

REPUBLIC OF LITHUANIA

Law
on
Privatisation of State-Owned
and Municipal Property

Chapter 1
GENERAL PROVISIONS

Article 1. Definitions Used in this Law

As used in this Law:

privatisation means the transfer of state-owned and municipal property (shares, shareholdings and other property) to the ownership of privatisation subjects under privatisation transactions entered into in accordance with the procedure established by this Law;

privatisation object means shares or any other assets belonging to the state or a municipality by the right of public ownership and which the Government of the Republic of Lithuania or a municipal council decides to privatise. Housing belonging to a municipality may not be a privatisation object;

privatisation subject means natural and legal persons of Lithuania or a foreign state, who acquire the privatisation object under this Law. Privatisation subjects may not be Lithuanian state or municipal enterprises, institutions and organisations financed out of the state or municipal budgets, as well as stock and close stock companies, banks and insurance agencies wherein more than 50% of the shares are held by the state of Lithuania or a municipality;

privatisation transaction means a contract entered into pursuant to this Law, under which privatisation institution authorised by the state or a municipality to act as a seller of state-owned or municipal assets, obligates itself to transfer the privatisation object into the ownership of the privatisation subject, and the privatisation subject commits itself to pay the amount of money agreed in the contract, and/ or to fulfil other obligations to the benefit of the Republic of Lithuania, or the municipality;

initial privatisation means transfer of state-owned or municipal property under the Law on Initial Privatisation of State Property (hereinafter referred to as LIPSP);

enterprise means any legal person established and registered in accordance with the laws of the Republic of Lithuania;

enterprise controlled by the state (municipality) means an enterprise wherein more than 50 percent of voting shares belong to the state or a municipality;

state (municipality) controlled enterprise under privatisation means such state (municipality) controlled enterprise which is included in the privatisation programme in accordance with this Law;

founder of the enterprise means state institutions of the Republic of Lithuania or the municipality or governing institutions or other state institutions which hold state-owned (municipal) property or at least one share in a public or private company.

Unless otherwise provided, terms in bold print used herein shall have the definitions specified above.

Article 2. Objective of the Law

1. The objective of this Law is to establish privatisation of state-owned and municipal property for money instead of initial privatisation under LIPSP.

2. The state-owned or municipal property owned by the right of public ownership may be transferred to other persons as the private property only in compliance with this Law, unless other laws of the Republic of Lithuania provide otherwise.

Chapter 2 Privatisation Institutions

Article 3. Privatisation Institutions

1. Privatisation institutions shall be the following:

1) Privatisation Commission;
2) Lithuanian State Privatisation Agency within the Government of the Republic of Lithuania (hereinafter referred to as Privatisation Agency);

3) Ministries and municipalities;

4) municipal privatisation commissions.

2. Decisions of privatisation institutions on privatisation issues, adopted in conformity with their powers and in compliance with this and other laws, are mandatory to founders of enterprises that are being privatised.

3. Municipal Council shall have the right not to establish privatisation institutions provided for in Article 9 of this Law and to authorise the mayor to conclude an agreement with the Privatisation Agency, concerning the privatisation of privatisation objects belonging to the municipality by the right of ownership. Upon entering into such agreement with the Privatisation Agency, the municipality shall also perform other functions of the founder of an enterprise, regulated by this Law.

4. If the municipality council establishes municipal privatisation institutions specified in Article 9 of this Law, they shall have all the rights and shall perform all the functions of the privatisation commission and Privatisation Agency established by this Law. The executive institution of a municipality must submit the list of privatisation objects and data for the privatisation programme to the Privatisation Agency within the time limit established by the Government of the Republic of Lithuania.

5. The Government of the Republic of Lithuania and the privatisation commission shall have no right to make any changes in the data submitted for compilation of the list of privatisation objects and drawing up of privatisation programme if these data meet the requirements set forth by this Law.

Article 4. Objective, Establishment and Powers of the Privatisation Commission

1. Privatisation Commission shall be a temporary state institution operating in accordance with this Law and its statutes, approved by the Government of the Republic of Lithuania, which is formed exclusively for the purpose of this Law. Upon the implementation of the tasks set forth by this Law, the activities of the Privatisation Commission may be terminated by the decision of the Government of the Republic of Lithuania or said Commission may be reorganised. The Government of the Republic of Lithuania may adopt resolutions regulating separate spheres of activities of the Privatisation Commission only in cases provided by this or other laws. Privatisation Commission shall report to the Government of the Republic of Lithuania.

2. Privatisation Commission shall consist of 13 members - 11 members shall be recommended by the Prime Minister and 2 members by the Association of Municipalities. Its members shall comprise Ministers, Under-Secretaries of the Ministry of Finance, the Ministry of Justice and other Ministries which perform the functions of the founder of the enterprise, director of the Privatisation Agency or other authorised officials of state power and government institutions. The chairman of the Privatisation Commission and its members shall be appointed and dismissed from

office by the Seimas of the Republic of Lithuania on the recommendation of the Prime Minister.

3. Privatisation Commission shall be entitled to:

- 1) approve or disapprove privatisation programmes prepared by Privatisation Agency and to control their implementation;
- 2) approve or disapprove privatisation transactions;
- 3) to perform the functions of the Central Privatisation Commission established by LIPSP.

Privatisation Commission may adopt negative resolution in cases specified in this Article only provided the drafts of relevant resolutions are prepared not in compliance with this and other laws of the Republic of Lithuania and Government decrees or they are drafted with the knowingly adverse purpose to the interests of the society .

4. Decisions of the Privatisation Commission shall be passed by the simple majority vote of all Commission members. Commission member shall have no right to vote on the issue, provided he or members of his family have an interest in the results of the decision.

Article 5. Powers of Privatisation Agency in Matters of Privatisation

1. Privatisation Agency shall be the institution of the Government of the Republic of Lithuania established pursuant to the Law on the Government of the Republic of Lithuania.

2. When performing the functions of privatization established by this Law, the Privatisation Agency shall act as the representative of the Government of the Republic of Lithuania, privatising the state-owned property. Under separate agreements with municipalities, the Privatisation Agency may also act as a representative of a separate municipality, which privatises the property owned by the municipality.

Article 6. Duties of Privatisation Agency

1. Privatisation Agency shall:

- 1) compile annual draft list of privatisation objects and submit it to the Government of the Republic of Lithuania for approval;
- 2) on the recommendation of the founder of the enterprise, determine the method of privatisation;
- 3) on the recommendation of the founder of the enterprise, determine the terms and conditions of privatisation of a separate privatisation object or a group of such objects;
- 4) at least once a quarter, prepare privatisation programmes and submit them to the Privatisation Commission for approval, and after they are approved, arrange the implementation of these programmes;
- 5) appoint its representative to the commission formed by the founder of the enterprise, which assesses the value of the privatisation object;
- 6) issue Information Bulletin of Privatisation, wherein official announcements shall be published. Information Bulletin of Privatisation must contain information about privatisation object, specified in Article 14 as well as additional information as deemed necessary by Privatisation Agency;
- 7) on the recommendation of the founder of the enterprise, and in conformity with the procedure set forth in Article 15, allow or disallow the enterprise controlled by the state (municipality), which is being privatised, to conclude transactions;
- 8) arrange the advertising of the privatisation object;
- 9) alongside with the founder of the enterprise, seek investors for privatisation object;
- 10) conduct the keeping of records of privatisation works in Lithuania;
- 11) sign privatisation transactions.

2. Within the scope of its powers, Privatisation Agency must ensure that each privatisation transaction be most efficient on the macroeconomic level (business guarantees, investments, employment guarantees, financial revenues, etc.)

Article 7. The Rights of Privatisation Agency in the
Sphere of Privatisation

1. Privatisation Agency shall have the right to:

1) approve or reject restructuring project of the enterprise controlled by the state (municipality), prepared by the founder of the enterprise;

2) hire experts by competition for carrying out privatisation tasks;

3) propose to the founder of the enterprise to replace the head of the administration or (and) the Board of the enterprise controlled by the state (municipality) under privatisation, if this enterprise failed to submit information established by legal documents;

4) upon coming into effect of the privatisation transaction, issue (or to delegate this right to an authorised representative) documents to persons who have acquired privatisation objects (shares of enterprises), that certify the ownership right;

5) represent the Government of the Republic of Lithuania in court in cases concerning privatisation transactions signed by the Privatisation Agency, as well as privatisation transactions concluded under LIPSP;

6) establish agencies abroad for the implementation of tasks set forth by this Law.

2. Privatisation Agency shall have the right to obligate the founder of the enterprise to:

1) prepare proposals concerning the privatisation restructuring (parcelling, debt coverage, creation of infrastructure, etc.) , if upon the valuation of the privatisation object (enterprise) , it turns out that such restructuring shall enhance the possibility to privatise it or shall increase the selling price of the privatisation object (enterprise);

2) according to the procedure established by laws, appeal to court with regard to the invalidation of transactions concluded by the enterprise controlled by the state (municipality), in violation of this and other laws, and compensation for damage.

Article 8. Duties of the Founder of the Enterprise in
the Sphere of Privatisation

The founder of the enterprise shall have to:

1) submit to the Privatisation Agency lists of the privatisation objects intended for privatisation within the time limits established by the Government of the Republic of Lithuania;

2) prepare restructuring projects of privatisation objects (enterprises) and upon the approval of the privatisation programme, monitor the implementation of restructuring;

3) according to the list of privatisation objects approved by the Government of the Republic of Lithuania, collect information on the privatisation object , determine its value, perform expert examination of all the documents of this privatisation object, as well as prepare the draft programme of the privatisation of this object and submit it to the Privatisation Agency;

4) propose privatisation method;

5) propose terms and conditions of privatisation;

6) seek for the investor for the privatisation object;

7) give recommendations to the Privatisation Agency in accordance with the procedure established by Article 15 of this Law, concerning the transactions concluded by the enterprise controlled by the state (municipality);

8) monitor the implementation of privatisation transactions until all terms and conditions are met, or take measures provided by laws against the privatisation subjects who default on the terms and conditions of privatisation transaction.

Article 9. Powers of Municipal Privatisation

Commissions in the Sphere of Privatisation

1. Decision to include an enterprise owned by the municipality or any other assets transferred into the ownership of the municipality, into the list of privatisation objects shall be passed by the municipal council.

2. Municipal privatisation commissions may be established by the decision of the municipal council if the property owned by the municipality is not transferred to the Privatisation Agency under contract and according to the procedure established by this Law for the purpose of privatisation.

3. The composition of the municipal privatisation commission shall be established by the municipal council. Municipal privatisation commissions shall perform at the municipal level the same functions as privatisation commission and shall report to the municipal council.

4. The statutes of the municipal privatisation commissions shall be approved by the municipal council.

5. Municipal privatisation commissions shall take over the functions of city (district) privatisation agencies established for the purpose of implementation of the LIPSP.

6. Municipal executive institution authorised by the municipal council shall perform, at municipal level, the functions of the Privatisation Agency assigned by this Law, if the municipal property is not transferred to the Privatisation Agency according to the procedure established by this Law for the purpose of privatisation.

7. Information about the municipal privatisation objects must be published according to the procedure established by this Law. For the publishing of information in the Information Bulletin of Privatisation, the Privatisation Agency may charge a fee which shall not exceed the average cost of advertising. Municipality may publish in other information media other information about privatisation objects as defined by this Law, deemed necessary by the municipality.

Article 10. Privatisation Funds

1. Privatisation funds shall consist of :

1) receipts from privatisation transactions;
2) interest on payments deferred under privatisation transactions;

3) interest on credits and loans granted from the Privatisation Fund for the promotion of small and medium business;

4) other revenues (aid from international organisations, receipts from additional services, use of data base, etc.)

Privatisation funds referred to in par. 1 of this Article shall be transferred to the account of the Privatisation Fund.

3. Financial resources of the Privatisation Fund shall be used for:

1) payment for services rendered by hired experts;
2) Savings Restoration and Compensation Fund;
3) credits and loans for the promotion of small and medium business and other investments in the Lithuanian economy;

4) covering of the expenses related to the technical supply of Privatisation Commission, Privatisation Agency, and the founder of the enterprise established by this Law, as well as for the incentives to the employees engaged in privatisation, publishing of Information Bulletin of Privatisation, and the fulfilment of other functions established by this Law.

4. The resources of the Privatisation Fund shall be used according to the estimate which shall be approved each quarter by the Government of the Republic of Lithuania upon the submission by the Ministry of Finance. The Government of the Republic of Lithuania shall also establish the procedure for accounting and application of resources of the Privatisation Fund.

5. The Government of the Republic of Lithuania by its resolution shall establish annually the amount of financial resources that it shall spend on the incentives to the employees of the Privatisation Agency, Privatisation Commission, and the founder of the enterprise, as well as the procedure for providing incentives. In establishing incentives procedure the Government must take into account the amount of investments into Lithuanian economy, that result from privatisation transactions.

6. Privatisation receipts from the privatisation of municipality-owned property shall be transferred to a special account of the municipality. The procedure for the application of these funds shall be established by the municipal council.

Chapter 3 PREPARATION OF OBJECTS FOR PRIVATISATION

Article 11. Gathering of Information on the Objects of Privatisation

1. The founder of the enterprise must submit to the Privatisation Agency documents and information concerning the privatisation object (with the exception of commercial or industrial secret) according to the procedure established by this Law. The information containing industrial or commercial secret must be submitted only during the negotiations on privatisation transaction with the prior written obligation of all the participants of the negotiations to keep this secret confidential for the period established in the obligation.

2. Public information established by the laws of the Republic of Lithuania may not be an industrial or commercial secret.

Article 12. Valuation of the Privatisation Object

1. The value of the object of privatisation shall be assessed for the purpose of determining its initial selling price, on the basis of which the Privatisation Agency (municipality) shall enter into privatisation transactions.

2. The object of privatisation shall be valued by the commission formed by the founder of the enterprise, comprising persons having a qualification certificate of the valuator, or a natural or legal person having a licence for the valuation of property, who is hired by the founder of the enterprise on a competitive basis. Licences entitling to value the objects of privatisation shall be issued by state institution authorised by the Government of the Republic of Lithuania. The Privatisation Commission shall have the right to hire on the competitive basis an independent valuer for the assessment of the value of each object of privatisation.

3. The object of privatisation may be valued by applying one of the following methods or a combination of several of the following methods:

1) comparable value (analogous selling price), the essence of which is a comparison, i.e. the market value is determined by comparing real transaction prices of analogous goods, taking into account the differences between the object to be valued and an analogous object ;

2) replacement value (cost), the basis of which is the calculation of the price at which they could be replaced, broadly in their existing state, according to the technologies and prices used at the time of valuation;

3) price - earnings based value (income capitalisation) or discount cash flow, when the asset is valued as a profit - yielding business rather than the total of separate assets. The forecasting of future cash flows and their present value constitute the basis of this method;

4) special value method is applied for the valuation of unique objects of art and history, jewellery and antiques, various collections (they are valued according to special technologies of valuation of this type of property);

5) other methods used in international practice and approved by the Government of the Republic of Lithuania.

The procedure for the application of the methods of valuation of privatisation objects specified above shall be established by the Government of the Republic of Lithuania.

4. When assessing the value of the shares (assets) of the enterprise controlled by the state (municipality), the value of the plot of land used by said enterprise must also be taken into account.

5. As the initial price of the privatisation object is not a minimal selling price of the object, the Privatisation Agency shall have the right, with the prior agreement of the founder of the enterprise and the approval of the Privatisation Commission, to reduce the selling price of the privatisation object provided its privatisation failed within time limits set forth in the privatisation programme.

Article 13. List of Privatisation Objects and the Privatisation Programme

1. The list of privatisation objects is a document containing the title, registered office, code, principal type of activities, authorised capital, the amount of capital being privatised (in nominal terms and in percentage) and the number of employees on the pay-roll of the privatisation object.

2. The list of privatisation objects shall be approved annually by the Government of the Republic of Lithuania on the recommendation of the Privatisation Agency.

3. Privatisation programme is the document specifying:

1) the method of privatisation;

2) time period of privatisation;

3) short description of privatisation object, the shares or assets of which are being sold (the capital and its structure, the assets and their structure, nominal value of shares owned by the state (municipality), profitability of the authorised capital, the volume of production (annual turnover), the type of principal activities, information on the market share and export share of production (services) of the enterprise, number of employees, geographical location) and the claims of third persons to the privatisation object;

4) terms and conditions of privatisation.

The Government of the Republic of Lithuania shall be entitled to establish other requirements for privatisation programmes.

4. The enterprise controlled by the state (municipality) may be included in the privatisation programmes only when they are corporatised in the manner provided by the Company Law and re-registered as stock companies. This provision, by the decision of the founder of the enterprise, may not be binding upon the enterprise controlled by the state (municipality) which is planned to be privatised by the method of lease with the option to purchase.

5. The property to which natural and legal persons and religious communities claim to restore their rights of ownership in accordance with the procedure established by the laws of the Republic of Lithuania, as well as enterprises which pursuant to the Republic of Lithuania "Law on Enterprises which are not Planned to be Corporatised or Privatised by the Year 2000" are

included in the list of enterprises which shall not be privatised or corporatised.

6. The objects that are protected by the state in accordance with the laws of the Republic of Lithuania may be included in the privatisation programmes only upon co-ordinating the terms and conditions of their use with the relevant institution performing the function of state supervision of these objects.

7. The privatisation object may be removed from the list approved by the Government of the Republic of Lithuania or from the privatisation programme approved by the Privatisation Commission only after it has been offered for sale at least once in conformity with this Law but failed to be sold during the time period specified in the privatisation programme.

Article 14. Publishing of Information on Privatisation Objects

1. Information on the privatisation object must be published in the Information Bulletin of Privatisation. The announcement must contain the following information:

- 1) privatisation programme;
- 2) the name, position, address, telephone and fax number of the employee of the Privatisation Agency (municipality) responsible for the implementation of privatisation programme;
- 3) the time of visit to the enterprise controlled by the state (municipality) that is being privatised and the name, position, address, telephone and fax number of the employee of this enterprise, responsible for the implementation of the privatisation programme;
- 4) procedure for the acquisition and payment for the set of privatisation documents;
- 5) the place of public auction or public subscription for shares.

The Privatisation Agency may also announce in this Bulletin and other mass media other (additional) information.

2. The obligatory information on the privatisation object, referred to in par. 1 of this Article must appear in the Information Bulletin of Privatisation not later than 30 days prior to the beginning of privatisation.

Article 15. Restrictions on the Activities of the Enterprise Controlled by the State (Municipality) under Privatisation

The enterprise controlled by the state (municipality) included in the privatisation programme shall have no right, without prior consent of the Privatisation Agency, to enter into transactions (including lending and borrowing, leasing, as well as agreements concerning the supply of raw materials and materials, acquisition of capital goods, or any other transfer) for the period of 9 months, if the total value of assets in regard to which the transaction (transactions) is concluded exceeds more than 10 percent of its statutory capital. If such transactions are concluded without the prior consent of the Privatisation Agency, they shall be invalid since they pursue goals clearly contrary to public interest. If such transactions are entered into with the prior consent of the Privatisation Agency on the recommendation of the founder of the enterprise, Privatisation Agency must immediately inform the privatisation subjects in the same manner as is provided the information about the enterprise controlled by the state (municipality) under privatisation.

Chapter 4 METHODS OF PRIVATISATION

Article 16. Methods of Privatisation

1. Privatisation methods shall be as follows:
 - 1) public subscription for shares;
 - 2) public auction;
 - 3) open tenders;
 - 4) sale of state and municipal property by direct negotiations;
 - 5) lease with the option to purchase.
2. Privatisation Agency shall have the right, upon coordinating with the founder of the enterprise, to change the method of privatisation in the process of privatisation or to apply a combination of methods provided by this Law. The change of privatisation method must be approved at the Privatisation Commission, and information about the privatisation object must be announced in the manner specified in Article 14 of this Law.
3. Implementation procedure of privatisation methods regulated by this Law and the forms of the privatisation documents shall be established by the Government of the Republic of Lithuania.

Article 17. Public Subscription for Shares

1. Public subscription for shares is a method of selling of shares where the shares are sold in an open manner, i.e. neither the number of purchasers nor the number of shares subscribed by them is limited, and the selling price of the shares is determined according to the supply and demand ratio.
2. When shares of stock companies are sold at National Stock Exchange, they shall be sold through a state (municipal) brokerage company in conformity with the rules established by this stock exchange.

When applying the method of the public subscription for share and when the shares are not sold at the National Stock Exchange, the founder of the enterprise must:

 - 1) prepare and publish the prospectus of the privatisation object in compliance with the requirements set by the Securities Commission, which are applied to the prospectus of securities ;
 - 2) announce in the Information Bulletin of Privatisation and at the place where the shares are being sold, the nominal and issue price of shares, their number, the place, time, and the beginning and end of the subscription for shares.

Article 18. Public Auction

1. Public auction is the method of selling of the privatisation object, when the number of privatisation subjects participating in the auction is unlimited and the purchaser shall be that bidder who offers the highest price.
2. The purchaser shall acquire the right of ownership to the purchased property when he:
 - 1) pays the price offered at the auction in compliance with the provisions of this Law;
 - 2) fulfils or obligates under the agreement to fulfil all terms and conditions of the acquisition of property that were known to him or had to be known to him prior to the auction;
 - 3) the acquired property is registered in the event such registration is required by other laws of the Republic of Lithuania or the Government Decrees.
3. Privatisation Agency must present to the public auction all shares held by the state or municipality in a stock company or close stock company that is being privatised.

Article 19. Open Tender

1. Open tender is the transfer of one or more privatisation objects to the tenderer who is recognised winner in accordance with the procedure established by this Law and offered the highest price, having taken into account his written proposals as to further operation of the enterprise and which meet the requirements of the tenders, announced in advance.

The right of ownership to the privatisation object shall pass to the winner of the tender upon the coming into effect of the privatisation transaction. The privatisation transaction must establish the obligations of the winner of the tenders, which must be in full conformity with his previous tender proposals.

2. The method of open tender may be applied in privatising the enterprises controlled by the state (municipality) the value of which, determined pursuant to Article 12 of this Law, exceeds 50 000 Lt, as well as in privatising shareholdings in these enterprises where the shareholding comprises more than 10 percent of the statutory capital of the enterprise controlled by the state (municipality) that is being privatised, or when shareholdings of several enterprises are sold under the same privatisation transaction.

Article 20. The Selling of the State and Municipal Property through Direct Negotiations

1. The selling of privatisation object through direct negotiations is such a method of privatisation when privatisation transaction is concluded with one purchaser in the event only one purchaser takes part in a public auction or open tender.

2. Direct negotiations may also be applied when the offers of other purchasers do not meet the privatisation conditions announced in advance.

3. Once direct negotiations are initiated, the new terms and conditions of privatisation must be announced in accordance with the procedure established in Article 14 of this Law, as well as the time limit within which other privatisation subjects may submit their offers.

Article 21. Lease with an Option to Purchase

1. Privatisation object shall be sold by this method by announcing open tender for the lease of this object. The provisions of this law shall not apply to those natural and legal persons who lease any state-owned or municipal property not in compliance with this Law.

2. Privatisation subject shall acquire the right of ownership to the privatisation object only after he pays for this object the full price and fulfils the conditions of acquisition of this object, set forth in the privatisation transaction.

3. Lease period shall be established in the privatisation transaction, but it may not exceed 25 years.

4. The amount of annual rent shall be established in the privatisation transaction, but it may not be less than the amount calculated in the manner provided for in Article 12 of this Law, divided from the period of lease. Privatisation transaction must stipulate that the unpaid balance of the value of the privatisation object, if it must be paid in litas, each year shall be adjusted according to the annual market price index.

When the payment for the privatisation object is made in other currency than that specified in Article 22 of this Law, this amount shall be adjusted according to the market price index of the country the national currency of which is used for the payment.

5. Privatisation transaction must stipulate that the payment for the privatisation object shall be made by applying one of the following methods:

1) by paying the rent only;

2) by paying the rent and upon the expiration of the lease, by purchasing out the privatisation object.

6. Privatisation transaction must stipulate that:

1) if the rent is not paid when due, an interest of 0.5 percent shall be paid for each over-due day. If the amount of arrears exceeds the amount which must be paid by the privatisation subject for 6 month period, and (or) the period of

indebtedness for the rent due exceeds 6 months, the lease shall be terminated and the sum paid shall not be refunded;

2) the lessee must insure the leased property;

3) the lessor shall have no right to sub-lease the leased property without the prior consent of the founder of the enterprise;

4) the lease shall be terminated and the payment shall not be refunded if the terms and conditions provided for in the privatisation transaction are not met with.

7. The model form of lease with the option to purchase shall be established by the Government of the Republic of Lithuania.

Article 22. Payment for the Privatisation Object

1. Privatisation subjects may pay for the privatisation objects acquired by them only in the national currency of Lithuania -litas, and privatisation subjects which are registered abroad -in litas, US dollars, German marks, French francs and British pounds.

2. The procedure and the time limits for the payment shall be set forth in the privatisation transaction. The payment may be made in instalments but the final payment may not be postponed until later than the period of 5 years. When this payment is postponed, the privatisation transaction must contain a clause indicating the interest rate and the procedure for the payment thereof. If the privatisation object is paid for by a Lithuanian natural person or a group thereof, pursuant to the "Law of the Republic of Lithuania on the Declaration of Property and Income of Individuals", a certificate issued by the State Tax Inspectorate must be presented.

Article 23. Obligations of the Privatisation Subject under Privatisation Transaction

1. Privatisation transaction under which the enterprise controlled by the state (municipality) is being privatised, must include the obligation of the purchaser (purchasers) not to reduce the number of jobs in the enterprise by more than it is allowed under the laws of the Republic of Lithuania.

2. Privatisation transaction which is concluded by open tender must include the obligation of the purchaser (purchasers) to invest into the enterprise controlled by the state (municipality) being privatised or other spheres of Lithuanian economy.

3. The Privatisation Agency or any other institution, authorised by the municipality, may request to include in the privatisation transaction the obligations of the purchaser not to liquidate, pledge, donate, mortgage, or exchange the privatised enterprise, use its assets as a collateral, suspend its operations, or sell the shares of the privatised enterprise until the purchaser fulfils all the terms and conditions established by the privatisation transaction. Privatisation transaction may provide for other obligations of the purchaser as well.

4. If the privatisation subject starts to manage and operate the privatisation object under the privatisation transaction prior to the acquisition of ownership rights to that object, privatisation transactions must provide for the conditions ensuring the possibility for the founder of the enterprise to control the activities of the privatised object.

5. Privatisation transaction must provide for the sanctions against the purchaser for non-fulfilment of the undertaken obligations (fines or deprivation of shares) and (or) guarantees (by indicating the guarantor who would compensate for the losses incurred by the Republic of Lithuania).

Article 24. International Agreements

In the event the international agreements of the Republic of Lithuania establish other rules regulating the conclusion and enforcement of transactions or if privatisation transactions provide for other conditions of the fulfilment of obligations, the provisions of international agreements shall apply.

Article 25. Coming into Effect of this Law

1. This law comes into effect as of 15 September 1995.

2. Upon coming into effect of this Law, the Law on the Initial Privatisation of State Property (LIPSP) of the Republic of Lithuania shall remain in force to the extent of its applicability to the privatisation of state property included in the privatisation programmes that were prepared under the LIPSP.

3. By 1 September 1995, the Government of the Republic of Lithuania shall establish the Lithuanian State Privatisation Agency within the Government of the Republic of Lithuania and approve its statutes.

I promulgate this Law passed by the Seimas of the Republic of Lithuania.

Algirdas Brazauskas
President of the Republic

Vilnius
4 July 1995
No. I-1001