

REPUBLIC OF GEORGIA

LEASING LAW

THE LEASING RELATIONS IN THE REPUBLIC OF GEORGIA ARE REGULATED BY THE PROPERTY RIGHTS LAW, THE PRESENT LAW, AND OTHER NORMATIVE ACTS OF THE REPUBLIC OF GEORGIA.

THE PRESENT LAW DETERMINES THE SUBJECT OF AND THE PARTIES TO A LEASING AGREEMENT, THE PRINCIPLES OF RIGHTS AND OBLIGATIONS OF PARTIES, AND THE WAYS OF EXECUTION AND PERFORMANCE OF SUCH RIGHTS AND OBLIGATIONS.

ARTICLE 1. LEASING

LEASING IS A TEMPORARY AND PAID TENURE AND USE ON A CONTRACTUAL BASIS OF THE LAND OR OTHER NATURAL RESOURCES, ENTERPRISES OR THEIR SEPARATE STRUCTURAL ENTITIES, FACILITIES, EQUIPMENT, MEANS OF TRANSPORTATION, OR OTHER MATERIAL VALUES FOR THE PURPOSE OF ESTABLISHING INDEPENDENT BUSINESS OR FOR OTHER PURPOSES STIPULATED BY LAW.

ARTICLE 2. SUBJECT OF LEASING

LEASING MAY BE APPLIED TO ANY KIND OF BUSINESS AND IN RELATION TO ANY PROPERTY NOTWITHSTANDING ITS FORM (EXCEPT FOR THOSE PROHIBITED BY LAW).

ARTICLE 3. LEASING OF LAND AND OTHER NATURAL RESOURCES

CONDITIONS FOR LEASING LAND AND OTHER NATURAL RESOURCES ARE PROVIDED BY THE PRESENT LAW AND RELEVANT NORMATIVE ACTS OF THE REPUBLIC OF GEORGIA.

ARTICLE 4. PARTIES TO THE LEASING AGREEMENT

ANY OWNER OF PROPERTY OR HIS REPRESENTATIVE GIVING HIS PROPERTY ON LEASE MAY BE THE LESSOR. ANY NATURAL PERSON OR GROUP OF PERSONS, OR LEGAL ENTITY TAKING THE PROPERTY ON LEASE MAY BE THE LESSEE.

EMPLOYEES OF ANY ENTERPRISE (OR ITS STRUCTURAL ENTITY) UNDER THE EQUAL CONDITIONS SHALL HAVE THE PRIORITY TO TAKE ON LEASE THE PROPERTY OF THEIR ENTERPRISE (OR ITS STRUCTURAL ENTITY). SPECIAL CONDITIONS ARE PROVIDED BY

LEGISLATION OF THE REPUBLIC OF GEORGIA FOR THE CITIZENS OF FOREIGN STATES, FOREIGN LEGAL ENTITIES, OR ALIENS WHO ARE WILLING TO TAKE ON LEASE THE PROPERTY.

ARTICLE 5. LEASING AGREEMENT

LEASING AGREEMENT IS A DOCUMENT MADE IN WRITING, ON A VOLUNTARY BASIS, AND FOR A PARTICULAR TERM BY AND BETWEEN THE LESSOR AND THE LESSEE IN ACCORDANCE WITH THE ACTUAL LEGISLATION OF THE REPUBLIC OF GEORGIA.

THE LEASING AGREEMENT SHALL DETERMINE THE METHOD OF LEASING THE PROPERTY, SUCH AS THE COMPETITION OR AUCTION.

THE LEASING AGREEMENT SHALL DETERMINE: THE COST AND THE CONTENTS OF PROPERTY; THE PURPOSE OF USING THE PROPERTY; THE LEASE TERM, THE RENT RATE AND THE METHOD OF PAYMENT THEREOF; THE RIGHTS AND OBLIGATIONS OF THE PARTIES; THE CONDITIONS FOR GIVING THE PROPERTY ON LEASE AND RETURNING IT AFTER THE EXPIRATION OF THE LEASE TERM.

ARTICLE 6. RENT

THE LESSEE SHALL PAY A RENT FOR TENURE OF THE LEASED PROPERTY. THE RENT RATE AND THE METHOD OF PAYMENT SHALL BE DETERMINED BY THE LEASING AGREEMENT.

THE RENT RATE MAY BE CHANGED IN CASE OF THE CONSENT OF BOTH PARTIES. BOTH PARTIES SHALL HAVE THE RIGHT TO CLAIM ADJUSTMENT OF THE RENT RATE IN THE EVENT OF CHANGE OF THE GOVERNMENT REGULATED PRICES, TARIFFS, TAXES OR AMORTIZATION NORMS, AS WELL AS IN THE CASES STIPULATED BY LEGISLATION OF THE REPUBLIC OF GEORGIA.

THE PAYING OF RENT SHALL NOT BE UNDERSTOOD AS EXEMPTION OF THE LESSEE FROM PAYING TAXES ESTABLISHED BY LAW, UNLESS OTHERWISE PROVIDED BY THE ACTUAL LEGISLATION OF THE REPUBLIC OF GEORGIA AND THE LEASING AGREEMENT.

ARTICLE 7. TRANSFER OF PROPERTY TO THE LESSEE

THE LESSOR SHALL TRANSFER THE LEASED PROPERTY TO THE LESSEE ON THE CONDITIONS STIPULATED BY THE LEASING AGREEMENT.

THE LESSOR SHALL NOT BE RESPONSIBLE FOR DAMAGE OF THE PROPERTY IF THE SAME HAS BEEN KNOWN BY THE LESSEE BEFORE THE CONCLUSION OF THE LEASING

AGREEMENT.

IF THE LESSOR DOES NOT TRANSFER THE LEASED PROPERTY TO THE LESSEE IN TIMELY MANNER THE LATTER SHALL HAVE THE RIGHT TO CLAIM ON THE TRANSFER OF PROPERTY AND THE PAYMENT OF A REMEDY FOR THE DELAY, OR TO TERMINATE THE LEASING AGREEMENT AND CLAIM ON THE PAYMENT OF A REMEDY FOR THE FAILURE IN THE PERFORMANCE OF HIS COMMITMENTS UNDER THE LEASING AGREEMENT.

ARTICLE 8. SUBLEASING THE LEASED PROPERTY

THE LESSEE SHALL HAVE THE RIGHT TO GIVE THE LEASED PROPERTY OR ANY OF ITS PARTS ON LEASE TO THIRD PERSONS WITH THE CONSENT OF THE LESSOR, UNLESS OTHERWISE PROVIDED BY THE ACTUAL LEGISLATION OR THE LEASING AGREEMENT, BUT THE LESSEE SHALL REMAIN TO BE RESPONSIBLE TO THE LESSOR UNDER THE LEASING AGREEMENT.

THE LESSEE SHALL HAVE THE RIGHT TO GIVE ON LEASE HIS OWN FACILITIES EXISTING ON THE LEASED LAND.

ARTICLE 9. USE OF AND CARE FOR THE LEASED PROPERTY

THE LESSEE SHALL USE THE LEASED PROPERTY PURPOSEFULLY, AS REQUIRED BY THE LEASING AGREEMENT.

THE LESSEE SHALL TAKE CARE OF THE LEASED PROPERTY.

THE LESSOR SHALL BE RESPONSIBLE FOR THE REPAIR OF THE LEASED PROPERTY, UNLESS ANYTHING OTHERWISE PROVIDED BY THE ACTUAL LEGISLATION OR THE LEASING AGREEMENT. IF THE LESSOR FAILS TO PERFORM THE OBLIGATION REFERRED TO IN THIS ARTICLE, THE LESSEE SHALL HAVE THE RIGHT TO PERFORM SUCH REPAIRS AS REQUIRED BY BOTH THE LEASING AGREEMENT AND THE SITUATION AND THEN CLAIM ON THE LESSOR' REIMBURSING REPAIR COSTS OR TO REDUCE THEREOF FROM THE RENT.

THE LESSOR SHALL HAVE THE RIGHT TO INSPECT THE LEASED PROPERTY FROM TIME TO TIME, PROVIDED THAT HE GIVES AN ADVANCE NOTICE TO THE LESSEE.

ARTICLE 10. RIGHT TO THE LEASED PROPERTY

THE LESSOR SHALL REMAIN TO BE THE OWNER OF THE LEASED PROPERTY. THE LESSEE SHALL BE INDEPENDENT IN DOING HIS BUSINESS.

THE GOODS PRODUCED WITH THE APPLICATION OF THE LEASED PROPERTY AND THE PROFITS GAINED FROM THE PRODUCTION, AS WELL AS THE PROPERTY ACQUIRED BY USING THOSE PROFITS, SHALL BE THE PROPERTY OF THE LESSEE, UNLESS OTHERWISE PROVIDED BY THE ACTUAL LEGISLATION OR THE LEASING AGREEMENT.

THE FACILITIES CONSTRUCTED BY THE LESSEE ON THE LEASED LAND BY THE CONSENT OF THE LESSOR SHALL BE THE PROPERTY OF THE LESSOR, UNLESS OTHERWISE PROVIDED BY THE ACTUAL LEGISLATION OR THE LEASING AGREEMENT; AFTER THE EXPIRATION OF THE LEASE TERM THE LESSOR MAY CLAIM ON THE REIMBURSEMENT OF THE COST OF THOSE FACILITIES.

THE FACILITIES CONSTRUCTED BY THE LESSEE ON THE LEASED LAND WITHOUT GIVING PRIOR NOTICE TO THE LESSOR SHALL BE THE PROPERTY OF THE LESSOR.

ALL IMPROVEMENTS MADE BY THE LESSEE AT HIS EXPENSE WHICH COULD BE SEPARATED FROM THE LEASED PROPERTY WITHOUT CAUSING DAMAGE THERETO SHALL BE THE PROPERTY OF THE LESSEE, UNLESS OTHERWISE PROVIDED BY THE LEASING AGREEMENT.

IF THE LESSEE, WITH THE CONSENT OF THE LESSOR, HAS MADE AT HIS EXPENSE SUCH IMPROVEMENTS THAT CAN NOT BE SEPARATED FROM THE LEASED PROPERTY WITHOUT CAUSING DAMAGES THERETO, THE LESSOR SHALL REIMBURSE THE COST OF SUCH IMPROVEMENTS AFTER THE EXPIRATION OF THE LEASING AGREEMENT, BUT NO REIMBURSEMENT SHALL BE PROVIDED IF THE IMPROVEMENTS ARE MADE WITHOUT THE PRIOR NOTICE TO THE LESSOR.

ARTICLE 11. REDEMPTION OF THE LEASED PROPERTY

THE LEASING AGREEMENT MAY PROVIDE CONDITIONS FOR THE PARTIAL OR TOTAL REDEMPTION OF THE LEASED PROPERTY BY THE LESSEE.

THE LEGISLATION OF THE REPUBLIC OF GEORGIA MAY PROVIDE CONDITIONS FOR THE RESTRICTION OR PROHIBITION OF THE REDEMPTION OF THE LEASED PROPERTY.

ARTICLE 12. PROLONGATION, CHANGE, TERMINATION OR ANNULMENT OF THE LEASING AGREEMENT

AFTER THE EXPIRATION OF THE LEASING AGREEMENT THE PARTIES SHALL HAVE THE RIGHT TO PROLONG ITS TERM OR RENEW THE AGREEMENT ON THE BASIS OF APPROPRIATE CONDITIONS PROVIDED BY THE LEASING AGREEMENT.

WHILE RENEWING THE AGREEMENT, THE PARTIES MAY CHANGE ITS CONDITIONS.

IN THE CASES PROVIDED BY THE ACTUAL LEGISLATION OR THE LEASING AGREEMENT BOTH PARTIES SHALL HAVE THE RIGHT TO CLAIM ON THE CHANGE OF THE CONDITIONS OF THE LEASING AGREEMENT.

THE LEASING AGREEMENT SHALL BE CONSIDERED TERMINATED IN THE CASE OF EXPIRATION OF THE LEASE TERM, DESTRUCTION OF THE LEASED PROPERTY, OR THE REDEMPTION OF THE LEASED PROPERTY BY THE LESSEE.

THE LEASING AGREEMENT MAY BE TERMINATED WITH THE PARTIES' CONSENT. THE UNILATERAL TERMINATION OF THE LEASING AGREEMENT IS PERMITTED ONLY IN THE CASES DETERMINED BY THE ACTUAL LEGISLATION OR THE LEASING AGREEMENT.

IN THE CASE OF THE LESSEE'S BANKRUPTCY, THE PERSON WHO IS GOING TO SELL THE PROPERTY PRIOR TO SELLING SHALL CLAIM ON THE TERMINATION OF THE LEASING AGREEMENT. THE LESSOR SHALL HAVE THE RIGHT TO CLAIM ON THE TERMINATION OF THE LEASING AGREEMENT IF THE LESSEE:

- DOES NOT USE THE LEASED PROPERTY PURPOSEFULLY AND DOES NOT COMPLY WITH THE CONDITIONS OF THE LEASING AGREEMENT;
- CAUSES DAMAGE TO THE LEASED PROPERTY DELIBERATELY OR UNINTENTIONALLY;
- HAS NOT PAID THE RENT THREE MONTHS AFTER THE EXPIRATION OF THE PAYMENT TERM, UNLESS OTHERWISE PROVIDED BY THE LEASING AGREEMENT;
- DOES NOT MAKE REPAIRS OF THE PROPERTY AS REQUIRED BY THE LEASING AGREEMENT.

THE LESSEE SHALL HAVE THE RIGHT TO CLAIM ON THE TERMINATION OF THE LEASING AGREEMENT IF:

- THE LESSOR FAILS TO PERFORM HIS OBLIGATIONS UNDER THE LEASING AGREEMENT SUCH AS THE REPAIRING THE LEASED PROPERTY OR THE PROVIDING THE LESSEE WITH MATERIAL RESOURCES, INCLUDING THE EQUIPMENT;
- THE LEASED PROPERTY HAS BECOME UNUSABLE FOR THE REASONS THE LESSEE IS NOT RESPONSIBLE FOR;
- IN THE CASE OF THE LESSEE'S INJURY OR HIS BECOMING DISABLED, OR HIS IMPRISONMENT FOR THE CRIME OR BEING SENTENCED TO OTHER PENALTY DUE TO WHICH HE HAS NO POSSIBILITY TO PERFORM HIS OBLIGATIONS UNDER THE LEASED AGREEMENT; IN THE LATTER CASE THE MEMBERS OF THE LESSEE'S FAMILY SHALL HAVE THE PRIORITY TO MAKE A NEW LEASING AGREEMENT.

THE PROLONGATION, CHANGE, TERMINATION OR ANNULMENT OF THE LEASING AGREEMENT SHALL BE IMPLEMENTED IN WRITING.

ARTICLE 13. EFFECT OF THE LEASING AGREEMENT IN THE CASE OF SUBSTITUTION OF THE OWNER OR THE DEATH OF THE LESSEE

THE TRANSFER OF THE PROPERTY RIGHTS FROM THE LESSEE TO THIRD PERSONS SHALL NOT RESULT IN THE CHANGE OF THE CONDITIONS OF THE LEASING AGREEMENT OR THE TERMINATION OF THE AGREEMENT.

IN THE CASE OF LIQUIDATION OR REORGANIZATION OF THE LEGAL ENTITY WHICH IS AUTHORIZED BY THE OWNER TO BE THE LESSEE, THE RIGHTS AND OBLIGATIONS THEREOF SHALL BE TRANSFERRED TO ITS LEGAL SUCCESSOR, UNLESS OTHERWISE PROVIDED BY THE ACTUAL LEGISLATION.

IN THE CASE OF THE LESSOR'S DEATH HIS RIGHTS AND OBLIGATIONS SHALL BE TRANSFERRED TO ANY OF HIS FAMILY MEMBER IF THE LATTER AGREES TO ACCEPT THESE RIGHTS AND OBLIGATIONS UNLESS OTHERWISE PROVIDED BY THE LEASING AGREEMENT. THE LESSOR SHALL HAVE NO RIGHT TO REFUSE THE PERSON IN QUESTION A PERMISSION TO ACCEPT THE RIGHTS AND OBLIGATIONS UNDER THE LEASING AGREEMENT BY THE EXPIRATION OF THE TERM OF THE AGREEMENT, EXCEPT FOR THE CASES WHEN THE CONCLUSION OF THE AGREEMENT HAS BEEN STIPULATED BY THE PERSONAL QUALITIES OF THE LESSEE THAT HAVE BEEN FIXED IN THE AGREEMENT.

ARTICLE 14. RETURNING THE PROPERTY TO THE LESSOR

AFTER THE EXPIRATION OF THE TERM OF THE AGREEMENT THE LESSEE SHALL RETURN THE LEASED PROPERTY TO THE LESSOR ON THE CONDITION AS REQUIRED BY THE LEASING AGREEMENT.

IN THE CASE OF DAMAGE OF THE LEASED PROPERTY THE LESSEE SHALL PAY APPROPRIATE REMEDY FOR SUCH DAMAGE TO THE LESSOR.

ARTICLE 15. SETTLEMENT OF DISPUTES

THE DISPUTES WHICH MAY ARISE BETWEEN THE LESSOR AND THE LESSEE IN RELATION TO THE PERFORMANCE, CHANGE OR ANNULMENT OF THE LEASING AGREEMENT SHALL BE REFERRED TO THE COURT.

ARTICLE 16. PRESERVATION OF THE LESSEE'S PROPERTY RIGHTS

THE RIGHTS OF THE LESSEE TO THE PROPERTY WHICH HAS BEEN TAKEN BY HIMSELF ON LEASE SHALL BE PRESERVED TO THE EXTENT AS THOUGH IT WERE HIS OWN PROPERTY. THE LESSEE SHALL HAVE THE RIGHT TO CLAIM ON THE RETURN OF THE PROPERTY BY ANY UNLAWFUL OWNER; THE ERADICATION OF ANY BARRIERS PREVENTING THE USE OF THE PROPERTY; THE REMEDY FOR ANY DAMAGES CAUSED TO THE PROPERTY.

ARTICLE 17. RESPONSIBILITY OF THE PARTIES

IN THE CASE OF THE PARTIES' FAILURE TO PERFORM THE OBLIGATIONS PROVIDED BY THE LEASING AGREEMENT THE PARTIES SHALL BEAR RESPONSIBILITY ACCORDING TO LEGISLATION OF THE REPUBLIC OF GEORGIA OR THE LEASING AGREEMENT.

EDWARD SHEVARDNADZE
CHAIRMAN OF PARLIAMENT, HEAD OF STATE

VAKHTANG GOGUADZE
SPEAKER OF PARLIAMENT

25 MAY 1994

TBILISI, REPUBLIC OF GEORGIA