different way, a bankruptcy manager shall sell the said property through an auction, in accordance with the procedure established by this article.

2. Property included in an insolvency estate, except for financial collateral which is sold in accordance with the Law of Georgia on Financial Collaterals, Mutual Set-offs and Derivatives, may be sold through an auction.

3. Property included in an insolvency estate shall be sold through an auction by the National Bureau of Enforcement.

4. An auction shall be held in accordance with the procedure and conditions established by a relevant order of the Minister of Justice of Georgia, except for special procedures established by this Law.

5. An auction shall not last less than 7 days, nor more than 10 days (the time from the start to the end of an auction), unless less time is provided for by the order referred to in paragraph 4 of this article.

6. The amount of auction service fee of the National Bureau of Enforcement shall be determined by an order of the Minister of Justice of Georgia. The service fee shall be paid from an insolvency estate.

7. The circle of persons participating in an auction shall not be limited, or no other limitations shall be imposed, except in the cases expressly provided for by the legislation of Georgia.

8. After the announcement of an auction, any person may apply to the National Bureau of Enforcement to obtain additional information about the auction.

9. At a first auction, the starting price of the property included in an insolvency estate shall be determined on the basis of an expert opinion and shall be 75% of its market value. Where the property is not sold at a first auction, and its starting price is lower than the claims of creditors, a creditor whose claim is met but is not exceeded by the starting price of the property put up for a first auction, shall file an application with a bankruptcy manager requesting the transfer of the property into ownership within 10 days from the first auction. In such case, the creditor shall meet the claims of the creditors of the previous and same rank, and shall accompany the said application with a document confirming the payment into a respective bank account of the National Bureau of Enforcement of the amount to meet the claims of the creditors of the previous and same rank. Where there are requests from more than one creditor, the right to receive property into ownership shall arise in respect of the creditor whose application is accompanied with the document provided for by this paragraph and whose application was registered earlier than the applications of other creditors.

10. Where the property included in an insolvency estate could not be sold at a first auction, or it could not be transferred into ownership, in accordance with the procedure established by paragraph 9 of this article, a second auction shall be held within not less than 9 days and not more than 40 days from the first auction. When a second auction is held, it shall be pointed out that this is the second auction. At a second auction, the starting price of the property included in an insolvency estate shall be 50% of its market value, unless the bankruptcy manager requests the National Bureau of Enforcement, not later than 10 days from the first auction, to increase the starting price of the property up to not more than 65% of its market value.

11. Where the property included in an insolvency estate could not be sold at a second auction, a third auction shall be held within not less than 10 days and not more than 40 days from the second auction. At a third auction, the starting price of the property included in an insolvency estate shall be half of its starting price at the second auction.

12. Where the property included in an insolvency estate could not be sold at a third auction, a court shall, on the basis of the information provided by the National Bureau of Enforcement, publish in the electronic system a proposal relating to the transfer of the property into the joint ownership of the creditors. The said property shall be transferred into the ownership of the creditors who, within 10 calendar days from the publication of the proposal, shall submit an application to receive the property into ownership. The property shall be transferred to creditors in-kind, at the market value, in accordance with Article 104 of this Law. The share of creditors in the joint property shall be determined proportionally to their claims. The share of the creditors who do not express their desire to receive the property into ownership, shall be equally distributed among other creditors. Where none of the creditors submit an application to receive the property into ownership, within the time limit prescribed, the property shall be transferred to the partners proportionally to their shares, and in the case of a limited partnership, it shall be transferred to the general partners (*komplementars*) of the limited partnership proportionally to their shares.

13. Where the property which is subject to registration under the legislation of Georgia is not registered as the property of a debtor, a bankruptcy manager shall apply to a registration authority to register this property before the announcement of an auction. Where a debtor's right of ownership to the property which is subject to registration is not established, a bankruptcy manager shall file an application with a relevant registration authority, and where such an authority does not exist, he/she shall file an application with a court, to have the debtor's right of ownership to this property recognised. On the basis of the said application, the court shall deliver a ruling which shall serve as a basis for registering the property in possession of the debtor in accordance with the procedure established by the legislation of Georgia.

14. A person having won an auction shall pay the price of the property in full within 10 days from the end of the auction, and where the price exceeds GEL 1 000 000, within 20 days from the end of the auction. Once payment has been made, the National Bureau of Enforcement shall issue a decree concerning the right of ownership to the property purchased at the auction.

15. Where a person having won an auction does not pay the price of the property within the time limit established by paragraph 14 of this article, he/she shall lose the amount submitted as a guarantee on the day of the auction. This amount shall be passed into ownership of the National Bureau of Enforcement. The National Bureau of Enforcement shall issue a decree cancelling the results of the auction held and shall, within 10 days from the issuance of the decree, hold a new auction, which shall not be deemed a repeated auction.

16. Following the transfer of property into the ownership of a purchaser, including a recipient in-kind, all the seizures on the property, as well as the rights in rem and the rights in personam, shall be cancelled, unless retaining the rights in rem and the rights in personam is expressly provided for by law, which shall be indicated in the information on holding an auction.

Article 103 – Distribution of amounts received from an insolvency estate during insolvency proceedings

A bankruptcy manager may satisfy the claims of creditors at any time before the end of the bankruptcy regime in accordance with Article 104 of this Law, from the amounts received from selling in parts the property owned by a debtor at the moment of the commencement of insolvency proceedings and/or from selling an insolvency estate.

Article 104 – Procedure for distributing an insolvency estate

1. In the case of the bankruptcy of a debtor, an insolvency estate shall be distributed in the following order:

a) the expenses of the bankruptcy regime:

a.a) the expenses of the procedure provided for by Chapter V of the Civil Procedure Code of Georgia;

a.b) the remuneration of a bankruptcy manager;

a.c) expenses related to proceedings, including expenses deriving from labour relations during bankruptcy proceedings, the expenses of property management, as well as the expenses of various professional services purchased by a decision of a manager;

b) debts arising with regard to a debtor after the delivery by a court of a ruling declaring an application for insolvency admissible and opening a bankruptcy regime, including tax liabilities arising after the commencement of bankruptcy proceedings;

c) groups of creditors – in the following order:

c.a) preferential claims;

c.b) preferential tax claims;

c.c) non-secured claims, including the amounts of payables arising before the declaring of an application for insolvency admissible, which are not covered by other sub-paragraphs of this paragraph;

c.d) claims arising as interest and fines accrued on the liabilities existing before the declaring of an application for insolvency admissible, administrative fines and other monetary liabilities deriving from administrative offences, and fines and penalties charged in accordance with the Tax Code of Georgia;

c.e) non-preferential claims;

c.f) obligations arising from corporate relations (the payment of dividends, the redemption of shares, the return of contributions).

2. An insolvency estate shall be distributed in compliance with the principle of proportionality. The claims of creditors of each following rank shall be satisfied after the claims of creditors of a preceding rank are fully satisfied, unless other changes are provided by an agreement among all the creditors, who will be affected by the said changes.

3. The undistributed amount remaining after the bankruptcy of an undertaking shall be distributed among the partners of a debtor proportionally to their shares, unless otherwise provided for by the statute of the undertaking or an agreement between the partners thereof.

4. A creditor shall have the right to request satisfaction in a preferential manner, as compared to creditors of his/her group, in return for the partial waiver of the claim. This requires the consent of all creditors equally with whom the said creditor would have received satisfaction, as well as the consent of all creditors equally with whom the said creditor seeks satisfaction.

Article 105 – Procedure for satisfying secured creditors

1. A secured creditor of the first rank may apply to a bankruptcy manager requesting the sale of secured property in the manner provided for by a mortgage/pledge agreement. The bankruptcy manager shall ensure the sale of the said property in accordance with the claim of a mortgagee/pledgee of the first rank, except in the case provided for by Article 102(2) of this Law.

2. Where, in the case of the sale of a thing used as collateral, the amount of the proceeds from its sale exceeds the claim of a creditor of the first rank, the claims of creditors of each following rank registered for the thing in question shall be satisfied by the

excess amount in accordance with the procedure established by the Civil Code of Georgia, whereas the remaining amount shall be included in the insolvency estate.

3. In the case of the sale of property encumbered with a security measure to enforce the payment of tax liabilities in accordance with the Tax Code of Georgia, the amount of the proceeds from the sale of the property shall be used for satisfaction according to the order of the registration of the security measure (including the security measure to enforce the payment of tax liabilities).

4. On the basis of a claim of the secured creditor whose claim could not be satisfied due to the insufficient amount of the proceeds from the sale of the collateral in accordance with this article, the unsatisfied part of the claim shall be included in the rank of non-secured claims in accordance with Article 276(2) and Article 301(1^1) of the Civil Code of Georgia.

Article 106 – Completion of bankruptcy proceedings and termination of a bankruptcy regime

1. Bankruptcy proceedings shall be effectively completed once the proceeds from the sale of property included in an insolvency estate are distributed in accordance with this Law.

2. A bankruptcy regime shall be terminated if a court, upon satisfying a private complaint, cancels a ruling declaring an application for insolvency admissible and opening a bankruptcy regime.

3. After the sale of property, a bankruptcy manager shall, within a reasonable time, but not later than 15 days from the sale of the property, draw up a report on the bankruptcy of a debtor and shall submit it to his/her creditors and a court. The report shall contain a substantiation of achieving the objectives within the framework of respective bankruptcy proceedings, as set by law.

4. On the basis of the report of a bankruptcy manager, a court shall deliver a ruling on the completion of bankruptcy proceedings and the cancellation of registration in the Registry of Entrepreneurial and Non-entrepreneurial (Non-commercial) Legal Entities, unless the property was sold as an operating undertaking and the person who purchased it was registered as a partner of the undertaking. In such case, the court shall deliver a ruling on the completion of bankruptcy proceedings.

5. Where, after the completion of bankruptcy proceedings, it is found out that there is property which was owned by a debtor and which was not known previously, a court shall notify to this effect all the creditors whose claims have not been satisfied during the bankruptcy proceedings, and if information cannot be provided to all the creditors, or if their number exceeds 15, the court shall publish this information in the electronic system. A creditor whose claim has not been fully satisfied may, within 15 days from the receipt/publication of the said information, apply to the National Bureau of Enforcement with a request to sell the property through an auction. The National Bureau of Enforcement shall ensure the selling of the property in accordance with the procedure established by Article 102 of this Law. A court shall distribute the amount received from the sale of the property among the creditors who made their claims within the time limit prescribed, according to their order. If a creditor does not apply to the National Bureau of Enforcement within the time limit prescribed, or if the property is not sold, or if a creditor refuses to receive the property in kind, this property shall be proportionally distributed among the partners of the debtor.

Article 107 – Conversion of bankruptcy proceedings

1. A bankruptcy manager may file an application to a court requesting the opening of a rehabilitation regime.

2. In addition to the documents referred to in Article 44 of this Law, the following shall also be submitted together with an application from a bankruptcy manager requesting the opening of a rehabilitation regime:

a) detailed information about the bankruptcy regime as of the date of submission of the application, the date of appointment of the bankruptcy manager, and his/her identification data and contact details;

b) the reasons for which the submission of the application requesting the opening of a rehabilitation regime was deemed appropriate;

c) any other information which, in the opinion of the bankruptcy manager, helps a court to decide the issue of conversion of bankruptcy proceedings.

3. Where the application referred to in paragraph 1 of this article is granted, a court shall be guided by the procedures established by this Law for declaring applications requesting the opening of a rehabilitation regime admissible, and for opening a

rehabilitation regime, and shall also decide issues related to a moratorium.

Chapter XI – Debtor with a Status of Special Regime

Article 108 – Rules applicable to a debtor with a status of special regime

The rules established by this Law shall be applicable to a debtor with a status of special regime, taking into account the particularities determined by this chapter.

Article 109 – Granting a status of special regime

1. A court shall grant a status of special regime to a debtor on its own initiative or on the basis of a substantiated application from any interested person. A status of special regime may be granted at any stage of insolvency proceedings.

2. When granting a status of special regime to a debtor, a court shall assess the risks of causing substantial damage to state interests and/or public interests, resulting from the suspension/termination of the activities of a debtor or the performance of certain procedural actions during insolvency proceedings.

3. A court shall consider the application to grant a status of special regime to a debtor within 5 days from the receipt of the application and shall deliver a reasoned ruling.

4. Where it is found, in the course of insolvency proceedings, that the circumstances which served as grounds for granting a status of special regime to a debtor no longer exist, a court may revoke the status of special regime of the debtor on its own initiative or on the initiative of any interested person, which must be substantiated. Before the status of special regime of the debtor is revoked, the court shall hear the person on the basis of whose application the status of special regime was granted to the debtor.

Article 110 – Selling the property of a debtor with a status of special regime

1. The property of a debtor with a status of special regime shall be sold as a whole complex or in other form that will not prevent the continuity of the activities of the debtor.

2. Where the property of a debtor with a status of special regime is sold, the activity profile of its purchaser shall not be modified. The purchaser of the property shall assume an obligation to continue the activities carried out by the bankrupt debtor.

3. A bankruptcy manager shall have the right to determine other conditions while selling the property of a debtor with a status of special regime, aiming at maintaining the activity profile of the debtor. This shall be indicated before the sale of the said property, to provide complete information to its potential purchaser.

Chapter XII – International Insolvency

Article 111 – Agreement related to an immovable thing

The legislation of the country where the immovable thing is located shall apply to an agreement related to an immovable thing in the process of insolvency proceedings ongoing in accordance with this Law, which relates to the right in rem or the right to use an immovable thing.

Article 112 – Regulation of labour relations

Labour legal matters arising in the process of insolvency proceedings ongoing in accordance with this Law, including matters related to employment, shall be governed by the legislation of the country which regulates the relevant labour relations.

Article 113 – Set-off

Opening insolvency proceedings shall not affect the right of a creditor to set-off if, in accordance with the legislation applicable to the claim of a debtor, the creditor had the right to set-off at the time when insolvency proceedings were initiated.

Article 114 – Exercising the right of a creditor

1. A creditor may simultaneously register/establish his/her claims in respect of a debtor in insolvency proceedings ongoing in various countries.

2. A manager/rehabilitation supervisor may also register a claim recorded in the registry of creditors, concerning the insolvency case conducted by him/her, within the framework of the insolvency case open in respect of the same debtor in a foreign country, if this is provided for by the legislation of that country. The creditor may refuse such registration at the outset or withdraw it later.

3. A manager/rehabilitation supervisor may enjoy a voting right on behalf of a creditor, based on the claim registered in a foreign country in accordance with paragraph 2 of this article, unless the creditor himself/herself decides otherwise.

Article 115 – Obligation to return what was received by a creditor

1. Where a creditor participating in insolvency proceedings ongoing in Georgia receives a benefit through enforcement carried out at the expense of the assets of an insolvency estate which are not located in Georgia to satisfy his/her claim, as well as from payment by a debtor or otherwise, the creditor shall transfer what he/she received to a manager/rehabilitation supervisor/supervisor of a regulated agreement. In such case, the provisions of the Civil Code of Georgia on unjust enrichment shall apply.

2. A creditor participating in insolvency proceedings ongoing in Georgia shall, if so requested by a manager/rehabilitation supervisor/supervisor of regulated agreement, provide him/her with information about any satisfaction received.

Article 116 – Recognition of a decision opening insolvency proceedings opened in a foreign country

1. A decision of a competent authority on the opening of insolvency proceedings in a foreign country, which relates to immovable property and/or creditors located in Georgia, shall be recognised by Georgia in accordance with the procedure established by the Law of Georgia on Private International Law for recognising court decisions of foreign countries that became final.

2. Except for the general grounds established by the Law of Georgia on Private International Law, it shall be inadmissible to recognise a decision opening insolvency proceedings in a foreign country if the consequences of the recognition are explicitly contrary to the fundamental goals and principles established for insolvency proceedings by the legislation of Georgia.

Article 117 – Bankruptcy of a foreign undertaking

1. For the purposes of this article, a non-registered undertaking shall be an entrepreneurial legal person of a foreign country, which is not an entrepreneurial legal person registered in Georgia in accordance with the Law of Georgia on Entrepreneurs, or a branch thereof. The legislation of the country where the entrepreneurial legal person is registered shall be applicable to procedures for registering non-registered undertakings.

2. The bankruptcy of a non-registered undertaking may be effected by a court of Georgia on the basis of this Law. For the purpose of determining the jurisdiction of a court of Georgia, a non-registered undertaking shall be deemed an undertaking registered in Georgia if its centre of main interests is in Georgia, or if it possesses property in Georgia. For the purposes of the bankruptcy proceedings of a non-registered undertaking, the principal place of business of such undertaking, or the address of the property, shall be deemed the registered address of the undertaking.

3. If insolvency proceedings are ongoing in respect of a non-registered undertaking in the country of registration of the non-registered undertaking, the recognition of a decision opening insolvency proceedings in a foreign country shall not exclude the possibility of opening separate insolvency proceedings in Georgia in accordance with this article.

4. Separate insolvency proceedings may be opened on the basis of an application of a non-registered undertaking or a creditor. In addition, where a debtor does not have a branch registered, or an address, in Georgia, territorial (local) insolvency proceedings may be opened on the basis of an application from a creditor only if the creditor has a special interest in territorial (local) insolvency proceedings, in particular, if its condition is presumed to worsen due to the insolvency proceedings ongoing in a foreign country. An obligation to substantiate a special interest shall rest with an applying creditor.

5. A non-registered undertaking may go bankrupt in accordance with this Law where its insolvency is evident based on the conditions established by this Law.

6. An undertaking registered in a foreign country, which carried out activities in Georgia, may go bankrupt as a non-registered undertaking, on the basis of this Law, even where the undertaking in question was liquidated in the country of its registration, or it was removed from a respective registry, or otherwise ceased to exist.

7. The application of the provisions of this chapter to a non-registered undertaking shall not prejudice the application of other provisions of this Law concerning a bankruptcy regime.

8. A court and/or a bankruptcy manager may perform any action in respect of a non-registered undertaking for the management thereof, which may be performed in respect of a registered undertaking in accordance with the Law of Georgia on Entrepreneurs.

Chapter XIII – Expenses of Procedure

Article 118 – State fee

1. The amount of state fee payable upon the submission of an application for initiating insolvency proceedings shall be 3% of its value, but not less than GEL 500 and not more than GEL 10 000. The state fee shall be calculated at the stage of determining an insolvency estate. If an insolvency estate is evaluated more than once during insolvency proceedings, the state fee shall be calculated according to the last evaluation.

2. A debtor shall not pay the state fee when submitting an application for initiating insolvency proceedings, except in the case provided for by paragraph 5 of this article. After the state fee has been calculated, its amount shall be included in the procedural expenses and, in the case of bankruptcy, shall be covered from the insolvency estate, and, in the case of rehabilitation, it shall be covered according to a rehabilitation plan.

3. A creditor shall pay the state fee upon the submission of an application for initiating insolvency proceedings in the amount of 3% of its value, but not less than GEL 500 and:

a) not more than GEL 5 000 if the applicant is a natural person;

b) not more than GEL 10 000 if the applicant is a legal person.

4. The state fee paid by a creditor is a procedural expense and it shall be paid in accordance with the procedure established by this Law. If the state fee paid by a creditor is less than the state fee to be paid in accordance with paragraph 3 of this article, the difference shall be covered from the insolvency estate. If the state fee paid by a creditor exceeds the state fee to be paid in accordance with paragraph 3 of this article, the difference shall be returned to the creditor.

5. In the case of the submission of a proposal to conclude a regulated agreement, the amount of state fee shall be GEL 1 000, which shall be paid by an applicant upon the submission of an application for insolvency proceedings. This rule shall apply even where

the regulated agreement on the initiation of insolvency proceedings was approved and implemented within the framework of insolvency proceedings ongoing on the basis of an application for initiating insolvency proceedings.

6. If an application of a creditor for initiating insolvency proceedings has been declared inadmissible, the creditor shall be refunded 70% of the amount of the state fee paid.

7. If an applicant had withdrawn the application for initiating insolvency proceedings before it was declared admissible, the applicant shall be refunded in full the amount of the state fee paid.

8. In the case of the approval of a rehabilitation plan, the amount of state fee shall be halved.

Article 119 – Procedure for remunerating the activity of an insolvency practitioner

1. Unless otherwise provided for by the legislation of Georgia, a court shall determine (approve) an amount of reasonable remuneration to be paid for the activity of an insolvency practitioner for the service provided by him/her in the process of insolvency proceedings, as well as a procedure for reimbursing necessary expenses incurred by an insolvency practitioner. The activities of an insolvency practitioner shall be remunerated from the insolvency estate.

2. An insolvency practitioner shall, before the end of insolvency proceedings, submit to a court for approval a report on remuneration to be received. This report shall comprehensively describe all the services provided by the insolvency practitioner and the costs of these services.

3. A court shall be authorised to:

a) reduce the remuneration requested by an insolvency practitioner if he/she fails to substantiate its reasonableness and necessity;

b) determine an amount of remuneration of an insolvency practitioner higher than that established by paragraph 7 of this article, on the basis of a request from the insolvency practitioner, if the insolvency practitioner substantiates the reasonableness and necessity of the services additionally provided by him/her;

c) order, on the basis of a request from an insolvency practitioner, the payment to him/her of an amount as an advance, or the reimbursement of the cost of the services provided by him/her, which shall not exceed the half of the amount of the final remuneration to be paid for his/her activities.

4. When determining the amount of remuneration for the activities of an insolvency practitioner, a court shall assess the content and volume of the services provided by him/her and shall take into account the following circumstances:

a) the time spent on the provision of the services;

b) the tariff set for the provision of the services;

c) the necessity of the services for insolvency proceedings;

d) whether the services were provided within a reasonable time, taking into account the essence, complexity and importance of the problem, issue or task;

e) whether the remuneration is reasonable as compared to the market value determined for the services of the same type and quality (provided by a professional of the same level).

5. A court shall not approve the request for the payment of the expenses of services provided by an insolvency practitioner if:

a) it establishes that the provision of the services was not necessary for insolvency proceedings, or considers the volume of remuneration unjustifiable;

b) before the expenses were incurred, there had been reason to believe that the provision of the services would not be of benefit to the insolvency estate.

6. The total amount of reasonable remuneration determined for the activities of an insolvency practitioner, including where several managers have been appointed, shall be calculated according to the amount of fulfilled obligations. The amount of fulfilled

obligations shall be deemed the following:

a) where a rehabilitation plan has been approved – the total amount determined by the rehabilitation plan;

b) in the case of bankruptcy – the total amount of proceeds.

7. The total amount of reasonable remuneration for the activities of an insolvency practitioner, including where several managers have been appointed, shall be calculated in accordance with the following rules:

a) in the case of fulfilled obligations up to GEL 5 000 – at least 30% of the fulfilled obligations;

b) in the case of fulfilled obligations from GEL 5 000 to GEL 50 000 – at least 20% of the fulfilled obligations;

c) in the case of fulfilled obligations from GEL 50 000 to GEL 500 000 – at least 10% of the fulfilled obligations;

d) in the case of fulfilled obligations from GEL 500 000 to GEL 2 000 000 – at least 5% of the fulfilled obligations;

e) in the case of fulfilled obligations from GEL 2 000 000 to GEL 5 000 000 – at least 3% of the fulfilled obligations;

f) in the case of fulfilled obligations over GEL 5 000 000 – at least 1% of the fulfilled obligations.

8. The remuneration of a manager/rehabilitation supervisor shall be calculated and summed up separately for each reference of the value of an insolvency estate as provided for by paragraph 7 of this article.

Chapter XIV – Transitional and Final Provisions

Article 120 – Activities of an insolvency practitioner

1. The participants of insolvency proceedings, who have performed the functions of a bankruptcy/rehabilitation manager provided for by the Law of Georgia on Insolvency Proceedings during the past 5 years before the entry into force of this Law, shall be deemed to be insolvency practitioners within 1 year after the entry into force of this Law and shall have the right to carry out respective activities.

2. After the expiry of the period established by paragraph 1 of this article, the persons concerned shall exercise the powers of an insolvency practitioner if they meet the requirements defined by an order of the Minister of Justice of Georgia for the authorisation of insolvency practitioners.

Article 121 – Application of the Law applicable to ongoing insolvency proceedings

1. This Law shall apply only to insolvency cases in respect of which applications for insolvency will be filed after the entry into force of this Law.

2. The insolvency proceedings initiated before the entry into force of this Law shall continue in accordance with the Law on Insolvency Proceedings.

Article 122 – Measures to be implemented in connection with the entry into force of the Law

1. Within 2 months from the publication of this Law, the Minister of Justice of Georgia shall ensure the approval of the normative acts provided for by Article 11 of this Law.

2. The Ministry of Justice of Georgia shall ensure the creation and functioning of the electronic system provided for by Article 19 of this Law.

3. The Law of Georgia of 28 March 2007 on Insolvency Proceedings (Legislative Herald of Georgia, No 9, 31.3.2007, Art. 87) shall be repealed upon the full entry into force of this Law.

Article 123 – Entry into force of the Law

1. This Law, except for Articles 1-121, shall enter into force upon promulgation.

2. Articles 1 to 121 of this Law shall enter into force on 1 April 2021.

President of Georgia **Salome Zourabichvili**

Tbilisi

18 September 2020

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